

SOI Bulletin

Statistics of Income

2007

SUMMER

Volume 27, Number 1

www.irs.gov/taxstats

Department of the Treasury
Internal Revenue Service

Kevin M. Brown

Acting Commissioner

Mark J. Mazur

Director, Research, Analysis, and Statistics

Thomas B. Petska

Director, Statistics of Income Division

Janet McCubbin

Chief, Special Studies Branch

Martha Eller Gangi

Chief, Statistical Data Section

Statistics of Income Division

Internal Revenue Service

P.O. Box 2608

Washington, DC 20013-2608

202/874-0410

Fax: 202/874-0964

sis@irs.gov

www.irs.gov/taxstats

SOI BULLETIN

A Quarterly Statistics of Income Report

Volume 27 , Number 1

The *Statistics of Income (SOI) Bulletin* is issued quarterly, in March, June, September, and December, by the Statistics of Income Division of the Internal Revenue Service. The report provides the earliest published annual financial statistics obtained from the various types of tax and information returns filed, as well as information from periodic or special analytical studies of particular interest to students of the U.S. tax system, tax policymakers, and tax administrators. Selected historical and other data tables, previously published in every issue of the *SOI Bulletin*, now are published only in the spring issue of the *Bulletin*. These tables are also available on SOI's pages of the IRS Web site (www.irs.gov/taxstats).

Information on the availability of supplemental data on the topics included in this issue, special tabulations undertaken on a reimbursable basis, or other SOI subjects, may be obtained by telephoning the SOI's Statistical Information Services (202-874-0410), or by writing to the Director, Statistics of Income Division RAS:S, Internal Revenue Service, P.O. Box 2608, Washington, D.C. 20013-2608.

The *SOI Bulletin* is prepared under the direction of Martha Eller Gangi, Chief, Statistical Data Section. Paul Bastuscheck (layout and graphics), James Dalton (writer-editor), Heather Lilley (layout and graphics), Lisa Smith (layout and graphics editor), Bobbie Vaira (publishing services coordinator), and Dorothy Wallace (layout and graphics) are the editorial staff who prepare the manuscript. Jim Hobbs and Emily Gross also made major contributions in the production of this issue. Views expressed in the articles are those of the authors and do not necessarily represent the views of the Treasury Department or the Internal Revenue Service.

NOTE: When using information from this report, cite the publication as follows—
Internal Revenue Service
Statistics of Income Bulletin
Summer 2007
Washington, D.C. 2007

For sale by the
Superintendent of Documents
P.O. Box 371954
Pittsburgh, PA 15250-7954

Features:

SOI Approaches First Century in the Twenty-First 4

by James Dalton

Sole Proprietorship Returns, 2005 6

by Jeff Curry and Justin Bryan

Foreign-Controlled Domestic Corporations, 2004 65

by James R. Hobbs

What's New in Federal Excise Taxation, Fiscal Years 1992-2006 109

by Melissa Laine

Recent Changes in the Estate Tax Exemption Level and Filing Population 114

by Brian G. Raub

The Estate Tax: Ninety Years and Counting 118

by Darien B. Jacobson, Brian G. Raub, and Barry W. Johnson

A History of Controlled Foreign Corporations and the Foreign Tax Credit 129

by Melissa Redmiles and Jason Wenrich

Departments:

Bulletin Board 2

SOI Sampling Methodology and Data Limitations 136

SOI Projects and Contacts 139

SOI Products and Services 144

Index — Previously Published Articles and Data Releases Inside Back Cover

Bulletin Board

From the Director

In this year, the 90th anniversary of the Statistics of Income (SOI) function, we can look back on a long and proud history filled with dedicated staff, operational innovations, and significant accomplishments. The 16th Amendment to the Constitution, which gave Congress the power to levy taxes, became effective in 1913, and the Revenue Act of 1916 included a requirement for the “preparation and publication of statistics reasonably available with respect to the operation of the income tax law.” A year later, in 1917, the predecessor of SOI was created, and the first statistical report was published in the following year.

Despite the many changes in people, methodologies, logistics, and technologies, the mission of SOI has remained virtually the same: to collect, analyze, and disseminate information on federal taxation for the Treasury Department; Congressional Committees; the Internal Revenue Service in its administration of the tax laws; other organizations engaged in economic and financial analysis; and the general public.

As part of our anniversary celebration, beginning with this issue of the *SOI Bulletin* and continuing in the next two issues, we will publish a series of articles that present historic SOI data on a variety of topics. While we look back in celebration, we also look forward to a bright future for SOI – one of expanding data products and statistical services, as well as extending our customer base. I hope you will enjoy our celebratory issues of the *Bulletin*!

Tom Petska

Inside this Issue

Sole Proprietorship Returns, 2005

by Jeff Curry and Justin Bryan

For Tax Year 2005, there were approximately 21.5 million individual income tax returns that reported nonfarm sole proprietorship activity. Total profits for all nonfarm sole proprietorships were \$269.9 billion, a 9.0-percent increase from Tax Year 2004. When adjusted for inflation, profits increased by 5.5 percent, the highest percentage increase in profits since 1998. Every sole proprietor industrial sector but one reported an increase in profits. The largest percentage increase in profits for a major industrial sector was 19.4 percent for the real estate and rental leasing

sector, followed by a 15.5-percent increase for the transportation and warehousing sector and a 14.6-percent increase for the retail trade sector.

Foreign-Controlled Domestic Corporations, 2004

by James R. Hobbs

There were 57,935 domestic corporations each controlled by a foreign person for Tax Year 2004. These foreign-controlled domestic corporations (FCDCs) were relatively few in number, accounting for just 1.0 percent of the total of all U.S. corporations. However, these corporations generated \$3.1 trillion of total receipts and reported \$8.0 trillion of total assets, accounting for 13.5 percent of the receipts and 13.3 percent of the assets reported on all U.S. corporation income tax returns. Two industrial sectors, manufacturing and wholesale trade, generated over 69 percent of the total FCDC receipts. Domestic corporations controlled by persons in the United Kingdom reported 19.2 percent of the FCDC total receipts. Profits (net income less deficit) reported by FCDCs for tax purposes were \$90.8 billion for 2004, a substantial increase from the prior year. The U.S. tax liability (total income tax after credits) of FCDCs was \$29.9 billion for 2004, also much larger than that of the prior year.

What's New in Federal Excise Taxation, Fiscal Years 1992-2006

by Melissa Laine

Federal receipts from excise taxation reached a level of \$76.1 billion for Fiscal Year (FY) 2006. These receipts represented a 1.2-percent increase since FY 2005 and a 35.9-percent increase since FY 1996. Excise taxes accounted for 3 percent of total receipts for the U.S. Government in FY 2006. This article explores some of the changes in tax law that occurred between FY 1993 and FY 2006 in the areas of retail and manufacturers' excise taxes.

Recent Changes in the Estate Tax Exemption Level and Filing Population

by Brian G. Raub

As part of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), the exemption amount for estates was increased incrementally from \$675,000 for deaths in 2001 to \$1.5 million for deaths in 2004 and 2005. Between Filing Years 2001 and 2005, the number of estate tax returns filed

decreased by 58 percent, from 108,071 in 2001 to 45,070 in 2005. Total gross estate reported on these returns declined by a more modest 14 percent, from \$216 billion in 2001 to \$185 billion in 2005. Meanwhile, net estate tax reported on these returns decreased by only 8 percent, from \$24 billion in 2001 to \$22 billion in 2005. This article also presents other changes to Federal estate tax law that were introduced under EGTRRA.

The Estate Tax: Ninety Years and Counting

by Darien B. Jacobson, Brian G. Raub, and Barry W. Johnson

For the past 90 years and at key points throughout American history, the Federal Government has relied on estate and inheritance taxes as sources of funding. Proponents have frequently advocated that these taxes are effective tools for preventing the concentration of wealth in the hands of a relatively few powerful families, while opponents believe that transfer taxes discourage capital accumulation, curbing national economic growth. This tension, along with fiscal and other considerations, has led to the periodic revisions of Federal estate tax laws, affecting both the size of the decedent population subject to the tax and the revenue collected. This article provides a brief history of the estate tax and its impact on the U.S. budget. It also examines the ways in which the economic behavior of the affected population has changed over time in response to market, technological, and political stimuli.

A History of Controlled Foreign Corporations and the Foreign Tax Credit

by Melissa Redmiles and Jason Wenrich

As U.S. corporations have expanded their businesses overseas in the last several decades, the United

States Tax Code has been modified to account for increasingly complex international corporate structures and transactions. Two important international tax concepts that have emerged over the years are the corporate foreign tax credit and controlled foreign corporations. The corporate foreign tax credit was created to alleviate the burden of double taxation and has undergone several major changes since its inception. Meanwhile, the income of controlled foreign corporations has become increasingly subject to U.S. tax after initially presenting a potential tax deferral advantage over foreign branches.

In the Next Issue

The following articles or data releases are tentatively planned for inclusion in the fall 2007 issue of the *Statistics of Income Bulletin*, scheduled to be published in November 2007:

- Individual Income Tax Returns, 2005;
- Partnership Returns, 2005;
- Tax-Exempt Governmental and Private Activity Bonds, 2005;
- Private Foundations and Charitable Trusts, 2004;
- Foreign Tax Credit, 2003; and
- Charities and Other Tax-Exempt Organizations, 2004.

In continued celebration of SOI's 90th anniversary, the fall issue will also present the article, "Celebrating Ninety Years of SOI: Selected Corporate Data, 1916-2004."

SOI Approaches First Century in the Twenty-First

by James Dalton

As we celebrate our 90th year of doing business and meeting the needs of our many customers, we would like to take a look back at the exceptional trailblazers who have made our products and services possible.

Dr. Edward White was the George Washington of Statistics of Income. He arrived in 1918 at an annual salary that today is less than one biweekly paycheck for a journeyman mathematical statistician at SOI—\$2,000. Naturally, as the premier head of a new organization, his resume is a list of firsts:

- first SOI report on personal and corporate income tax returns (for 1916 in 1918)
- first data on sole proprietorships (for 1917 in 1919)
- first data on estate tax returns (for 1916-1922 in 1925)
- first complete income statements for corporations (for 1922 in 1925)
- first gift tax return statistics (for 1925 in 1926)
- first *Source Book* of corporation tax data (for 1926 in 1928)
- first separate individual and corporation reports (for 1934 in 1936)
- first fiduciary income statistics (for 1937 in 1940) and
- first detailed partnership statistics (for 1939 in 1945).

James Dalton is a writer-editor with the Special Studies Statistical Data Section. This article was prepared under the direction of Martha Eller Gangi, Chief.

Dr. White took SOI from nonelectric comptometers to punch cards and machine tabulation around 1928. Sampling of individual income tax returns was introduced under his leadership, and, later in his tenure, stratified systematic samples of individual returns were also implemented. It is safe to say that his 29-year tenure (1918-1946) will probably never be surpassed.

James Turner replaced Dr. White in 1946. Turner was an IRS employee. But possibly no one could replace Dr. White, for his successor had the shortest tenure of any SOI Director to date. He served 3 years (1946-1949).

Turner's elevation to Director was perhaps IRS recognition of his greatest achievement, as he is credited with development of the standard deduction. In IRS annals, this is quite an achievement. Today, all Americans facing their tax responsibilities can say a collective "thank you, Jim Turner" for the relief offered from their burden through the deduction.

Bryce Bratt took the SOI helm in 1949. He was the second IRS employee to do so. His 4-year tenure (1949-1953) was hampered by a tremendous backlog of statistical reporting that could not be processed, finalized, or delivered due to World War II. Bratt extended the use of sampling, previously limited to individual returns, to corporation returns and then to returns for other SOI programs. For the corporate study, he achieved a sampling rate of 41.5 percent, handling 285,000 returns out of a total population of 687,000.

Perhaps the task was overwhelming. Within 5 years, he was gone, and a new era was about to dawn, not only for SOI but also for the Internal Revenue Service itself.

SOI Approaches First Century in the Twenty-First

Ernest Enquist, the fourth Director of SOI, arrived in 1953 and brought our entire agency into the computer age. In 1954, his second year as Director, he funded half of the cost of a Remington Rand UNIVAC 1 purchased with the Census Bureau, where he had been a statistician. The UNIVAC was IRS's and, of course, SOI's first computer. To achieve his vision, he doubled SOI staffing and reassigned manual statistical processing to the field, a transition that involved establishing the first SOI quality control program to maintain the integrity of data.

This streamlining also enabled his organization to focus on specialized areas like partnership returns, taxpayer usage studies, advance tabulations of individual data, capital gains, corporate foreign tax credit, sales of capital assets, depletion, and depreciation. In 1962, Enquist saw to the implementing of Public Law 87-870, which allowed SOI to conduct special studies for reimbursement. His 11-year tenure (1953-1964) laid the groundwork for most of what SOI now delivers. For his computer innovations alone, he is well-remembered.

Sole Proprietorship Returns, 2005

by Jeff Curry and Justin Bryan

For Tax Year 2005, there were approximately 21.5 million individual income tax returns that reported nonfarm sole proprietorship activity. Nearly every sole proprietor industrial sector reported an increase in profits. Total profits for all nonfarm sole proprietorships were \$269.9 billion, a 9.0-percent increase from Tax Year 2004. When adjusted for inflation, profits increased by 5.5 percent, the highest percentage increase in profits since 1998. The largest percentage increase in profits for a major industrial sector was 19.4 percent for the real estate and rental and leasing sector, followed by a 15.5-percent and 14.6-percent increase for the transportation and warehousing sector and the retail trade sector, respectively. The only major industrial sector to show a decline in profits for 2005 was the wholesale trade sector, showing a 3.5-percent decline.

In addition to an increase in profits for sole proprietorships in Tax Year 2005, there was an increase of both receipts and deductions reported on these returns: total business receipts increased 7.3 percent to \$1,222.9 billion, and total business deductions grew 6.8 percent to \$953.4 billion. The real estate and rental and leasing sector reported the largest percentage increase in both receipts and deductions, with a 17.6-percent increase in business receipts and a 16.4-percent increase in deductions. The wholesale trade sector reported the second largest growth in receipts at 13.3 percent. For 2005, when inflation is taken into account, receipts and deductions increased 3.9 percent and 3.4 percent, respectively. For 2005, profits as a percentage of receipts rose to their highest level in over 18 years to 23.07 percent. Also, for 2005, depreciation had its largest real decline in over 18 years, decreasing by 11.8 percent.

Jeff Curry and Justin Bryan are economists with the Individual Research Section and the Individual Returns Analysis Section, respectively. This article was prepared under the direction of Carl Greene, Former Chief of Individual Research Section, and Jeff Hartzok, Chief of Individual Returns Analysis Section.

The North American Industry Classification System (NAICS) for industrial coding was introduced for the first time in Tax Year 1998. Because of the coding changes, comparisons between data by industries from 1998-2005 with 1997 and prior years may show inconsistencies. A reason for this was that many sole proprietorships under the NAICS system were classified in completely different industrial groups, which makes prior-year comparisons inappropriate. For example, in 1997, finance, insurance, and real estate were grouped by Standard Industrial Classification (SIC) codes as one industry, while, under the NAICS system, the group has been split into two industrial sectors. The industrial sectors based on the NAICS codes are reported in Tables 1 and 2.

Returns and Receipts

The number of individual income tax returns reporting nonfarm sole proprietorship activity for 2005 increased 4.3 percent to almost 21.5 million (Figure A).¹ However, despite the overall increase, the largest sector (in terms of number of returns), professional, scientific, and technical services, decreased 2.3 percent to almost 2.9 million returns. Conversely, the construction sector, which was the second largest sector, reported 2.8 million returns, an increase of 9.0 percent. The largest reported increase in number of returns for any industrial sector was in the real estate and rental and leasing sector with a 14.4-percent increase to almost 1.3 million returns.

Total business receipts (the sum of “income from sales and operations” and “other business income”) for all nonfarm sole proprietorship industries increased 7.3 percent, from \$1,139.5 billion to \$1,222.9 billion.² Just as with number of returns, the real estate and rental and leasing sector showed the largest percentage increase in receipts, reporting an increase of \$12.4 billion or 17.6 percent. The second largest percentage increase in receipts for 2005 was in the wholesale trade sector with an increase of 13.3 per-

¹ For 2005, the 21,467,566 nonfarm sole proprietorship returns accounted for an estimated 23,893,733 nonfarm businesses. For purposes of the statistics, if a proprietor owned more than one business, the statistics for each business were combined with those of the proprietor's dominant business and included in the industrial group for that business activity. When this occurred, the sum of net incomes (for businesses reporting a positive net income) reduced by the sum of net deficits (for businesses reporting a deficit) yielded the profits for a specific industrial group. The North American Industry Classification System (NAICS) was used to classify data by industries for 2005. These classifications were applied on a “per business” (rather than on a “per establishment”) basis for Statistics of Income by combining various industry groups, although businesses were further combined as described above. While the wording of the industry titles used for the sole proprietorship statistics diverge somewhat from those appearing in NAICS, the definitions are consistent.

² Statistics for “business receipts, total” in Table 2 represent the total receipts of the business, mainly gross receipts from sales and operations. Business receipts also include miscellaneous business receipts, such as incidental sales of scrap, shown separately in the statistics as “other business income.” However, business receipts exclude incidental investment income received through the business. Examples of such incidental investment income are interest, dividends, income or loss from rents or royalties, and capital or ordinary gain or loss from the sale of investment and business property. Sole proprietors report incidental investment income, in combination with non business-related investment income, as part of their total incomes on their individual income tax returns.

Sole Proprietorship Returns, 2005

Figure A

Nonfarm Sole Proprietorship Returns, Receipts, and Deductions, by Selected Industrial Sectors, Tax Years 2004 and 2005

[Number of returns is in thousands—money amounts are in billions of dollars]

Industrial sector	Number of returns			Total business receipts			Total business deductions [1]		
	2004	2005	Percentage increase	2004	2005	Percentage increase	2004	2005	Percentage increase
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
All nonfarm industries.....	20,590.7	21,467.6	4.3	1,139.5	1,222.9	7.3	892.4	953.4	6.8
Construction.....	2,586.8	2,820.6	9.0	198.4	222.1	11.9	167.3	187.3	11.9
Specialty trade contractors.....	2,084.0	2,235.2	7.3	134.7	149.0	10.6	110.2	122.6	11.3
Wholesale trade (merchant wholesalers).....	350.8	347.9	-0.8	40.8	46.3	13.3	35.7	41.4	15.8
Retail trade.....	2,399.4	2,473.6	3.1	187.1	197.3	5.5	179.0	188.0	5.0
Transportation and warehousing.....	982.8	1,043.1	6.1	65.3	72.3	10.8	56.6	62.3	10.0
Finance and insurance.....	672.7	705.5	4.9	73.1	72.4	-1.0	55.6	52.9	-4.7
Real estate and rental and leasing.....	1,179.4	1,349.6	14.4	70.5	82.9	17.6	42.6	49.6	16.4
Real estate.....	1,113.9	1,284.3	15.3	66.6	78.7	18.2	38.6	45.7	18.3
Professional, scientific, and technical services.....	2,951.0	2,883.4	-2.3	137.7	145.1	5.4	80.9	84.2	4.0
Administrative and support and waste management and remediation services.....	1,994.8	1,915.5	-4.0	50.0	52.0	3.9	35.9	37.5	4.3
Health care and social assistance.....	1,778.0	1,768.7	-0.5	104.2	106.7	2.5	62.2	63.7	2.4
Child day care services.....	694.1	674.2	-2.9	10.0	9.8	-2.0	6.4	6.2	-4.1
Arts, entertainment, and recreation.....	1,132.2	1,157.2	2.2	26.4	27.4	3.9	20.6	20.9	1.6
Performing arts, spectator sports, and related industries.....	963.5	971.1	0.8	19.3	20.0	3.8	13.8	14.2	2.8
Other services.....	2,089.3	2,315.2	10.8	73.0	78.1	7.0	56.6	60.3	6.7
Personal and laundry services.....	1,338.7	1,488.5	11.2	33.6	37.8	12.6	23.0	26.7	15.8
All other industries.....	2,473.4	2,687.3	8.6	113.1	120.2	6.3	99.4	105.3	6.0

[1] Total business deductions are calculated before subtraction of nonallowable "passive" activity losses and any "passive loss" carryover from prior years.

NOTES: Detail may not add to totals because of rounding. Percentage increases were calculated before rounding.

cent. This was followed closely by the 11.9-percent growth in the construction sector, as well as the 10.8-percent growth in the transportation and warehousing sector. Overall, in constant dollar terms, total business receipts had the fourth largest annual increase over Tax Years 1988-2005 of 3.9 percent (Figure B).³

Deductions

Total business deductions ("cost of sales and operations" plus business expenses, including expenses for home office) in current dollars increased 6.8 percent from \$892.4 billion for 2004 to \$953.4 billion for 2005 (Figure A).^{4,5} The wholesale trade sector showed the largest percentage increase in deductions

with 15.8 percent. As shown in Figure B, when accounting for inflation, business deductions increased 3.4 percent, the fifth largest increase in deductions from Tax Years 1988-2005 and the second straight increase after 3 years of decreases.

Representing 41.6 percent of total 2005 business deductions, the cost of sales and operations was approximately \$396.9 billion (Figure C), a 7.0-percent increase from the 2004 level. Total business "expenses" (total business deductions minus the cost of sales and operations) were \$556.5 billion for 2005, a 6.7-percent increase from the 2004 amount. Figure D graphically presents the main components of total business expenses. The largest component, salaries

³ Based on the overall implicit price deflator for Gross Domestic Product (GDP). See U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*. Indices by year used for this article were: 1988 (75.7); 1989 (78.6); 1990 (81.6); 1991 (84.4); 1992 (86.4); 1993 (88.4); 1994 (90.3); 1995 (92.1); 1996 (93.9); 1997 (95.4); 1998 (96.5); 1999 (97.9); 2000 (100.0); 2001 (102.4); 2002 (103.9); 2003 (106.0); 2004 (109.1); 2005 (112.7).

⁴ Sole proprietors report personal, i.e., nonbusiness, income and expense items apart from business income or loss, which is reported on the attached Schedule C, *Profit or Loss From Business* (or, to a lesser extent, on Schedule C-EZ, *Net Profit From Business*). Salaries paid to owners qualify as personal income, not as a business expense, and are, therefore, part of the owner's taxable income. Similarly, sole proprietors deduct charitable contributions made through the business as personal expenses on Schedule A, Itemized Deductions. However, the owner of a sole proprietorship may choose to deduct any foreign taxes paid as a business expense, unless the owner elects to claim these taxes as a credit against U.S. income tax.

⁵ Business deductions include home office business deductions. After 1990, home office expenses were calculated separately on Form 8829, *Expenses for Business Use of Your Home*, and the deductible portion brought forward to Schedule C. In some cases, these expenses were limited. Prior to 1990, these expenses were not limited and were included with other expenses, such as depreciation deductions, utilities, and "other" expenses on Schedule C.

Sole Proprietorship Returns, 2005

Figure B

Nonfarm Sole Proprietorship Receipts, Deductions, and Profits, Tax Years 1988-2005

[Money amounts are in billions of dollars]

Tax year	Total business receipts			Total business deductions [1]			Net income less deficit (profits)		
	Current dollars	Constant dollars [2]		Current dollars	Constant dollars [2]		Current dollars	Constant dollars [2]	
		Amount	Percentage increase		Amount	Percentage increase		Amount	Percentage increase
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1988.....	672.0	887.8	0	545.7	720.9	0	126.3	166.9	0
1989.....	692.8	881.9	-0.7	560.2	713.1	-1.1	132.7	168.9	1.2
1990.....	730.6	895.5	1.5	589.2	722.1	1.3	141.4	173.3	2.6
1991.....	712.6	843.9	-5.8	571.2	676.4	-6.3	141.5	167.6	-3.3
1992.....	737.1	853.3	1.1	583.1	675.0	-0.2	154.0	178.3	6.4
1993.....	757.2	856.8	0.4	600.8	679.7	0.7	156.5	177.0	-0.7
1994.....	790.6	876.0	2.2	623.8	691.2	1.7	166.8	184.8	4.4
1995.....	807.4	876.6	0.1	638.1	692.8	0.2	169.3	183.8	-0.6
1996.....	843.2	898.5	2.5	666.5	710.1	2.5	176.8	188.3	2.5
1997.....	870.4	912.2	1.5	683.9	716.7	0.9	186.6	195.6	3.9
1998.....	918.3	951.8	4.3	716.2	742.3	3.6	202.3	209.7	7.2
1999.....	969.3	990.5	4.1	761.4	778.0	4.8	207.9	212.5	1.3
2000.....	1,021.0	1,021.0	3.1	806.4	806.4	3.6	214.7	214.7	1.1
2001.....	1,016.8	993.3	-2.7	799.6	781.1	-3.1	217.4	212.3	-1.1
2002.....	1,029.7	990.6	-0.3	808.9	778.2	-0.4	221.1	212.7	0.2
2003.....	1,050.2	990.8	[3]	820.2	773.8	-0.6	230.3	217.3	2.1
2004.....	1,139.5	1,044.5	5.4	892.4	818.0	5.7	247.6	226.9	4.4
2005.....	1,222.9	1,084.7	3.9	953.4	845.7	3.4	269.9	239.4	5.5

[1] Total business deductions are calculated before subtraction of nonallowable "passive" activity losses and any "passive loss" carryover from prior years. However, these losses (after subtraction) and any carryover are reflected in net income or deficit. Therefore, total business receipts minus total business deductions may not always equal net income or deficit.

[2] Constant dollars are based on the overall implicit price deflator for gross domestic product computed and reported by the U.S. Department of Commerce, Bureau of Economic Analysis, in the *Survey of Current Business*. The deflator represents the annual average of current-weighted prices, based on 2000 = 100.

[3] Less than 0.05 percent.

NOTE: Percentage increases were calculated before rounding.

and wages, accounted for 13.5 percent of the total. For 2005, salaries and wages totaled \$75.1 billion, a 5.7-percent increase from 2004. The next largest components of business expenses were cars and trucks (12.8 percent), rent on business property, machinery, and equipment (7.1 percent), and depreciation (7.0 percent). For 2005, these items were \$71.0 billion, \$39.5 billion, and \$39.1 billion, respectively. Car and truck expenses showed a 20.4-percent increase from 2004; rent on business property, machinery, and equipment showed a 7.1-percent increase while depreciation declined by 8.9 percent. Car and truck expenses showed the largest increase in percentage share of business expenses at 1.5 percentage points, up from 11.3 percent in 2004, while depreciation showed the largest decrease at 1.2 percentage points, down from 8.2 percent for 2004.

Depreciation deductions began to decline for Tax Year 1986, following the enactment of the Tax Reform Act of 1986 (TRA86). TRA86 reduced the allowable depreciation deduction by lengthening the cost recovery periods and changing the depreciation methods for property placed in service after July 31, 1986. In constant dollars, depreciation deductions dropped 9.6 percent for 1989 and continued to decline through 1992 (Figure E). Beginning with 1993, constant dollar depreciation increased every year through 2003, except for 1995, when it decreased 1.9 percent to \$28.5 billion.⁶ The largest increases occurred in 2002 and 2003 (8.0 percent and 11.7 percent, respectively). However, for 2004 and again in 2005, constant dollar depreciation showed a decrease. In real terms, depreciation decreased 11.8

⁶ The increase in the depreciation deduction for 1993 may be attributed, in part, to a provision of the Omnibus Budget Reconciliation Act of 1993 (OBRA93). The cost of certain tangible property (as described in Internal Revenue Code section 179) may be treated as a current expense rather than a capital expenditure subject to depreciation deductions. The provision of OBRA93 (related to these expenses) increased the maximum amount of investment certain small businesses could immediately deduct on property placed in service after 1992, from \$10,000 to \$17,500. Following the enactment of this provision, the 179 deduction for all individuals (not just sole proprietors) filing Form 4562, *Depreciation and Amortization*, increased 32.4 percent to \$13.5 billion for 1993.

Sole Proprietorship Returns, 2005

Figure C

Components of Nonfarm Sole Proprietorship Business Deductions, Tax Years 2004 and 2005

[Money amounts are in millions of dollars]

Business deductions	2004	2005	Percentage increase
	(1)	(2)	(3)
Business deductions, total [1,2].....	892,402.4	953,391.5	6.8
Cost of sales and operations, total.....	370,951.2	396,875.8	7.0
Inventory, beginning of year.....	35,761.1	38,101.7	6.5
Cost of labor.....	31,768.7	32,163.0	1.2
Purchases.....	238,922.5	252,887.7	5.8
Materials and supplies.....	53,267.9	55,902.0	4.9
Other costs.....	50,186.7	59,845.9	19.2
Inventory, end of year.....	38,955.7	42,024.5	7.9
Business expenses, total [1].....	521,451.2	556,515.7	6.7
Advertising expenses.....	12,888.3	14,449.5	12.1
Car and truck expenses.....	58,980.3	71,013.1	20.4
Commissions.....	13,267.0	15,439.7	16.4
Contract labor.....	24,686.7	28,223.6	14.3
Depletion.....	775.6	1,061.8	36.9
Depreciation [3].....	42,900.8	39,080.2	-8.9
Employee benefit programs.....	2,617.8	2,798.3	6.9
Home office business deductions [3].....	7,807.0	8,801.1	12.7
Depreciation, Form 8829.....	1,093.4	1,260.2	15.3
Insurance.....	18,864.2	19,000.9	0.7
Legal and professional services.....	8,959.1	9,836.9	9.8
Meals and entertainment deducted.....	5,997.8	6,802.2	13.4
Mortgage interest.....	5,167.4	5,543.7	7.3
Other interest paid on business indebtedness.....	5,856.4	6,565.9	12.1
Office expenses.....	12,362.7	12,835.6	3.8
Pension and profit-sharing plans.....	1,202.2	1,251.9	4.1
Rent on machinery and equipment.....	8,728.4	9,135.7	4.7
Rent on other business property.....	28,139.2	30,349.0	7.9
Repairs.....	14,762.5	14,976.1	1.4
Supplies.....	27,302.9	28,858.6	5.7
Salaries and wages.....	71,068.5	75,091.2	5.7
Taxes paid.....	16,036.2	16,797.5	4.7
Travel.....	10,317.6	11,308.3	9.6
Utilities.....	21,477.5	22,910.3	6.7
Other business deductions.....	98,293.2	101,044.7	2.8

[1] Includes returns with Schedule C-EZ attached. Because only a total is reported for business deductions on Schedule C-EZ, the totals shown in the statistics exceed the sum of the detailed deductions; the detailed deductions are, therefore, slightly understated.

[2] Total business deductions are before subtraction of nonallowable "passive" activity losses and any "passive loss" carryover from the prior years.

[3] Depreciation claimed on Form 8829 is included in "home office business deductions" and excluded from depreciation shown above.

NOTES: Detail may not add to totals because of rounding. Percentage increases were calculated before rounding.

percent in 2005, making it the largest decrease since before 1988.^{7, 8}

Beginning with Tax Year 1992, certain smaller businesses could elect not to itemize depreciation and other business deductions by filing Schedule C-EZ, *Net Profit From Business*, a simplified version of Schedule C, *Profit or Loss From Business*. (Schedule C and Schedule C-EZ are the source of sole proprietorship statistics.) For Tax Year 2005, taxpayers could use Schedule C-EZ if they: had business expenses of \$5,000 or less; used the cash accounting method; had no inventories; did not report a deficit from the business; had only one business as a sole proprietor; had no employees; were not required to file Form 4562, *Depreciation and Amortization*, for the business; claimed no deduction for home business expenses; and had no prior-year disallowed passive activity losses from the business. Since taxpayers using Schedule C-EZ did not itemize business deductions, the detailed deductions in Table 2 are slightly understated and do not add to the totals.

Figure F presents the numbers and percentages of nonfarm sole proprietorship returns filed on Schedule C-EZ by industrial sector. Approximately 3.9 million taxpayers filed Schedule C-EZ for Tax Year 2005, representing a 4.5-percent increase from the number filed for 2004. Of the returns filed for 2005 in the administrative and support services sector (the largest filers of this schedule), taxpayers filed approximately 580 thousand Schedule C-EZ returns, or 30.3 percent of the total for that sector.⁹ For 2005, business receipts from Schedule C-EZ filers totaled \$26.0 billion, or 2.1 percent of total business receipts reported. Business deductions reported on Schedule C-EZ returns accounted for only 0.4 percent of total business deductions for all industries, or \$3.3 billion of the total \$953.4 billion. Even in the administrative and support services sector with its higher concentration of Schedule C-EZ filers, deductions reported on Schedule C-EZ accounted for just 1.2 percent of that sector's total business deductions.

⁷ Under the Jobs and Growth Tax Relief Reconciliation Act of 2003, the maximum amount of section 179 deduction (the amount of depreciable property that one can expense for the cost of certain qualifying property) increased from \$24,000 for 2002 to \$100,000 for 2003, \$102,000 for 2004 and \$105,000 for 2005. For all tax returns that filed Form 4562, *Depreciation and Amortization*, the section 179 property deducted as an expense increased by 3.8 percent to \$41.3 billion for 2005. The Jobs Creation and Worker Assistance Act of 2002 introduced 30-percent bonus depreciation, and the Jobs and Growth Tax Relief Reconciliation Act of 2003 increased the bonus percentage to 50 percent, for property placed in service by January 1, 2005. While bonus depreciation was available to sole proprietors, it was generally not as advantageous as immediate expensing and therefore likely had less effect on their depreciation deductions.

⁸ For 2005, \$21.5 billion were deducted as section 179 property on returns that had a Schedule C, up from \$19.9 billion in 2004. This number does not reflect depreciation solely deducted on Schedule C as this could also include depreciation taken on Schedule E, *Supplemental Income and Loss*, and Schedule F, *Profit or Loss from Farming*.

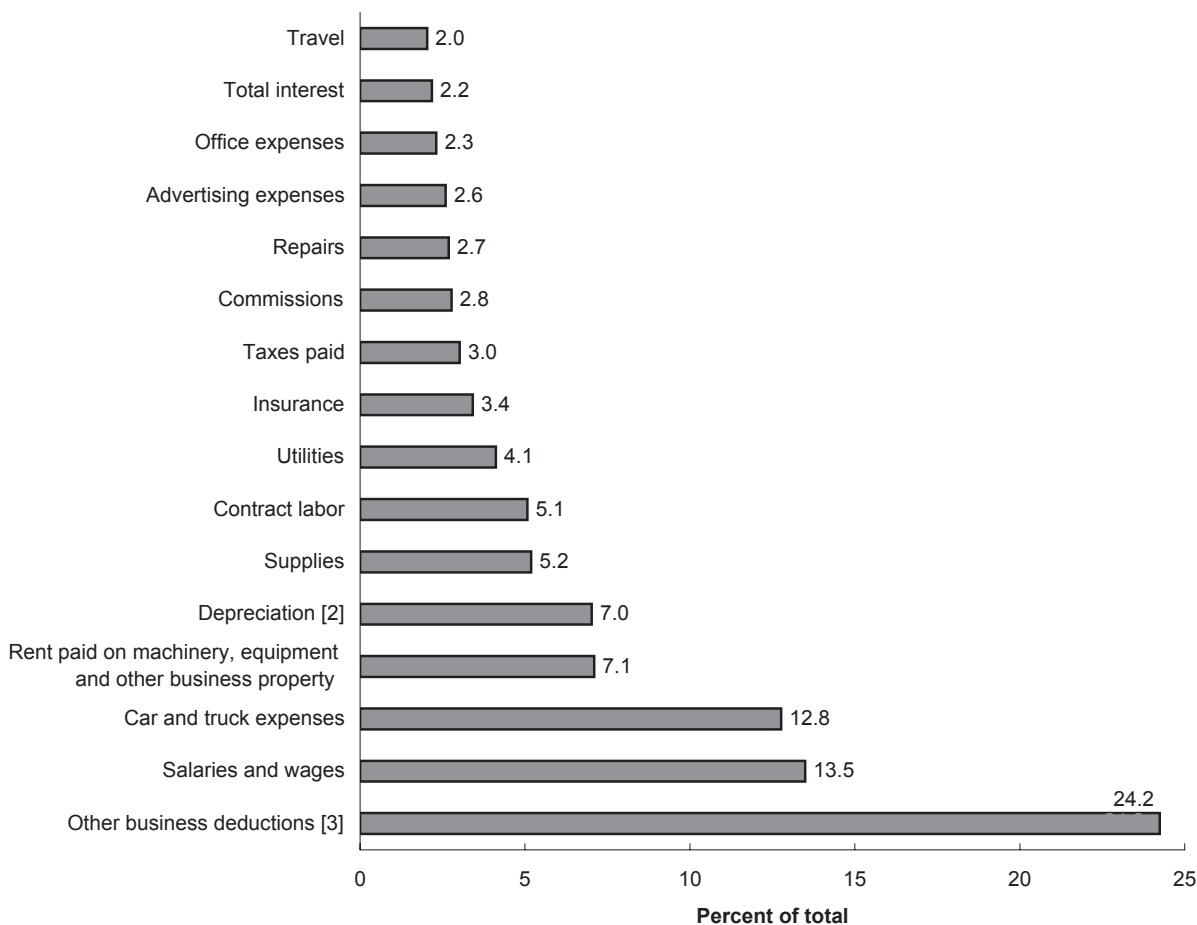
⁹ Based on the NAICS system, the full name of the administrative and support services sector is the administrative and support and waste management and remediation services sector. The waste management and remediation services portion make up a small percentage of the overall numbers reported under this classification, which are detailed in Table 1.

Sole Proprietorship Returns, 2005

Figure D

Nonfarm Sole Proprietorship Total Business Expenses, Tax Year 2005 [1]

Type of expenses



[1] Total business expenses equals all business deductions minus cost of sales and operations.

[2] Depreciation claimed on Form 8829 is included in "home office business deductions" and excluded from "depreciation" shown above. See footnote #3 below.

[3] Other business deductions includes; depletion; employee benefit programs; legal and professional services; pension and profit-sharing plans meals, and entertainment; and home office business deductions. Other business deductions also includes all Schedule C-EZ deductions (\$3.3 billion).

NOTES: Percentages are based on an estimated total business expense of \$556.5 billion. Detail may not add to 100 percent because of rounding.

Profits and Losses

For 2005, all but one of the largest principal industrial sectors reported increased sole proprietorship profits (net income less deficit). Figure B presents total profits for all industries (in both current and constant dollars) since 1988, while Figure G presents profits by industrial sector for 2004 and 2005.¹⁰ Total

profits increased 9.0 percent from \$247.6 billion for 2004 to \$269.9 billion for 2005. The real estate and rental and leasing sector reported the largest percentage change in profits for 2005, increasing 19.4 percent to \$33.3 billion. The real estate portion of this sector provided for most of the increase, with an income of \$33.0 billion for 2005. The transportation

¹⁰ Net income minus deficit (loss) before Federal income tax yields profits. Proprietors compute their tax on total "taxable income," which includes their business profits, plus any other income.

Sole Proprietorship Returns, 2005

Figure E

Nonfarm Sole Proprietorship Net Income, Deficit, and Depreciation, Tax Years 1988-2005

[Money amounts are in billions of dollars]

Tax year	Current dollars			Constant dollars [1]			Percentage increase in constant dollars [1]		
	Net income	Deficit	Depreciation [2]	Net income	Deficit	Depreciation [2]	Net income	Deficit	Depreciation [2]
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1988.....	145.5	19.2	26.1	192.2	25.4	34.5	--	--	--
1989.....	152.4	19.7	24.5	194.0	25.1	31.2	0.9	-1.1	-9.6
1990.....	161.7	20.2	23.7	198.2	24.8	29.0	2.2	-1.3	-6.9
1991.....	162.4	20.9	23.1	192.3	24.8	27.4	-3.0	[3]	-5.8
1992.....	173.5	19.5	23.3	200.8	22.6	27.0	4.4	-8.8	-1.4
1993.....	177.0	20.5	25.0	200.3	23.2	28.3	-0.3	2.8	4.9
1994.....	187.8	21.0	26.2	208.1	23.3	29.0	3.9	0.3	2.6
1995.....	191.7	22.5	26.2	208.2	24.4	28.5	[3]	4.8	-1.9
1996.....	200.1	23.4	27.4	213.2	24.9	29.2	2.4	2.1	2.4
1997.....	210.5	23.8	28.6	220.6	25.0	30.0	3.4	0.3	2.9
1998.....	226.2	23.9	29.1	234.5	24.8	30.2	6.3	-0.7	0.7
1999.....	233.4	25.5	30.6	238.5	26.0	31.3	1.7	4.9	3.7
2000.....	245.2	30.5	32.2	245.2	30.5	32.2	2.8	17.3	2.8
2001.....	250.2	32.8	33.4	244.4	32.0	32.7	-0.3	5.0	1.4
2002.....	257.3	36.2	36.6	247.5	34.8	35.3	1.3	8.7	8.0
2003.....	269.1	38.8	41.8	253.9	36.6	39.4	2.6	5.1	11.7
2004.....	290.5	42.9	42.9	266.3	39.3	39.3	4.9	7.5	-0.2
2005.....	314.8	44.8	39.1	279.2	39.8	34.7	4.9	1.1	-11.8

[1] Constant dollars are based on the overall implicit price deflator for gross domestic product computed and reported by the U.S. Department of Commerce, Bureau of Economic Analysis, in the *Survey of Current Business*. The deflator represents the annual average of current-weighted prices, based on 2000=100.

[2] Excludes depreciation claimed on Form 8829, *Expenses for Business Use of Your Home*.

[3] Less than 0.05 percent.

NOTE: Percentage increases were calculated before rounding.

Figure F

Nonfarm Sole Proprietorship Returns with Schedule C-EZ, by Selected Industrial Sectors, Tax Year 2005

[Money amounts are in millions of dollars]

Industrial sector	Number of returns			Total business receipts			Total business deductions [1]		
	Total	With Schedule C-EZ	Percentage of total	Total	On Schedule C-EZ	Percentage of total	Total	On Schedule C-EZ	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
All nonfarm industries.....	21,467,566	3,871,974	18.0	1,222,880.2	25,970.7	2.1	953,391.5	3,340.0	0.4
Construction.....	2,820,568	457,719	16.2	222,064.3	3,150.4	1.4	187,312.7	410.8	0.2
Wholesale trade (merchant wholesalers).....	347,893	33,799	9.7	46,281.9	275.3	0.6	41,387.3	19.7	[2]
Retail trade.....	2,473,554	239,788	9.7	197,288.9	1,195.9	0.6	188,013.4	217.6	0.1
Transportation and warehousing.....	1,043,120	125,731	12.1	72,341.7	835.6	1.2	62,258.1	124.4	0.2
Finance and insurance.....	705,528	73,086	10.4	72,415.2	679.6	0.9	52,940.1	54.8	0.1
Real estate and rental and leasing.....	1,349,577	115,451	8.6	82,914.6	1,223.2	1.5	49,594.3	164.9	0.3
Professional, scientific, and technical services.....	2,883,419	486,663	16.9	145,110.0	4,954.1	3.4	84,200.6	487.0	0.6
Administrative and support and waste management and remediation services.....	1,915,541	579,786	30.3	51,960.5	3,245.8	6.2	37,492.2	464.2	1.2
Health care and social assistance.....	1,768,679	436,386	24.7	106,744.3	3,088.8	2.9	63,672.4	340.6	0.5
Arts, entertainment, and recreation.....	1,157,201	218,960	18.9	27,376.4	877.8	3.2	20,897.9	178.7	0.9
Other services.....	2,315,191	446,809	19.3	78,147.8	3,201.3	4.1	60,341.1	463.5	0.8
All other industries.....	2,687,295	657,796	24.5	120,234.6	3,242.9	2.7	105,281.5	413.7	0.4

[1] Total business deductions are calculated before subtraction of nonallowable "passive" activity losses and any "passive loss" carryover from prior years.

[2] Less than 0.05 percent.

NOTES: Certain smaller sole proprietorships could elect not to itemize business deductions by filing Schedule C-EZ, *Net Profit from Business*. See the text of this article for a full list of the requirements to be eligible to file Schedule C-EZ.

Sole Proprietorship Returns, 2005

Figure G

Nonfarm Sole Proprietorship Profits, by Selected Industrial Sectors, Tax Years 2004 and 2005

[Money amounts are in billions of dollars]

Industrial sector	Net income less deficit (profits)		
	2004	2005	Percentage increase
	(1)	(2)	(3)
All nonfarm industries.....	247.6	269.9	9.0
Construction.....	31.0	34.8	12.2
Specialty trade contractors.....	24.5	26.4	7.7
Wholesale trade (merchant wholesalers).....	5.1	4.9	-3.5
Retail trade.....	8.1	9.3	14.6
Transportation and warehousing.....	8.8	10.1	15.5
Finance and insurance.....	17.6	19.5	10.7
Real estate and rental and leasing.....	27.9	33.3	19.4
Real estate.....	27.9	33.0	18.0
Professional, scientific, and technical services.....	56.9	61.0	7.3
Administrative and support and waste management and remediation services.....	14.1	14.5	2.9
Health care and social assistance.....	42.0	43.1	2.7
Child day care services.....	3.6	3.6	1.9
Arts, entertainment, and recreation.....	5.8	6.5	11.9
Performing arts, spectator sports, and related industries.....	5.5	5.8	6.3
Other services.....	16.5	17.8	8.3
Personal and laundry services.....	10.6	11.2	5.7
All other industries.....	13.9	15.1	8.5

NOTES: Detail may not add to totals because of rounding. Percentage increases were calculated before rounding.

and warehousing sector reported the second largest percentage increase in profits with 15.5 percent. Interestingly, the wholesale trade sector, which had the largest growth in profits for 2004, was the only sector decline for 2005, reporting a 3.5-percent decrease in profits.

In constant dollars, total profits increased 5.5 percent for 2005 (Figure B). Profits as a percentage of business receipts also increased for 2005. Figure H displays net income less deficits as a percentage of business receipts for 1988 through 2005. In general, this percentage has been increasing from a low of 18.79 percent for 1988. This trend continued for Tax Year 2005 when profit as a percentage of business receipts was 22.07 percent, above the 21.73 percent for 2004. This was the highest percentage for the entire 18-year period shown in the figure, surpassing

the previous high of 22.03 percent for 1998. Figure E presents net income and deficit separately for 1988 through 2005, in current and constant dollars. For 2005, net income (in constant dollars) increased 4.9 percent, and deficit (in constant dollars) increased only 1.1 percent.

Industries

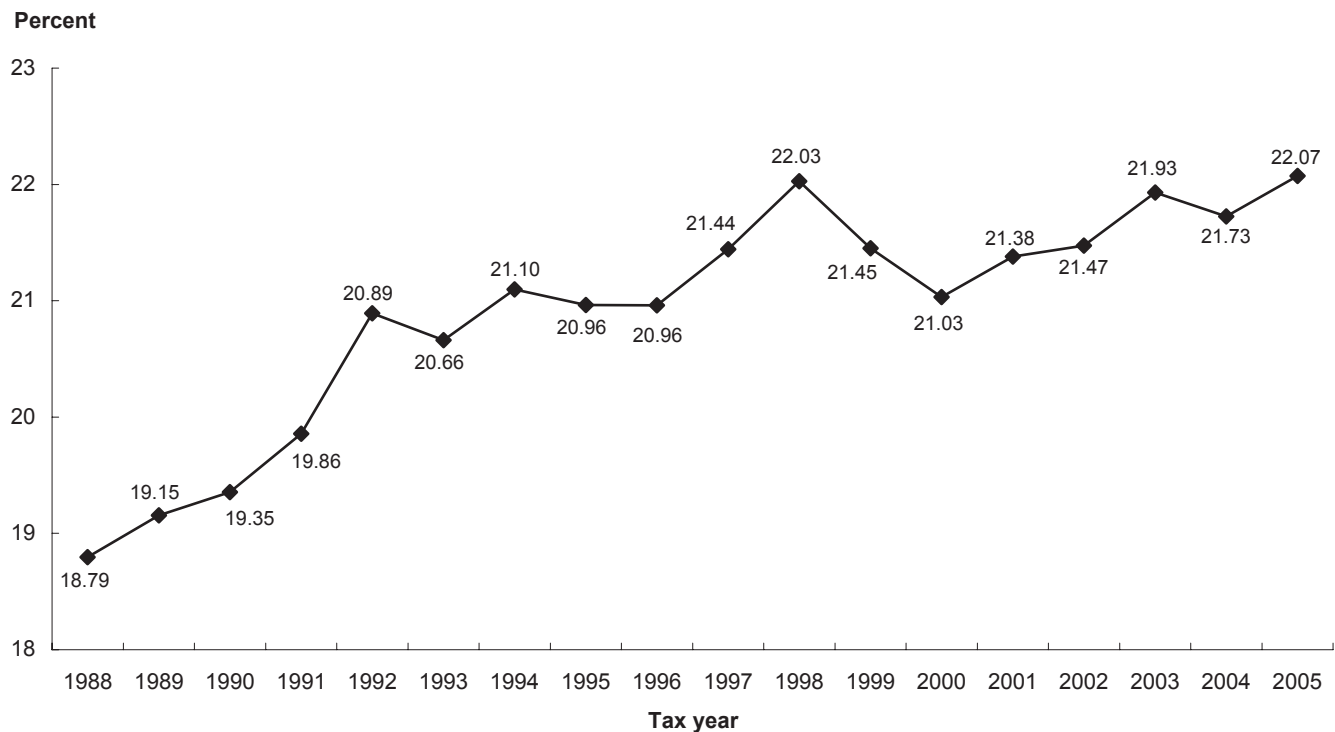
Using receipts as a measure of business size, Figures A and I show that construction was the largest sole proprietorship industrial sector for 2005 with 18.2 percent of all business receipts (the second year in a row that this sector was largest). Total receipts for the construction sector, at \$222.1 billion, were 11.9 percent higher than the \$198.4 billion reported for 2004, while deductions also increased by 11.9 percent, leading to a 12.2-percent increase in profits (to \$34.8 billion). The second largest industrial sector was retail trade, with receipts totaling \$197.3 billion. This amount was 16.1 percent of all sole proprietorship receipts for 2005, and it represented a 5.5-percent increase from the 2004 amount. Deductions also increased in this sector by 5.0 percent. Retail trade profits increased 14.6 percent for 2005, totaling \$9.3 billion.

The third largest sector was professional, scientific, and technical services, which accounted for 11.9 percent of sole proprietorship receipts for 2005. Receipts increased 5.4 percent to \$145.1 billion, and deductions increased 4.0 percent to \$84.2 billion. Although this sector was the third largest sector in terms of business receipts, the professional, scientific, and technical services sector had the largest percentage of sole proprietorship profits with 22.6 percent (Figure J). For 2005, the professional, scientific, and technical services sector's profits went from \$56.9 billion to \$61.0 billion, a 7.3-percent increase from 2004 profits. The sector with the second largest profits was health care and social assistance. These profits rose to \$43.1 billion for 2005, a 2.7-percent increase from 2004 levels and represented 16.0 percent of all sole proprietorship profits. This was followed by construction (12.9 percent, as cited above) and real estate and rental and leasing (12.3 percent) in terms of overall sole proprietor profits.

Sole Proprietorship Returns, 2005

Figure H

Nonfarm Sole Proprietorship Net Income Less Deficit (Profits) as a Percentage of Business Receipts, Tax Years 1988-2005



Tax Year 2001 is the first year in which data became available on the number of Limited Liability Companies (LLCs) among sole proprietorship returns. LLC entities have the limited liability of corporations, but are taxed as sole proprietorships—income and expenses flow through to the owner to be taxed. In 2001, there were approximately 126 thousand sole proprietorship returns that indicated status as an LLC (Figure K). This increased by 15.3 percent for 2002, 51.3 percent for 2003, and 40.4 percent for 2004. For Tax Year 2005, the number of these sole proprietorships rose to approximately 456 thousand, a 47.2-percent increase from 2004.¹¹ The 2005 level of LLCs among sole proprietorship returns counts for 2.1 percent of the total nonfarm sole proprietorships, with the total number of LLCs having more than tripled since 2001.

Summary

Profits for the 21.5 million returns with sole proprietorship activity for Tax Year 2005 grew 9.0 percent

to \$269.9 billion. In constant dollars, total nonfarm sole proprietorship profits increased 5.5 percent, the largest increase since 1998. The real estate and rental and leasing sector reported the largest percentage growth in profits at 19.4 percent. The professional, scientific, and technical services sector had the largest profits of any sector at \$61.0 billion, representing 22.6 percent of total sole proprietorship profits, followed by the health care and social assistance sector at \$43.1 billion or 16.0 percent of total profits. For all sole proprietorships, receipts and deductions increased 7.3 percent and 6.8 percent, respectively. The largest sole proprietorship industrial sector, based on business receipts, was the construction sector, accounting for 18.2 percent of receipts. This sector reported a 12.2-percent increase in profits. The real estate and rental and leasing sector showed the largest percentage increase in both receipts and deductions, reporting a 17.6-percent increase in receipts and a 16.4-percent increase in deductions. Filings of Schedules C-EZ increased 4.5 percent in 2005,

Sole Proprietorship Returns, 2005

Figure I

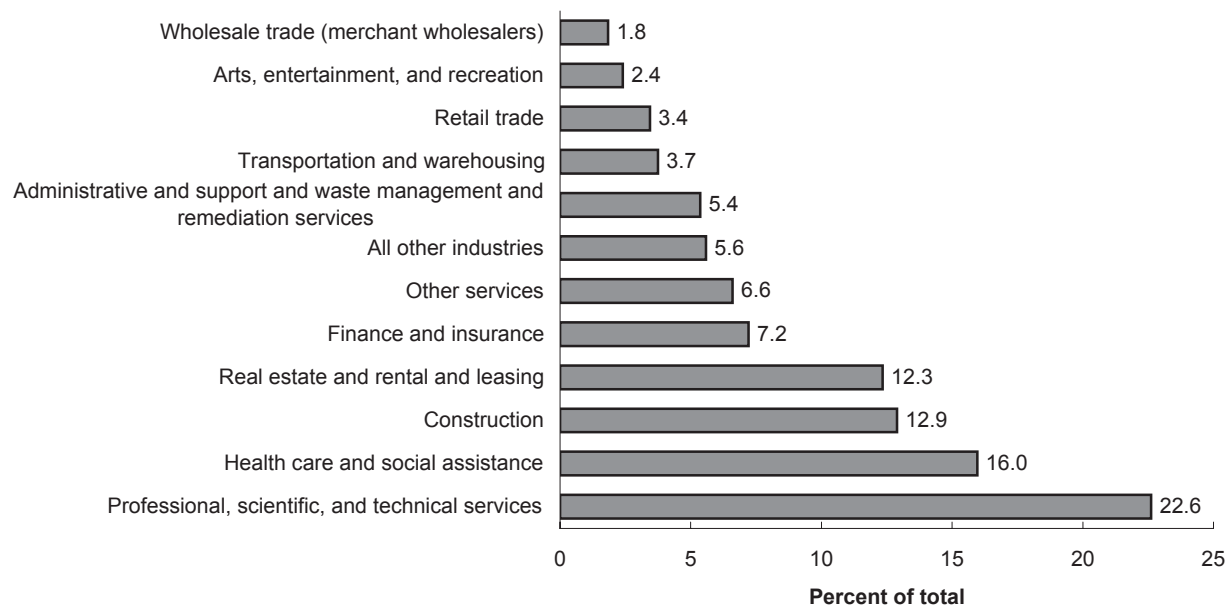
Nonfarm Sole Proprietorship Total Business Receipts by Selected Industrial Sectors, Tax Year 2005



NOTES: Percentages are based on an estimated total business receipts of \$1.2 trillion. Detail may not add to 100 percent because of rounding.

Figure J

Nonfarm Sole Proprietorship Total Business Profits by Selected Industrial Sectors, Tax Year 2005

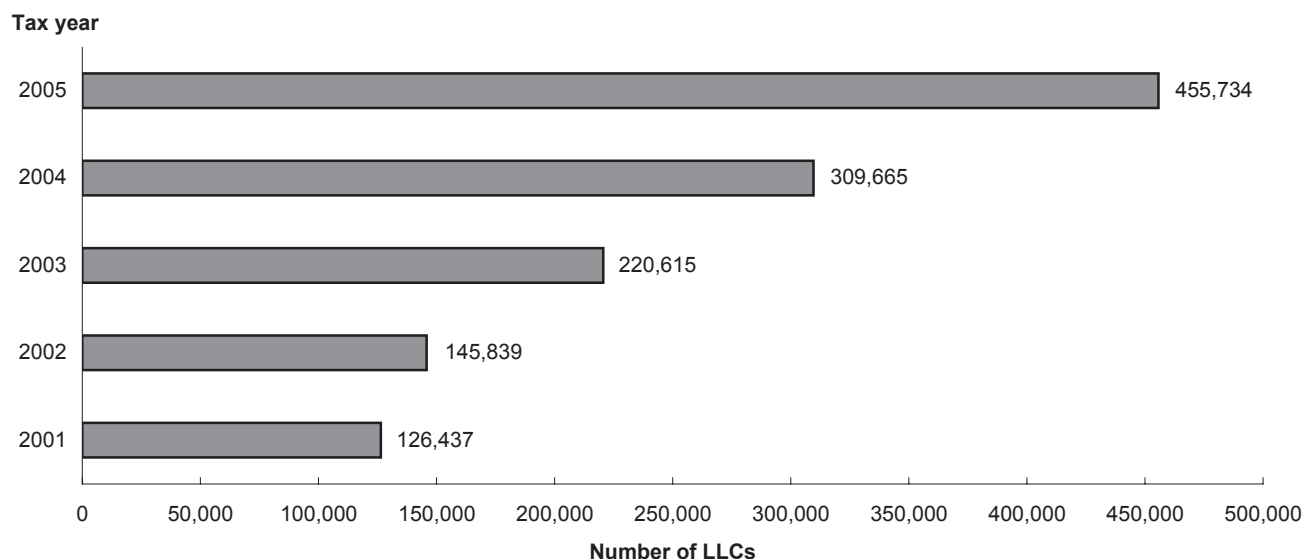


NOTES: Percentages are based on an estimated total business profits of \$269.9 billion. Detail may not add to 100 percent because of rounding. Profits is a designation for "net income less deficit," shown elsewhere in this article.

Sole Proprietorship Returns, 2005

Figure K

Number of Nonfarm Sole Proprietorships Registered as Limited Liability Companies (LLCs), Tax Years 2001-2005



substantially less than the 25.1-percent increase for 2004, the first year in which allowable expenses were doubled to \$5,000 on this form.

Data Sources and Limitations

The 2005 sole proprietorship estimates are based on a stratified probability sample of unaudited Individual Income Tax Returns, Form 1040 (including electronically-filed returns), processed by the Internal Revenue Service during Calendar Year 2006. Returns in the sample were stratified based on: (1) the presence or absence of Schedule C, *Profit or Loss From Business (Sole Proprietorship)*, or Schedule C-EZ, *Net Profit From Business*, and Schedule F, *Farm Income and Expenses*; (2) the larger of positive income or negative income (i.e., “adjusted gross income” before statutory adjustments); and (3) tax year. The returns were selected at rates that ranged from 0.05 percent to 100 percent. The 2005 nonfarm sole proprietor-

ship data are based on a sample of 82,689 returns and a population of 21,756,709 returns.¹¹ The corresponding sample and population for the 2004 data were 62,926 and 20,848,447 returns, respectively.

Since the data presented in this article are estimates based on a sample of returns filed, they are subject to sampling error. To properly use the statistical data estimates provided, the magnitude of the potential sampling error must be known; coefficients of variation (CVs) are used to measure that magnitude. Figure L presents estimated coefficients of variation for the number of returns and money amounts for selected items and industrial sectors. Generally, the smaller the coefficient of variation, the more reliable the estimate is judged to be. The Appendix to this issue of the *Bulletin* discusses the reliability of estimates based on samples, and the use of coefficients of variation for evaluating the precision of estimates based on samples.

¹¹ The difference between the number of returns in the population and the total number of returns in Tables 1 and 2 is mainly due to returns in which Schedule C income was moved to other income or wages to avoid double counting of taxpayers for Gross Domestic Product calculations. In addition, data from amended returns and tentative returns are not reflected in these statistics.

Sole Proprietorship Returns, 2005

Figure L

Nonfarm Sole Proprietorships: Coefficients of Variation for Selected Items, by Selected Industrial Sectors, Tax Year 2005

[Coefficients of variation are in percentages]

Industrial sector	Coefficients of variation				
	Total business receipts	Total business deductions	Depreciation [1]	Net income	Deficit
	(1)	(2)	(3)	(4)	(5)
All nonfarm industries.....	0.56	0.63	1.26	0.74	1.44
Construction.....	1.91	2.01	3.41	2.17	5.13
Specialty trade contractors.....	2.31	2.45	4.02	2.55	6.40
Wholesale trade (merchant wholesalers).....	4.68	4.81	10.29	6.47	10.23
Retail trade.....	2.10	2.10	4.11	3.29	3.55
Transportation and warehousing.....	2.68	2.74	4.16	3.60	6.60
Finance and insurance.....	2.48	2.58	7.87	3.65	5.96
Real estate and rental and leasing.....	2.41	2.78	4.66	2.82	5.23
Real estate.....	2.47	2.87	4.76	2.86	5.60
Professional, scientific, and technical services.....	1.78	2.05	3.59	2.06	4.77
Administrative and support and waste management and remediation services.....	3.15	3.67	6.04	3.13	6.72
Health care and social assistance.....	1.91	2.04	4.11	2.28	7.31
Child day care services.....	5.08	6.43	11.87	4.89	17.31
Arts, entertainment, and recreation.....	3.50	3.66	6.47	4.27	5.18
Performing arts, spectator sports, and related industries.....	3.88	4.12	7.92	4.57	5.79
Other services.....	2.71	3.00	4.89	2.98	5.75
Personal and laundry services.....	3.30	3.67	7.02	3.71	7.43
All other industries.....	2.13	2.20	3.44	2.78	3.65

[1] Excludes depreciation claimed on Form 8829.

Sole Proprietorship Returns, 2005

Table 1. Nonfarm Sole Proprietorships: Business Receipts, Selected Deductions, Payroll, and Net Income, by Industrial Sectors, Tax Year 2005

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

Industrial sector	Businesses with and without net income							
	Number of returns	Business receipts	Depreciation deduction [1,2]	Rent paid on machinery and equipment [1]	Rent paid on other business property [1]	Interest paid deduction [1,3]	Payroll [1,4]	Net income less deficit
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All nonfarm industries.....	21,467,566	1,222,880,231	40,340,396	9,135,688	30,349,041	12,109,510	107,254,163	269,919,995
Agriculture, forestry, hunting, and fishing.....	267,733	16,425,957	1,539,804	96,011	122,469	247,072	1,813,400	827,412
Animal production (including breeding of cats and dogs).....	40,485	2,234,570	194,782	3,721	16,169	27,531	76,483	-353,415
Forestry and logging (including forest nurseries, timber tracts)...	55,831	6,026,299	708,864	46,943	16,932	113,492	587,197	481,976
Fishing.....	68,511	2,314,035	258,083	10,940	43,958	41,187	196,597	430,286
Hunting and trapping.....	9,067	260,454	49,726	369	1,571	24,720	3,566	-21,134
Support activities for agriculture and forestry.....	93,837	5,590,599	328,349	34,039	43,839	40,142	949,557	289,699
Mining.....	121,449	11,442,593	702,702	32,302	49,045	143,758	454,970	1,880,567
Oil and gas extraction.....	106,198	8,861,781	529,383	10,007	43,868	105,040	156,283	1,468,084
Coal mining.....	43	661,649	30,151	* 4,092	* 38	* 16,452	96,406	-28,612
Metal ore mining.....	* 1,297	* 51,101	* 14,307	* 1,369	* 14	* 514	* 15,880	* -8,685
Nonmetallic mineral mining and quarrying.....	2,456	454,907	41,959	8,933	3,477	13,312	63,841	40,881
Support activities for mining.....	11,456	1,413,156	86,901	7,902	1,648	8,439	122,560	408,899
Utilities.....	10,510	237,975	77,721	* 6,092	* 5,064	* 16,671	* 11,315	-15,919
Construction.....	2,820,568	222,064,346	7,672,218	1,527,613	1,365,183	1,712,598	27,843,791	34,810,773
Residential building construction.....	431,664	53,871,031	1,240,399	242,769	163,113	511,044	5,568,688	6,376,059
Nonresidential building construction.....	95,587	10,791,943	399,413	93,172	58,079	98,430	1,458,315	1,096,717
Heavy and civil engineering construction	58,087	8,404,584	556,402	119,144	39,799	198,779	732,120	910,655
Specialty trade contractors.....	2,235,229	148,996,788	5,476,002	1,072,528	1,104,192	904,345	20,084,668	26,427,342
Manufacturing.....	340,288	24,626,888	917,994	144,113	746,005	275,492	2,853,557	3,054,455
Food manufacturing.....	27,902	2,926,094	69,151	9,157	80,717	23,917	265,949	156,174
Textile and textile product mills.....	4,396	125,092	* 5,247	* 2	* 29	* 116	* 8,979	37,753
Apparel.....	17,883	1,523,868	33,982	* 3,081	59,462	12,819	129,196	115,751
Leather and allied products.....	* 3,129	* 93,120	* 2,888	* 481	1,467	* 1,871	* 2,822	* 12,434
Wood products.....	43,249	2,481,609	139,392	6,033	39,398	39,164	310,601	283,703
Paper products.....	* 670	* 4,695	* 552	* 4	0	* 1	1,830	* -612
Printing and related support activities.....	32,849	2,922,051	68,878	27,065	136,633	36,324	306,817	357,174
Petroleum and coal products.....	430	261,152	* 2,919	* 4	* 78	* 1,766	2,870	270
Chemical manufacturing.....	12,054	592,171	9,974	1,470	5,398	3,081	62,164	121,466
Plastics, rubber, clay, refractory, and glass products.....	12,176	584,114	17,904	* 3,076	17,040	23,385	106,721	35,246
Nonmetallic mineral products.....	5,104	1,020,391	51,749	10,600	* 13,749	19,489	139,111	67,198
Primary metal industries.....	7,599	354,662	46,193	* 289	* 21,001	* 1815	* 65,306	34,935
Fabricated metal products.....	42,668	3,341,870	151,009	27,954	110,993	35,024	503,425	344,792
Machinery.....	20,201	2,317,305	162,260	3,692	63,406	28,376	364,153	520,024
Computer and electronic products.....	8,599	255,686	1,450	* 214	10,892	* 964	17,211	50,588
Electrical equipment, appliances, and components.....	11,130	848,560	12,138	8,820	34,137	2,652	94,650	170,442
Transportation equipment.....	9,129	929,024	26,179	* 10,745	19,215	16,860	79,370	43,427
Furniture and related products.....	22,309	1,569,700	51,885	14,608	57,366	11,191	159,661	321,800
Medical equipment and supplies.....	6,823	502,105	4,628	* 9,765	22,400	* 725	39,971	120,173
Other miscellaneous manufacturing.....	51,988	1,973,621	59,616	7,053	52,622	15,955	192,748	261,717
Wholesale trade (merchant wholesalers).....	347,893	46,281,884	626,874	135,452	578,449	292,085	1,695,838	4,948,556
Durable goods, including machinery, wood, metals, etc.....	164,131	20,324,209	362,964	65,208	304,250	141,337	933,501	2,061,747
Nondurable goods, including food, fiber, chemicals, etc.....	125,157	20,322,677	210,085	38,475	235,209	119,003	700,704	1,859,591
Wholesale electronic markets and agents and brokers.....	58,606	5,634,998	53,825	31,768	38,990	31,744	61,633	1,027,217
Retail trade.....	2,473,554	197,288,923	3,136,295	768,700	6,085,600	1,713,026	11,205,659	9,285,087
Motor vehicle and parts dealers.....	158,658	40,588,397	406,516	55,866	548,041	369,067	1,453,508	1,477,143
Furniture and home furnishing stores.....	51,323	5,844,514	79,991	15,982	353,627	59,752	606,735	297,413
Electronic and appliance stores.....	37,838	4,405,793	57,405	19,373	184,273	44,219	438,934	399,014
Building material and garden equipment and supplies dealers..	46,589	7,611,407	126,149	18,384	92,500	86,601	738,625	505,360
Food and beverage stores.....	107,726	29,469,296	363,784	102,616	811,652	181,736	1,875,804	1,038,280
Health and personal care stores.....	143,216	9,523,185	164,001	92,772	286,432	48,626	660,401	768,382
Gasoline stations.....	20,365	25,727,866	262,866	33,240	300,868	200,250	863,011	175,834
Clothing and accessories stores.....	122,840	10,648,749	161,767	118,249	893,737	83,958	699,221	729,640
Sporting goods, hobby, book, and music stores.....	111,276	7,202,258	168,868	25,618	394,244	103,010	537,555	190,140
General merchandise stores.....	42,889	4,474,583	74,296	12,837	209,397	36,153	237,686	94,667
Miscellaneous store retailers.....	522,993	27,376,015	578,900	154,479	1,643,236	309,119	2,039,795	1,644,441
Nonstore retailers.....	1,107,840	24,416,859	691,751	119,285	367,592	190,534	1,054,383	1,964,773

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 1. Nonfarm Sole Proprietorships: Business Receipts, Selected Deductions, Payroll, and Net Income, by Industrial Sectors, Tax Year 2005—Continued

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

Industrial sector	Businesses with and without net income							
	Number of returns	Business receipts	Depreciation deduction [1,2]	Rent paid on machinery and equipment [1]	Rent paid on other business property [1]	Interest paid deduction [1,3]	Payroll [1,4]	Net income less deficit
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Transportation and warehousing.....	1,043,120	72,341,709	5,410,491	1,884,245	634,181	979,338	3,996,803	10,112,631
Air and rail transportation.....	14,830	1,368,830	341,084	12,931	46,066	65,063	66,193	-237,518
Water transportation.....	3,912	381,892	39,052	* 22	* 4,236	8,318	14,032	124,773
General freight trucking, local.....	243,267	19,280,255	1,619,558	311,482	120,590	237,209	1,525,120	2,821,485
General freight trucking, long distance and specialized freight trucking.....	329,126	36,332,627	2,731,810	926,216	201,104	460,062	1,665,903	4,264,384
Urban transit.....	0	0	0	0	0	0	0	0
Interurban and rural bus transportation.....	* 2,463	* 41,061	* 3,389	* 1,603	0	* 11	* 1,171	* 901
Taxi and limousine service.....	149,298	4,412,464	147,567	516,279	98,199	72,257	79,896	1,212,278
School, employee, and charter bus industry.....	13,429	636,715	72,736	3,643	4,087	25,430	69,208	111,483
Other transit and ground passenger transportation.....	23,288	748,984	34,429	* 17,649	* 7,792	* 9,849	* 87,628	136,669
Pipeline transportation.....	* 749	* 39,588	* 6	0	0	0	0	* 23,972
Scenic and sightseeing transportation.....	* 8,266	258,951	131,237	* 4,865	* 10,912	15,761	* 18,335	-115,776
Support activities for transportation (including motor vehicle towing).....	37,288	2,473,831	133,216	20,896	62,884	42,188	224,392	316,215
Couriers and messengers.....	209,856	5,824,380	117,329	67,933	46,937	29,917	183,178	1,409,459
Warehousing and storage facilities.....	* 7,349	542,131	39,079	728	31,374	13,273	61,746	44,307
Information.....	335,407	9,421,847	424,932	126,123	212,387	73,042	740,762	2,376,337
Publishing industries (except internet).....	91,867	2,796,414	58,562	6,123	59,019	35,268	299,451	801,833
Motion picture and sound recording.....	85,482	2,058,710	258,079	88,585	89,025	16,432	110,466	19,409
Broadcasting (except internet) and telecommunications.....	50,767	1,613,990	39,388	6,729	28,853	13,140	129,444	273,817
Internet publishing and broadcasting.....	23,970	922,425	17,366	13,631	12,436	* 2,541	* 13,297	454,792
Internet service providers, web search portals, and data processing.....	83,321	2,030,308	51,537	11,055	23,054	5,660	188,104	826,486
Finance and insurance.....	705,528	72,415,215	1,124,023	305,547	1,383,260	638,421	4,056,095	19,479,833
Credit intermediation and related activities.....	118,385	6,385,793	220,475	48,541	129,169	111,164	299,107	1,954,586
Securities, commodity contracts, and other financial investments.....	160,575	35,260,356	301,068	70,304	365,412	286,789	989,621	5,016,314
Investment bankers and securities dealers.....	6,706	3,260,083	9,157	818	18,721	9,383	29,557	318,716
Securities brokers.....	21,625	3,777,546	38,066	23,905	44,787	23,257	210,873	884,554
Commodity contracts brokers and dealers.....	10,457	845,521	6,051	634	44,700	14,017	25,027	238,876
Securities and commodity exchanges.....	995	1,290,552	765	* 62	* 230	2,988	* 13,426	13,014
Other financial investment activities (investment advice).....	120,792	26,086,654	247,029	44,885	256,974	237,144	710,737	3,561,154
Insurance agents, brokers, and related activities.....	426,568	30,769,066	602,480	186,702	888,679	240,469	2,767,366	12,508,933
Insurance agencies and brokerages.....	338,352	27,014,913	516,845	149,330	838,171	216,819	2,639,984	10,818,548
Other insurance related activities.....	88,217	3,754,152	85,635	37,373	50,508	23,650	127,382	1,690,386
Real estate and rental and leasing.....	1,349,577	82,914,620	3,059,991	554,117	1,125,778	1,402,298	2,786,407	33,320,113
Real estate.....	1,284,270	78,677,446	2,203,884	444,987	995,252	1,228,499	2,491,175	32,978,070
Lessors of real estate (including miniwarehouses and self storage).....	34,985	1,896,046	218,551	10,913	41,155	357,848	121,228	72,284
Offices of real estate agents, brokers, property managers, and appraisers.....	1,009,929	60,468,718	1,534,754	372,817	775,128	526,476	1,572,767	28,572,784
Other activities related to real estate.....	239,356	16,312,681	450,579	61,257	178,970	344,176	797,180	4,333,002
Rental and leasing services.....	65,308	4,237,174	856,107	109,130	130,526	173,799	295,231	342,043
Automotive equipment rental and leasing.....	16,321	730,271	199,350	28,482	14,097	22,659	62,508	30,969
Consumer electronics and appliances rental.....	796	62,240	* 3,103	* 836	* 238	* 454	* 823	* 27,220
Formal wear and costume rental.....	304	4,981	* 948	* 696	0	* 149	0	* 669
Video tape and disc rental.....	8,225	649,340	57,321	* 12,532	65,201	25,129	72,127	78,069
General rental centers and other consumer goods rental.....	20,142	1,325,032	94,208	22,518	9,594	14,273	74,757	139,255
Commercial and industrial machinery and equipment rental and leasing.....	19,519	1,465,311	501,178	44,067	41,395	111,134	85,017	65,862
Professional, scientific, and technical services.....	2,883,419	145,109,981	4,069,420	829,337	3,580,247	959,789	12,073,365	61,023,166
Legal services.....	337,715	37,953,215	578,842	202,064	1,661,362	229,837	4,096,074	16,489,814
Office of certified public accountants.....	42,250	3,383,146	91,049	17,423	146,166	46,692	560,538	1,362,581
Other accounting services.....	313,281	8,686,941	297,711	52,472	289,295	94,478	928,408	3,650,771
Architectural, engineering, and related services.....	285,877	14,804,451	549,925	76,477	240,610	78,567	1,805,696	4,928,487
Architectural services.....	108,357	7,069,843	293,535	50,558	125,426	45,682	1,025,501	1,802,649
Engineering services.....	98,756	5,278,371	155,285	9,666	89,887	22,814	527,306	2,079,534
Drafting, building inspections, and geophysical surveying.....	58,784	1,498,281	43,998	7,055	16,706	6,733	115,687	675,127
Surveying and mapping (except geophysical) services.....	16,319	794,948	51,293	* 9,123	* 4,695	* 3,181	129,229	301,973
Testing laboratories.....	3,661	163,008	* 5,814	* 75	* 3,897	* 156	* 7,973	69,203
Specialized design services.....	209,249	8,173,483	296,260	52,617	213,727	41,567	484,156	2,073,650
Computer systems design services.....	243,230	8,597,146	295,768	54,188	102,510	47,266	487,833	4,380,404
Other professional, scientific, and technical services.....	1,451,817	63,511,598	1,959,866	374,096	926,576	421,383	3,710,660	28,137,458

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 1. Nonfarm Sole Proprietorships: Business Receipts, Selected Deductions, Payroll, and Net Income, by Industrial Sectors, Tax Year 2005—Continued

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

Industrial sector	Businesses with and without net income							
	Number of returns	Business receipts	Depreciation deduction [1,2]	Rent paid on machinery and equipment [1]	Rent paid on other business property [1]	Interest paid deduction [1,3]	Payroll [1,4]	Net income less deficit
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Professional, scientific, and technical service								
—Continued								
Management, scientific, and technical consulting services.....	762,557	34,763,483	976,282	177,238	430,957	235,727	1,664,287	18,202,381
Scientific research and development services.....	25,177	1,002,566	32,226	4,242	20,666	4,669	84,674	424,833
Advertising and related services.....	113,510	5,893,679	126,257	16,566	86,504	28,304	163,532	1,737,245
Market research and public opinion polling.....	30,888	1,527,502	17,836	20,838	45,523	3,943	104,438	638,866
Other miscellaneous services.....	519,685	20,324,368	807,266	155,213	342,927	148,740	1,693,730	7,134,133
Administrative and support and waste management and remediation services.....	1,915,541	51,960,458	2,310,432	544,322	605,306	367,521	5,834,591	14,476,143
Administrative and support services.....	1,890,977	50,197,327	2,071,445	526,569	586,436	334,826	5,646,267	14,255,863
Waste management and remediation services.....	24,564	1,763,131	238,988	17,753	18,870	32,695	188,324	220,280
Educational services.....	552,218	6,975,660	229,565	41,385	377,175	35,695	358,475	2,230,202
Health care and social assistance.....	1,768,679	106,744,305	2,798,057	689,507	4,590,849	1,124,063	15,090,216	43,090,991
Ambulatory health care services.....	891,060	90,135,345	2,274,212	574,389	4,123,717	764,319	13,295,488	37,822,631
Offices of physicians (except mental health specialists).....	186,042	32,221,684	576,227	200,488	1,241,121	140,222	4,058,989	15,346,326
Offices of physicians, mental health specialists.....	32,970	2,967,163	46,639	20,543	167,092	12,169	189,088	1,754,975
Offices of dentists.....	89,162	28,704,600	934,108	125,546	1,125,478	394,566	6,342,793	9,892,958
Offices of chiropractors.....	42,247	4,909,738	162,314	70,119	433,209	76,123	518,836	1,770,660
Offices of optometrists.....	15,546	3,040,214	110,279	12,783	186,422	22,569	533,704	800,657
Offices of mental health practitioners and social therapists.....	164,854	8,243,429	144,740	82,068	535,812	39,895	525,797	4,426,530
Offices of podiatrists.....	6,365	1,071,266	23,499	13,568	92,930	8,450	128,658	371,593
Outpatient care centers and other miscellaneous health practitioners.....	125,107	3,361,098	77,510	8,594	196,567	22,184	204,961	1,430,506
Medical and diagnostic laboratories.....	27,533	1,598,984	78,220	14,882	55,714	13,016	273,770	518,913
Home health care services.....	176,810	3,454,361	102,345	19,511	71,233	32,272	491,997	1,241,923
Other ambulatory health care services (including ambulance services, blood and organ banks).....	24,425	562,809	18,330	6,289	18,140	* 2,852	26,897	267,591
Hospitals.....	16,628	613,205	11,872	* 478	* 24,786	* 7,367	* 119,723	255,651
Nursing and residential care facilities.....	61,362	3,536,460	135,725	23,725	119,186	201,722	882,473	336,552
Social assistance.....	125,384	2,672,393	72,180	21,919	147,120	9,958	168,593	1,047,274
Child day care services.....	674,246	9,786,903	304,068	68,997	176,040	140,697	623,938	3,628,883
Arts, entertainment, and recreation.....	1,157,201	27,376,360	1,585,448	203,712	848,006	204,088	1,593,838	6,484,281
Performing arts, spectator sports, and related industries.....	971,069	20,042,905	1,158,089	133,928	470,498	117,227	876,677	5,811,366
Museums, historical sites, and similar institutions.....	3,843	63,241	* 2,158	0	* 28	* 4	* 549	43,137
Amusement, gambling, and recreation industries.....	182,290	7,270,214	425,200	69,784	377,479	86,857	716,612	629,778
Accommodation, food services, and drinking places.....	392,320	43,117,518	1,538,933	321,282	2,872,030	1,030,121	7,574,697	1,213,244
Accommodation.....	55,924	5,522,843	569,960	24,472	135,595	603,568	817,675	-37,736
Travel accommodation (including hotels, motels, and bed and breakfast inns).....	33,710	4,034,930	402,418	16,212	103,860	486,993	629,155	-43,014
RV (recreational vehicle) parks and recreational camps.....	9,258	516,693	58,352	2,269	* 2,243	44,963	30,327	50,572
Rooming and boarding houses.....	12,956	971,219	109,189	5,991	29,492	71,612	158,193	-45,294
Food services and drinking places.....	336,396	37,594,675	968,974	296,810	2,736,435	426,553	6,757,022	1,250,980
Other services.....	2,315,191	78,147,800	2,936,829	858,734	5,060,755	824,973	7,086,739	17,818,889
Auto repair and maintenance.....	337,784	22,760,458	929,946	161,992	834,554	349,101	2,684,764	2,822,264
Automotive mechanical and electrical repair and maintenance.....	172,443	11,940,054	488,194	71,662	481,777	171,378	1,308,552	1,424,132
Automotive body shops.....	85,875	6,609,797	247,198	44,493	180,075	89,554	974,077	862,353
Other auto repair and maintenance (including oil change, lubrication, and car washes).....	79,466	4,210,607	194,554	45,837	172,703	88,168	402,135	535,779
Miscellaneous repairs.....	488,927	17,562,692	723,747	152,725	341,283	143,847	1,304,583	3,812,833
Personal and laundry services.....	1,488,481	37,824,651	1,283,136	544,017	3,884,918	332,025	3,097,392	11,183,792
Religious, grantmaking, civic, professional and similar organizations.....	244,212	3,536,438	45,066	6,569	50,559	15,227	51,101	1,708,644
Unclassified establishments.....	423,157	4,449,754	133,600	60,524	56,693	54,231	132,544	1,794,590

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 1. Nonfarm Sole Proprietorships: Business Receipts, Selected Deductions, Payroll, and Net Income, by Industrial Sectors, Tax Year 2005—Continued

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

Industrial sector	Businesses with net income							
	Number of returns	Business receipts	Depreciation deduction [1,2]	Rent paid on machinery and equipment [1]	Rent paid on other business property [1]	Interest paid deduction [1,3]	Payroll [1,4]	Net income
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
All nonfarm industries.....	15,750,475	1,047,830,449	27,723,379	6,977,952	23,337,781	7,432,423	87,781,271	314,756,510
Agriculture, forestry, hunting, and fishing.....	159,045	12,772,007	909,226	52,422	74,962	135,582	1,510,443	2,230,135
Animal production (including breeding of cats and dogs).....	9,843	1,468,496	55,760	* 2,507	11,922	8,577	57,171	124,475
Forestry and logging								
(including forest nurseries, timber tracts).....	37,838	5,001,566	516,330	23,644	14,896	74,815	447,034	741,815
Fishing.....	43,934	1,786,632	122,886	* 5,924	22,643	20,336	* 162,015	711,868
Hunting and trapping.....	4,862	184,706	* 11,179	0	* 27	* 5,339	* 794	43,259
Support activities for agriculture and forestry.....	62,567	4,330,608	203,072	20,347	25,473	26,516	843,429	608,719
Mining.....	92,540	8,797,585	408,360	16,191	27,222	84,828	281,009	2,877,267
Oil and gas extraction.....	80,964	7,009,532	327,901	5,123	22,553	67,848	102,862	2,351,395
Coal mining.....	** 20	** 92,692	** 4,327	** 2,384	** 37	** 688	** 23,806	** 8,382
Metal ore mining.....	**	**	**	**	**	**	**	**
Nonmetallic mineral mining and quarrying.....	1,867	348,513	26,673	* 810	* 3,112	8,418	39,304	69,933
Support activities for mining.....	9,689	1,346,848	49,459	7,874	1,520	7,873	115,036	447,556
Utilities.....	6,494	166,501	* 4,847	* 2,271	0	0	0	91,314
Construction.....	2,350,699	197,709,559	6,060,809	1,171,036	1,061,892	1,184,621	23,871,566	39,253,965
Residential building construction.....	350,801	47,564,413	1,023,878	158,545	117,803	323,938	4,830,416	7,450,156
Nonresidential building construction.....	80,198	8,375,884	287,407	78,039	39,251	59,169	1,068,793	1,354,001
Heavy and civil engineering construction	40,504	6,589,347	388,502	77,989	25,391	101,207	566,949	1,331,372
Specialty trade contractors.....	1,879,196	135,179,916	4,361,022	856,463	879,447	700,306	17,405,409	29,118,435
Manufacturing.....	224,481	20,527,587	616,943	92,066	585,968	164,045	2,347,617	3,974,217
Food manufacturing.....	16,760	2,304,160	35,294	1,482	59,936	7,653	194,874	294,638
Textile and textile product mills.....	* 3,364	* 116,862	* 4,485	0	0	* 90	* 6,868	* 46,732
Apparel.....	11,628	1,063,366	20,234	* 3,040	47,842	6,692	98,801	216,652
Leather and allied products.....	* 1,787	* 70,672	* 1,619	* 454	* 314	* 1,871	0	* 15,971
Wood products.....	25,812	2,207,439	84,711	5,308	22,433	24,771	254,993	375,875
Paper products.....	* 667	* 4,539	0	0	0	0	0	* 4,527
Printing and related support activities.....	21,708	2,379,126	48,450	21,662	117,448	28,694	275,890	428,147
Petroleum and coal products.....	414	15,025	* 45	* 4	* 53	* [5]	* 622	11,803
Chemical manufacturing.....	9,586	557,664	7,678	1,470	* 5,176	* 2,174	59,065	139,394
Plastics, rubber, clay, refractory, and glass products.....	7,158	360,319	8,940	* 449	3,752	* 3,409	53,911	79,838
Nonmetallic mineral products.....	3,795	808,323	28,164	3,395	* 12,450	* 13,284	111,257	82,616
Primary metal industries.....	3,975	339,310	* 42,065	* 289	* 16,661	* 1,815	* 65,306	57,627
Fabricated metal products.....	26,148	2,910,547	91,586	17,835	75,476	23,711	400,633	485,488
Machinery.....	18,065	2,179,944	130,859	3,524	62,801	18,860	339,096	532,899
Computer and electronic products.....	5,821	153,426	* 806	* 192	* 2,513	* 215	* 3,341	74,567
Electrical equipment, appliances, and components.....	8,275	796,602	11,028	* 5,650	* 32,023	* 2,027	82,863	182,486
Transportation equipment.....	6,860	832,812	17,485	* 10,735	* 18,798	* 8,233	* 67,997	82,629
Furniture and related products.....	15,156	1,439,311	36,333	5,056	52,161	7,056	148,504	363,926
Medical equipment and supplies.....	6,466	486,389	4,012	* 7,302	18,921	* 647	* 36,868	125,302
Other miscellaneous manufacturing.....	31,037	1,501,750	43,149	4,221	37,210	12,843	146,729	373,098
Wholesale trade (merchant wholesalers).....	229,125	39,167,889	425,668	95,454	394,384	157,172	1,298,530	6,116,417
Durable goods, including machinery, wood, metals, etc.....	102,356	17,395,707	250,241	42,296	200,837	72,556	727,348	2,566,328
Nondurable goods, including food, fiber, chemicals, etc.....	81,374	16,896,321	127,020	27,706	174,661	72,830	533,513	2,426,840
Wholesale electronic markets and agents and brokers.....	45,396	4,875,861	48,406	25,451	18,885	11,786	37,669	1,123,249
Retail trade.....	1,256,246	157,607,826	1,895,060	513,381	4,064,737	1,032,207	8,427,675	17,273,702
Motor vehicle and parts dealers.....	103,189	33,031,079	275,897	34,399	377,746	254,232	1,067,388	2,127,558
Furniture and home furnishing stores.....	30,567	4,496,907	51,942	11,428	215,523	44,915	376,853	506,782
Electronic and appliance stores.....	27,294	3,697,979	51,743	2,847	139,114	34,913	305,914	498,019
Building material and garden equipment and supplies dealers.....	31,034	6,334,541	86,758	13,331	56,327	66,513	556,606	662,249
Food and beverage stores.....	69,628	24,590,156	243,046	92,917	615,758	126,600	1,509,616	1,543,224
Health and personal care stores.....	62,419	8,443,654	89,157	74,621	229,791	28,424	596,141	1,232,527
Gasoline stations.....	14,162	19,527,337	184,827	19,324	232,934	117,950	602,581	423,747
Clothing and accessories stores.....	73,187	8,527,537	84,573	73,096	589,221	57,880	523,620	1,297,819
Sporting goods, hobby, book, and music stores.....	50,754	4,555,669	91,515	17,228	204,337	37,939	285,366	662,750
General merchandise stores.....	20,094	3,835,676	34,838	8,613	140,137	23,311	205,118	325,382
Miscellaneous store retailers.....	268,426	21,025,033	315,351	99,295	1,005,572	142,133	1,479,736	3,604,866
Nonstore retailers.....	505,491	19,542,256	385,412	66,282	258,277	97,398	918,736	4,388,779

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 1. Nonfarm Sole Proprietorships: Business Receipts, Selected Deductions, Payroll, and Net Income, by Industrial Sectors, Tax Year 2005—Continued

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

Industrial sector	Businesses with net income							
	Number of returns	Business receipts	Depreciation deduction [1,2]	Rent paid on machinery and equipment [1]	Rent paid on other business property [1]	Interest paid deduction [1,3]	Payroll [1,4]	Net income
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Transportation and warehousing.....	848,315	60,471,864	3,608,271	1,628,976	447,058	646,734	2,964,499	12,288,415
Air and rail transportation.....	9,506	612,475	18,090	2,130	6,909	8,608	16,256	145,890
Water transportation.....	2,692	338,503	11,017	0	* 2,957	* 2,650	* 9,095	178,202
General freight trucking, local.....	202,004	16,546,791	1,146,888	259,263	92,793	166,019	1,280,844	3,274,149
General freight trucking, long-distance and specialized freight trucking.....	263,954	30,158,293	2,016,288	798,309	144,915	316,946	1,159,024	4,908,472
Urban transit.....	0	0	0	0	0	0	0	0
Interurban and rural bus transportation.....	* 1,446	* 39,382	* 2,804	* 1,603	0	* 11	* 1,171	* 4,934
Taxi and limousine service.....	133,679	4,072,877	124,442	480,739	91,706	68,618	56,995	1,333,672
School, employee, and charter bus industry.....	11,015	501,494	53,143	* 744	* 1,551	10,575	* 53,090	158,277
Other transit and ground passenger transportation.....	20,364	588,026	26,937	* 14,101	* 6,676	* 9,155	* 35,402	162,252
Pipeline transportation.....	* 749	* 39,588	* 6	0	0	0	0	* 23,972
Scenic and sightseeing transportation.....	2,958	145,205	* 2,102	* 3,410	* 3,795	* 14	* 11,601	38,884
Support activities for transportation (including motor vehicle towing).....	27,757	1,991,784	103,116	12,273	49,010	31,946	155,641	377,404
Couriers and messengers.....	166,589	5,079,664	77,456	55,916	41,070	27,679	144,393	1,610,090
Warehousing and storage facilities.....	5,602	357,782	25,982	* 486	* 5,676	* 4,514	40,987	72,218
Information.....	229,105	8,155,428	190,349	75,202	130,253	34,333	554,300	3,391,272
Publishing industries (except internet).....	70,592	2,473,599	41,281	5,216	38,162	20,752	207,863	942,279
Motion picture and sound recording.....	45,663	1,522,009	78,984	45,006	41,454	6,527	80,711	559,473
Broadcasting (except internet) and telecommunications.....	34,137	1,440,723	22,271	* 3,030	16,713	* 1,698	83,937	419,484
Internet publishing and broadcasting.....	16,816	804,748	15,778	* 12,693	* 11,747	* 775	* 4,416	518,927
Internet service providers, web search portals, and data processing.....	61,896	1,914,349	32,036	9,258	22,176	4,582	177,372	951,108
Finance and insurance.....	496,418	52,249,209	841,261	251,886	1,224,485	367,921	3,561,930	21,827,048
Credit intermediation and related activities.....	87,604	5,706,359	122,581	38,175	113,158	81,069	243,128	2,322,886
Securities, commodity contracts, and other financial investments.....	94,426	18,083,207	219,055	55,805	311,965	85,381	754,946	6,227,270
Investment bankers and securities dealers.....	4,760	765,105	5,622	* 443	18,186	5,099	21,392	361,128
Securities brokers.....	17,480	2,513,476	31,130	20,546	42,627	13,117	158,938	978,693
Commodity contracts brokers and dealers.....	6,293	670,484	980	* 574	38,955	743	10,572	348,786
Securities and commodity exchanges.....	* 361	* 292,403	* 463	* 62	* 76	* 574	* 6,229	* 25,277
Other financial investment activities (investment advice).....	65,531	13,841,737	180,861	34,180	212,120	65,848	557,814	4,513,385
Insurance agents, brokers, and related activities.....	314,388	28,459,643	499,625	157,906	799,363	201,472	2,563,857	13,276,892
Insurance agencies and brokerages.....	251,635	24,899,321	447,197	129,477	756,545	178,262	2,437,749	11,435,356
Other insurance related activities.....	62,753	3,560,322	52,428	28,429	42,817	23,209	126,108	1,841,536
Real estate and rental and leasing.....	971,259	74,278,979	1,925,855	430,416	915,294	543,760	2,061,949	36,822,850
Real estate.....	931,021	71,180,568	1,575,926	368,270	823,439	480,146	1,861,496	36,076,435
Lessors of real estate (including miniwarehouses and self storage).....	14,947	1,153,944	67,624	8,390	16,944	74,568	75,371	420,855
Offices of real estate agents, brokers, property managers, and appraisers.....	753,118	57,007,631	1,236,095	312,551	652,145	280,648	1,221,548	30,367,390
Other activities related to real estate.....	162,956	13,018,993	272,207	47,328	154,350	124,930	564,577	5,288,189
Rental and leasing services.....	40,238	3,098,411	349,929	62,146	91,855	63,614	200,453	746,415
Automotive equipment rental and leasing.....	10,054	425,265	53,289	* 9,171	* 1,320	7,121	* 41,536	93,145
Consumer electronics and appliances rental.....	* 787	* 62,231	* 2,968	* 836	* 37	* 454	* 588	* 28,144
Formal wear and costume rental.....	* 304	* 4,981	* 948	* 696	0	* 149	0	* 669
Video tape and disc rental.....	5,073	531,294	* 45,679	* 3,835	57,233	* 16,776	* 62,314	106,992
General rental centers and other consumer goods rental.....	13,271	1,203,035	53,875	* 22,416	8,119	10,653	62,782	205,255
Commercial and industrial machinery and equipment rental and leasing.....	10,749	871,605	193,170	25,192	25,146	28,461	33,232	312,210
Professional, scientific, and technical services.....	2,134,235	134,486,357	2,981,496	656,416	3,016,252	671,754	10,304,610	66,086,332
Legal services.....	264,361	36,233,041	504,501	180,174	1,530,068	190,704	3,787,288	17,031,934
Office of certified public accountants.....	33,420	3,284,563	79,761	17,423	133,325	31,005	541,719	1,423,219
Other accounting services.....	251,744	8,166,888	205,572	40,727	248,694	76,656	866,739	3,896,373
Architectural, engineering, and related services.....	217,767	13,919,803	424,957	51,172	197,069	56,447	1,691,096	5,343,857
Architectural services.....	83,042	6,753,736	231,560	29,636	113,371	34,654	982,668	2,010,662
Engineering services.....	73,141	4,852,890	110,471	7,419	63,351	12,426	483,715	2,196,728
Drafting, building inspections, and geophysical surveying.....	43,416	1,386,926	27,229	* 5,318	11,755	* 6,105	87,923	753,857
Surveying and mapping (except geophysical) services.....	14,508	769,493	51,015	* 8,791	* 4,695	* 3,181	129,229	313,021
Testing laboratories.....	3,660	156,757	* 4,683	* 8	* 3,897	* 80	* 7,560	69,589
Specialized design services.....	146,769	7,515,453	223,035	38,923	154,198	24,157	425,736	2,513,808
Computer systems design services.....	179,492	8,116,759	208,452	42,574	87,179	19,807	395,038	4,739,849

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 1. Nonfarm Sole Proprietorships: Business Receipts, Selected Deductions, Payroll, and Net Income, by Industrial Sectors, Tax Year 2005—Continued

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

Industrial sector	Businesses with net income							
	Number of returns	Business receipts	Depreciation deduction [1,2]	Rent paid on machinery and equipment [1]	Rent paid on other business property [1]	Interest paid deduction [1,3]	Payroll [1,4]	Net income
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Professional, scientific, and technical service								
—Continued								
Other professional, scientific, and technical services.....	1,040,683	57,249,851	1,335,218	285,423	665,719	272,976	2,596,993	31,137,292
Management, scientific, and technical consulting services.....	553,905	30,965,631	663,656	128,494	286,886	133,897	881,126	19,946,620
Scientific research and development services.....	16,604	912,124	22,375	3,617	14,177	* 664	64,557	514,164
Advertising and related services.....	87,170	5,551,492	92,331	10,090	68,387	24,524	144,009	1,930,881
Market research and public opinion polling.....	23,938	1,500,533	7,722	20,499	41,934	3,795	101,967	695,818
Other miscellaneous services.....	359,065	18,320,070	549,134	122,723	254,336	110,096	1,405,334	8,049,809
Administrative and support and waste management and remediation services.....	1,561,511	45,877,374	1,735,439	408,787	457,402	249,038	4,717,314	16,421,175
Administrative and support services.....	1,543,555	44,250,972	1,516,846	393,080	439,900	219,860	4,555,526	16,172,624
Waste management and remediation services.....	17,956	1,626,403	218,593	15,707	17,502	29,178	161,788	248,552
Educational services.....	447,749	5,702,834	133,675	20,695	256,151	22,343	276,805	2,774,802
Health care and social assistance.....	1,466,138	100,134,405	2,326,813	568,097	4,048,300	891,655	13,562,109	44,905,668
Ambulatory health care services.....	734,362	86,557,639	1,984,690	488,888	3,715,367	657,891	12,453,019	38,910,133
Offices of physicians (except mental health specialists).....	155,388	31,180,541	536,144	179,117	1,177,219	112,829	3,812,615	15,622,382
Offices of physicians, mental health specialists.....	28,531	2,906,144	41,488	20,408	158,709	11,759	179,204	1,773,571
Offices of dentists.....	81,577	28,125,904	860,575	110,655	1,063,781	372,066	6,173,797	9,995,847
Offices of chiropractors.....	34,942	4,607,290	126,092	47,244	383,172	60,873	468,419	1,870,035
Offices of optometrists.....	13,800	2,842,101	81,595	12,571	170,121	19,745	488,521	808,548
Offices of mental health practitioners and social therapists.....	130,572	7,853,826	121,746	78,807	452,316	35,914	481,662	4,573,340
Offices of podiatrists.....	5,194	1,068,415	23,330	13,452	92,882	8,446	128,658	376,874
Outpatient care centers and other miscellaneous health practitioners.....	91,155	3,032,118	63,841	4,912	129,473	17,636	183,783	1,570,117
Medical and diagnostic laboratories.....	23,564	1,421,711	67,013	7,499	41,461	4,655	224,726	565,987
Home health care services.....	152,549	3,015,477	53,073	10,586	36,304	12,938	293,853	1,435,023
Other ambulatory health care services (including ambulance services, blood and organ banks).....	17,089	504,112	9,793	* 3,638	9,928	* 1,030	* 17,782	318,409
Hospitals.....	15,312	474,194	* 10,678	* 426	* 6,727	* 1,948	* 43,983	261,054
Nursing and residential care facilities.....	44,536	2,555,048	84,688	20,818	73,543	143,879	511,897	503,201
Social assistance.....	90,880	2,157,104	56,821	13,173	113,320	* 4,534	91,338	1,195,788
Child day care services.....	581,048	8,390,421	189,935	44,792	139,343	83,403	461,873	4,035,492
Arts, entertainment, and recreation.....	696,774	21,633,289	712,452	119,295	496,173	78,845	874,181	9,585,960
Performing arts, spectator sports, and related industries.....	577,078	16,550,897	527,928	81,731	289,373	16,533	476,401	8,216,788
Museums, historical sites, and similar institutions.....	3,315	56,663	* 2,053	0	* 11	* 4	* 98	44,283
Amusement, gambling, and recreation industries.....	116,381	5,025,730	182,471	37,564	206,789	36,308	397,681	1,324,889
Accommodation, food services, and drinking places.....	246,979	32,487,249	803,307	169,181	1,978,354	545,393	5,244,273	3,782,110
Accommodation.....	25,889	3,488,693	234,810	11,204	73,406	298,170	416,836	641,928
Travel accommodation (including hotels, motels, and bed and breakfast inns).....	15,014	2,452,781	169,667	6,474	60,339	248,910	306,568	438,021
RV (recreational vehicle) parks and recreational camps.....	5,461	380,456	35,788	* 213	* 2,108	21,159	17,042	88,570
Rooming and boarding houses.....	5,414	655,457	29,355	* 4,517	* 10,960	28,100	93,226	115,338
Food services and drinking places.....	221,089	28,998,556	568,497	157,976	1,904,947	247,223	4,827,437	3,140,182
Other services.....	1,824,281	68,536,568	2,067,482	659,357	4,076,107	607,344	5,781,298	20,785,006
Auto repair and maintenance.....	253,694	19,100,540	673,648	127,733	667,413	259,538	2,195,134	3,516,634
Automotive mechanical and electrical repair and maintenance.....	129,440	9,704,732	356,471	54,589	413,295	136,775	1,034,650	1,739,362
Automotive body shops.....	66,485	5,838,578	190,957	40,947	130,026	73,873	833,592	1,083,714
Other auto repair and maintenance (including oil change, lubrication, and car washes).....	57,769	3,557,230	126,220	32,197	124,092	48,890	326,892	693,558
Miscellaneous repairs.....	382,244	15,462,230	545,166	111,055	231,525	107,035	1,096,988	4,376,655
Personal and laundry services.....	1,188,343	33,973,798	848,668	420,570	3,177,169	240,771	2,489,177	12,891,717
Religious, grantmaking, civic, professional and similar organizations.....	184,823	3,249,931	27,103	5,958	37,874	* 1,244	* 45,060	1,969,196
Unclassified establishments.....	324,260	3,818,009	48,963	40,864	44,913	13,605	96,103	2,299,659

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

** Data combined to prevent disclosure of taxpayer information

[1] Excludes amounts reported on Schedule C-EZ filed by certain small businesses not required to itemize their business deductions. Therefore, totals shown may be slightly understated.

[2] Includes depreciation claimed on Form 8829.

[3] Interest paid is the sum of mortgage interest and other interest paid on business indebtedness.

[4] Payroll is the sum of salaries and wages plus the cost of labor reported as part of cost of sales and operations.

[5] Less than \$500

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

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005

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

Net income status, item	All nonfarm industries	Agriculture, forestry, hunting, and fishing						Mining
		Total	Animal production (including breeding of cats and dogs)	Forestry and logging (including forest nurseries, timber tracts)	Fishing	Hunting and trapping	Support activities for agriculture and forestry	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
BUSINESSES WITH AND WITHOUT NET INCOME								
Number of returns [1].....	21,467,566	267,733	40,485	55,831	68,511	9,067	93,837	121,449
Business receipts, total [1].....	1,222,880,231	16,425,957	2,234,570	6,026,299	2,314,035	260,454	5,590,599	11,442,593
Income from sales and operations [1].....	1,204,827,487	16,066,626	2,186,266	5,836,539	2,275,888	258,660	5,509,273	10,923,315
Other business income.....	18,052,744	359,331	48,303	189,760	38,148	* 1,793	81,326	519,278
Business deductions, total [1,2]	953,391,489	15,609,864	2,588,762	5,544,698	1,893,338	279,944	5,303,122	9,563,120
Cost of sales and operations, total.....	396,875,774	5,686,336	1,357,122	1,785,192	408,452	71,968	2,063,601	2,455,768
Inventory, beginning of year.....	38,101,650	447,652	87,954	160,535	* 35,185	* 37,959	126,019	153,298
Cost of labor.....	32,163,009	424,869	27,337	153,048	* 186,602	0	57,881	114,771
Purchases.....	252,887,700	4,287,240	1,229,940	1,048,808	138,542	* 14,600	1,855,350	536,640
Materials and supplies.....	55,902,012	162,991	17,402	70,771	56,555	* 5,397	12,866	297,960
Other costs.....	59,845,901	782,258	92,332	491,417	12,405	* 30,554	155,551	1,495,377
Inventory, end of year.....	42,024,497	418,673	97,842	139,386	* 20,838	* 16,541	144,066	142,278
Advertising expenses.....	14,449,493	81,123	15,753	17,381	19,290	1,737	26,963	18,431
Car and truck expenses.....	71,013,061	804,864	97,848	270,104	145,919	8,408	282,584	242,803
Commissions.....	15,439,663	143,724	27,937	84,735	* 1,887	* 1,199	27,967	26,413
Contract labor.....	28,223,647	451,159	18,757	245,559	50,357	3,789	132,697	170,651
Depletion.....	1,061,786	* 18,559	* 37	* 18,522	0	0	* 1	889,629
Depreciation.....	39,080,205	1,535,296	193,064	707,815	257,160	49,726	327,531	700,675
Employee benefit programs.....	2,798,308	14,685	2,767	5,950	* 189	* 71	5,768	17,921
Insurance.....	19,000,895	435,528	39,453	179,621	63,869	6,833	145,752	106,083
Legal and professional services.....	9,836,870	99,367	25,358	27,161	12,802	2,490	31,555	106,463
Meals and entertainment deducted.....	6,802,217	57,720	6,719	9,351	29,282	344	12,024	25,355
Mortgage interest.....	5,543,658	83,977	13,986	25,262	17,485	* 16,137	11,107	35,030
Other interest paid on business indebtedness.....	6,565,852	163,094	13,545	88,229	23,702	* 8,583	29,035	108,728
Office expenses.....	12,835,599	62,450	20,491	15,735	9,471	615	16,138	44,096
Pension and profit-sharing plans.....	1,251,915	15,161	* 8,205	2,674	0	0	* 4,282	3,776
Rent on machinery and equipment.....	9,135,688	96,011	3,721	46,943	10,940	* 369	34,039	32,302
Rent on other business property.....	30,349,041	122,469	16,169	16,932	43,958	* 1,571	43,839	49,045
Repairs.....	14,976,142	636,306	27,790	330,744	112,922	12,811	152,039	130,392
Supplies.....	28,858,613	401,919	63,318	69,955	119,259	13,156	136,230	85,304
Salaries and wages.....	75,091,154	1,388,531	49,146	434,149	9,995	3,566	891,675	340,199
Taxes paid.....	16,797,524	271,943	12,863	82,694	36,818	6,868	132,699	308,602
Travel.....	11,308,328	112,559	31,242	14,447	35,772	* 2,476	28,621	49,322
Utilities.....	22,910,257	191,696	20,226	60,705	31,034	9,556	70,175	80,802
Other business deductions.....	101,044,695	2,654,123	509,536	995,897	426,469	56,398	665,824	3,496,530
Home office business deductions.....	8,801,078	52,204	11,990	5,548	13,781	* 151	20,732	18,368
Depreciation, Form 8829 [3].....	1,260,190	4,508	* 1,718	1,049	* 923	0	* 818	2,027
Casualty loss, Form 8829 [3].....	24,248	* 191	0	0	0	0	* 191	0
Excess—casualty depreciations, Form 8829 [3].....	1,222,508	3,449	* 1,533	* 719	* 20	* 501	* 677	932
Net income less deficit [1,2].....	269,919,995	827,412	-353,415	481,976	430,286	-21,134	289,699	1,880,567
Net income [1,2].....	314,756,510	2,230,135	124,475	741,815	711,868	43,259	608,719	2,877,267
Deficit [2].....	44,836,514	1,402,723	477,890	259,839	281,582	64,392	319,019	996,699

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	All nonfarm industries	Agriculture, forestry, hunting, and fishing						Mining
		Total	Animal production (including breeding of cats and dogs)	Forestry and logging (including forest nurseries, timber tracts)	Fishing	Hunting and trapping	Support activities for agriculture and forestry	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
BUSINESSES WITH NET INCOME								
Number of returns [1].....	15,750,475	159,045	9,843	37,838	43,934	4,862	62,567	92,540
Business receipts, total [1].....	1,047,830,449	12,772,007	1,468,496	5,001,566	1,786,632	184,706	4,330,608	8,797,585
Income from sales and operations [1].....	1,033,271,519	12,509,056	1,439,416	4,863,689	1,760,829	184,637	4,260,485	8,441,615
Other business income.....	14,558,931	262,951	29,079	137,876	25,803	* 69	70,123	355,969
Business deductions, total [1,2].....	733,019,011	10,542,381	1,344,277	4,260,003	1,074,764	141,447	3,721,889	5,920,439
Cost of sales and operations, total.....	308,242,888	4,145,374	923,738	1,533,802	222,434	* 54,638	1,410,761	1,375,534
Inventory, beginning of year.....	23,733,070	225,556	54,263	81,807	* 645	* 28,856	59,984	118,221
Cost of labor.....	27,162,118	361,117	* 24,566	130,799	* 161,524	0	* 44,228	39,318
Purchases.....	194,194,476	3,071,461	842,750	943,703	* 17,404	* 8,668	1,258,936	375,248
Materials and supplies.....	46,901,345	129,895	* 12,522	69,596	* 34,810	* 1,616	11,351	272,556
Other costs.....	42,907,202	583,617	48,887	377,978	* 8,478	* 24,275	124,000	681,909
Inventory, end of year.....	26,655,324	226,273	59,250	70,080	* 427	* 8,777	87,738	111,719
Advertising expenses.....	11,331,082	53,828	5,314	15,058	15,664	* 1,260	16,532	14,477
Car and truck expenses.....	54,619,396	522,209	38,312	211,388	79,451	* 1,525	191,533	184,271
Commissions.....	12,504,088	110,504	4,915	83,326	* 1,754	* 1,199	19,310	23,489
Contract labor.....	23,231,875	290,946	* 597	175,419	* 16,362	* 1,741	96,828	107,244
Depletion.....	833,229	* 18,405	0	* 18,405	0	0	* 1	689,115
Depreciation.....	26,949,944	907,447	55,578	515,814	121,983	* 11,179	202,894	406,660
Employee benefit programs.....	2,359,406	11,523	* 1,943	4,882	0	* 1	4,697	12,887
Insurance.....	15,168,691	296,408	16,460	127,564	33,349	* 2,606	116,429	79,012
Legal and professional services.....	7,175,102	49,474	5,137	18,201	6,989	* 515	18,632	69,039
Meals and entertainment deducted.....	5,388,127	45,452	4,021	8,293	27,486	* 215	5,437	21,070
Mortgage interest.....	3,327,399	45,173	* 3,227	21,567	* 7,017	* 4,419	8,944	26,958
Other interest paid on business indebtedness.....	4,105,024	90,409	5,350	53,249	13,318	* 920	17,572	57,870
Office expenses.....	10,179,678	43,688	13,404	12,544	7,337	* 206	10,197	30,572
Pension and profit-sharing plans.....	1,182,702	6,663	* 47	2,334	0	0	* 4,282	3,305
Rent on machinery and equipment.....	6,977,952	52,422	* 2,507	23,644	* 5,924	0	20,347	16,191
Rent on other business property.....	23,337,781	74,962	11,922	14,896	22,643	* 27	25,473	27,222
Repairs.....	11,009,973	394,706	9,653	228,202	62,999	* 3,191	90,660	99,704
Supplies.....	22,417,324	215,416	28,040	42,713	46,969	* 4,272	93,423	60,434
Salaries and wages.....	60,619,153	1,149,326	32,606	316,235	* 491	* 794	799,201	241,691
Taxes paid.....	13,014,100	193,245	5,865	54,233	18,335	* 4,403	110,409	232,369
Travel.....	8,469,702	71,088	21,710	11,329	24,551	0	13,498	31,213
Utilities.....	17,253,560	123,903	8,839	46,749	21,089	* 3,654	43,572	63,238
Other business deductions.....	73,350,412	1,563,351	142,262	711,910	292,707	* 43,563	372,910	2,008,522
Home office business deductions.....	6,721,335	38,675	* 2,012	4,855	13,423	0	18,385	18,021
Depreciation, Form 8829 [3].....	773,436	1,779	* 182	* 516	* 903	0	* 178	1,700
Casualty loss, Form 8829 [3].....	15,711	0	0	0	0	0	0	0
Excess—casualty depreciations, Form 8829 [3].....	217,786	* 27	0	* 27	0	0	0	* 469
Net income [1,2].....	314,756,510	2,230,135	124,475	741,815	711,868	43,259	608,719	2,877,267
Returns with Schedule C-EZ:								
Number of returns.....	3,871,974	41,884	* 2,655	* 5,449	10,119	* 1,816	21,845	22,079
Business receipts.....	25,970,745	184,990	* 3,608	* 34,260	46,013	* 13,124	87,984	138,045
Business deductions.....	3,340,026	29,061	* 1,719	* 3,392	12,525	* 1,120	10,304	20,432
Net income.....	22,630,719	155,929	* 1,889	* 30,867	33,488	* 12,004	77,680	117,613

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Mining—continued					Utilities	Construction
	Oil and gas extraction	Coal mining	Metal ore mining	Nonmetallic mineral mining and quarrying	Support activities for mining	Total	Total
	(9)	(10)	(11)	(12)	(13)	(14)	(15)
BUSINESSES WITH AND WITHOUT NET INCOME							
Number of returns [1].....	106,198	43	* 1,297	2,456	11,456	10,510	2,820,568
Business receipts, total [1].....	8,861,781	661,649	* 51,101	454,907	1,413,156	237,975	222,064,346
Income from sales and operations [1].....	8,366,647	648,761	* 50,823	451,633	1,405,451	237,879	220,329,864
Other business income.....	495,133	* 12,888	* 278	3,274	7,704	* 97	1,734,483
Business deductions, total [1,2].....	7,393,085	691,966	* 59,786	414,026	1,004,257	293,532	187,312,718
Cost of sales and operations, total, total.....	1,407,826	* 441,458	* 6,027	136,918	463,538	* 6,685	98,644,310
Inventory, beginning of year.....	65,277	* 6,033	0	60,005	* 21,983	* 447	5,130,247
Cost of labor.....	6,081	* 61,325	0	* 16,408	* 30,958	* 6,440	16,792,295
Purchases.....	206,549	* 89,392	0	76,432	* 164,268	* 233	29,974,204
Materials and supplies.....	38,394	* 2,618	* 6,027	* 3,282	* 247,640	* 11	34,269,469
Other costs.....	1,148,962	* 291,184	0	36,246	18,984	0	19,269,477
Inventory, end of year.....	57,437	* 9,093	0	* 55,454	* 20,294	* 447	6,791,382
Advertising expenses.....	12,169	* 86	* 135	2,041	3,999	* 1,604	1,122,860
Car and truck expenses.....	123,955	21,589	* 1,861	15,714	79,684	32,859	13,618,337
Commissions.....	21,655	0	* 29	* 104	4,626	* 14	1,029,100
Contract labor.....	109,465	* 43,338	* 295	5,909	11,644	* 24,152	11,524,517
Depletion.....	876,195	* 957	0	7,361	5,117	* 31	26,912
Depreciation.....	527,945	30,151	* 14,089	41,957	86,533	77,721	7,557,391
Employee benefit programs.....	6,609	* 4,833	* 1,046	* 551	4,881	0	399,878
Insurance.....	54,424	12,122	* 736	14,150	24,651	* 4,895	4,489,981
Legal and professional services.....	95,359	2,744	* 108	3,729	4,523	3,217	1,071,946
Meals and entertainment deducted.....	13,988	* 5	* 15	167	11,180	* 448	575,434
Mortgage interest.....	27,571	* 58	0	* 6,542	* 859	* 14,524	685,577
Other interest paid on business indebtedness.....	77,469	* 16,394	* 514	6,770	7,580	* 2,147	1,027,022
Office expenses.....	28,764	* 208	* 24	1,730	13,370	* 6,262	1,114,619
Pension and profit-sharing plans.....	2,049	* 5	* 177	* 321	* 1,224	0	55,082
Rent on machinery and equipment.....	10,007	* 4,092	* 1,369	8,933	7,902	* 6,092	1,527,613
Rent on other business property.....	43,868	* 38	* 14	3,477	1,648	* 5,064	1,365,183
Repairs.....	73,863	* 13,204	* 10,727	17,334	15,264	* 6,845	2,099,850
Supplies.....	50,582	* 7,268	* 63	8,277	19,115	* 20,066	7,711,347
Salaries and wages.....	150,202	35,081	* 15,880	47,433	91,603	* 4,875	11,051,496
Taxes paid.....	260,066	7,240	* 3,343	12,768	25,185	1,076	2,218,615
Travel.....	40,012	* 228	* 39	2,524	6,518	* 6,181	810,383
Utilities.....	55,563	2,306	* 129	4,946	17,857	5,992	2,453,691
Other business deductions.....	3,292,278	48,560	* 3,118	64,347	88,228	59,657	13,673,204
Home office business deductions.....	10,993	0	* 48	* 23	* 7,304	0	1,047,533
Depreciation, Form 8829 [3].....	1,438	0	* 218	* 2	* 368	0	114,827
Casualty loss, Form 8829 [3].....	0	0	0	0	0	0	1,655
Excess—casualty depreciations, Form 8829 [3].....	695	0	* 218	0	* 19	0	57,894
Net income less deficit [1,2].....	1,468,084	-28,612	* -8,685	40,881	408,899	-15,919	34,810,773
Net income [1,2].....	2,351,395	* 2,444	* 5,938	69,933	447,556	91,314	39,253,965
Deficit [2].....	883,311	* 31,056	* 14,623	29,052	38,657	107,234	4,443,192

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Mining--continued					Utilities	Construction
	Oil and gas extraction	Coal mining	Metal ore mining	Nonmetallic mineral mining and quarrying	Support activities for mining	Total	Total
	(9)	(10)	(11)	(12)	(13)	(14)	(15)
BUSINESSES WITH NET INCOME							
Number of returns [1].....	80,964	** 20	**	1,867	9,689	6,494	2,350,699
Business receipts, total [1].....	7,009,532	** 92,692	**	348,513	1,346,848	166,501	197,709,559
Income from sales and operations [1].....	6,664,056	** 92,320	**	345,531	1,339,709	166,417	196,281,560
Other business income.....	345,475	** 371	**	* 2,983	7,140	* 84	1,428,000
Business deductions, total [1,2].....	4,658,257	** 84,309	**	278,581	899,292	75,187	158,451,619
Cost of sales and operations, total.....	835,411	** 11,802	**	105,554	422,767	* 49	85,215,107
Inventory, beginning of year.....	39,227	** 637	**	* 59,040	* 19,317	* 447	3,614,279
Cost of labor.....	* 5,031	** 161	**	* 9,601	* 24,524	0	14,939,875
Purchases.....	168,870	** 1,963	**	* 60,450	* 143,966	* 38	25,393,423
Materials and supplies.....	20,393	** 8,645	**	* 1,997	* 241,521	* 11	29,643,029
Other costs.....	640,286	** 989	**	* 29,228	* 11,406	0	16,175,302
Inventory, end of year.....	38,397	** 593	**	* 54,761	* 17,967	* 447	4,550,801
Advertising expenses.....	9,708	** 55	**	897	3,816	* 872	930,917
Car and truck expenses.....	101,076	** 692	**	* 5,576	76,928	* 21,402	11,356,243
Commissions.....	19,137	** 0	**	* 104	* 4,248	0	903,842
Contract labor.....	97,145	** 1,188	**	* 2,549	6,362	* 24,151	9,999,534
Depletion.....	677,455	** 701	**	7,206	3,753	* 28	23,391
Depreciation.....	326,553	** 4,327	**	26,671	49,110	* 4,847	5,969,290
Employee benefit programs.....	5,290	** 2,294	**	* 422	4,880	0	335,831
Insurance.....	43,815	** 2,795	**	8,549	23,852	* 3	3,769,668
Legal and professional services.....	63,837	** 520	**	562	4,120	* 1,299	787,152
Meals and entertainment deducted.....	10,470	** 12	**	* 103	10,484	* 28	481,699
Mortgage interest.....	22,839	** 0	**	* 3,260	* 859	0	477,948
Other interest paid on business indebtedness.....	45,009	** 688	**	5,159	7,014	0	706,673
Office expenses.....	16,514	** 70	**	741	13,246	* 357	923,724
Pension and profit-sharing plans.....	1,616	** 181	**	* 321	* 1,188	0	52,969
Rent on machinery and equipment.....	5,123	** 2,384	**	* 810	7,874	* 2,271	1,171,036
Rent on other business property.....	22,553	** 37	**	* 3,112	1,520	0	1,061,892
Repairs.....	56,094	** 14,776	**	14,176	14,657	* 1,918	1,611,885
Supplies.....	33,683	** 1,794	**	7,027	17,931	* 10,210	6,618,300
Salaries and wages.....	97,831	** 23,645	**	29,702	90,512	0	8,931,692
Taxes paid.....	195,602	** 4,429	**	8,232	24,107	* 37	1,806,181
Travel.....	23,341	** 31	**	1,360	6,481	* 553	620,423
Utilities.....	41,224	** 834	**	3,695	17,485	* 3,268	1,999,943
Other business deductions.....	1,876,100	** 11,052	**	42,772	78,598	* 769	11,377,165
Home office business deductions.....	10,725	** 0	**	* 23	* 7,274	0	917,228
Depreciation, Form 8829 [3].....	1,348	** 0	**	* 2	* 349	0	91,520
Casualty loss, Form 8829 [3].....	0	** 0	**	0	0	0	* 1,075
Excess—casualty depreciations, Form 8829 [3].....	* 469	** 0	**	0	0	0	12,249
Net income [1,2].....	2,351,395	** 8,382	**	69,933	447,556	91,314	39,253,965
Returns with Schedule C-EZ:							
Number of returns.....	20,982	** 0	**	* 304	* 793	* 1,017	457,719
Business receipts.....	100,898	** 0	**	* 33,812	* 3,334	* 6,521	3,150,362
Business deductions.....	20,208	** 0	**	0	* 225	* 3,124	410,837
Net income.....	80,691	** 0	**	* 33,812	* 3,110	* 3,397	2,739,525

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Construction—continued				Manufacturing		
	Residential building construction	Nonresidential building construction	Heavy and civil engineering construction	Specialty trade contractors	Total	Food manufacturing	Textile and textile product mills
	(16)	(17)	(18)	(19)	(20)	(21)	(22)
BUSINESSES WITH AND WITHOUT NET INCOME							
Number of returns [1].....	431,664	95,587	58,087	2,235,229	340,288	27,902	4,396
Business receipts, total [1].....	53,871,031	10,791,943	8,404,584	148,996,788	24,626,888	2,926,094	125,092
Income from sales and operations [1].....	53,436,583	10,762,475	8,287,522	147,843,284	24,260,974	2,896,945	125,088
Other business income.....	434,448	29,468	117,062	1,153,504	365,914	29,148	* 4
Business deductions, total [1,2].....	47,554,043	9,695,225	7,491,387	122,572,062	21,577,814	2,770,190	87,339
Cost of sales and operations, total.....	32,048,715	5,824,262	4,098,720	56,672,613	11,597,010	1,770,122	* 52,848
Inventory, beginning of year.....	2,842,081	150,146	989,961	1,148,058	1,241,903	205,948	* 11,644
Cost of labor.....	3,874,330	953,789	374,819	11,589,357	1,224,193	46,768	* 7,312
Purchases.....	8,538,121	1,507,353	1,771,508	18,157,221	6,876,412	1,348,225	* 29,880
Materials and supplies.....	10,954,359	1,386,939	898,320	21,029,850	1,927,093	232,968	* 507
Other costs.....	9,953,301	1,999,123	1,354,580	5,962,473	1,705,661	194,507	* 9,860
Inventory, end of year.....	4,113,477	173,089	1,290,470	1,214,347	1,378,252	258,294	* 6,354
Advertising expenses.....	159,442	29,471	35,132	898,816	211,470	22,441	* 81
Car and truck expenses.....	1,953,227	529,534	291,207	10,844,369	874,805	58,216	* 6,099
Commissions.....	301,264	20,427	69,609	637,800	103,114	11,185	* 66
Contract labor.....	2,282,041	511,103	191,637	8,539,736	370,532	14,621	* 4,763
Depletion.....	* 472	* 3	* 2,435	24,002	4,679	* 4	0
Depreciation.....	1,220,918	397,539	554,852	5,384,082	904,409	68,572	* 5,247
Employee benefit programs.....	69,992	7,572	15,435	306,879	87,647	7,046	0
Insurance.....	796,947	176,349	184,657	3,332,028	361,307	35,329	* 915
Legal and professional services.....	217,216	48,088	108,063	698,579	169,322	19,529	* 712
Meals and entertainment deducted.....	77,784	32,546	18,498	446,606	62,071	2,481	* 974
Mortgage interest.....	241,928	41,463	99,434	302,751	125,376	11,079	* 77
Other interest paid on business indebtedness.....	269,116	56,967	99,345	601,594	150,116	12,839	* 39
Office expenses.....	190,699	53,116	35,986	834,818	243,088	11,154	* 1,368
Pension and profit-sharing plans.....	8,238	2,034	2,700	42,110	15,304	734	0
Rent on machinery and equipment.....	242,769	93,172	119,144	1,072,528	144,113	9,157	* 2
Rent on other business property.....	163,113	58,079	39,799	1,104,192	746,005	80,717	* 29
Repairs.....	267,541	85,298	175,939	1,571,072	309,684	63,219	* 278
Supplies.....	1,617,028	257,067	146,528	5,690,724	683,757	37,790	* 1,881
Salaries and wages.....	1,694,359	504,526	357,301	8,495,311	1,629,364	219,181	* 1,667
Taxes paid.....	361,396	101,678	106,961	1,648,580	404,825	82,475	* 1,410
Travel.....	113,734	57,320	42,967	596,362	194,827	10,810	* 977
Utilities.....	394,724	118,891	76,642	1,863,434	539,662	65,735	* 2,944
Other business deductions.....	2,590,351	651,551	590,377	9,840,925	1,466,675	146,419	* 2,500
Home office business deductions.....	196,624	29,308	26,007	795,594	133,057	* 4,751	* 662
Depreciation, Form 8829 [3].....	19,482	1,874	1,550	91,921	13,585	* 579	0
Casualty loss, Form 8829 [3].....	* 659	0	0	* 996	0	0	0
Excess—casualty depreciations, Form 8829 [3].....	5,508	* 912	* 490	50,984	10,131	* 528	0
Net income less deficit [1,2].....	6,376,059	1,096,717	910,655	26,427,342	3,054,455	156,174	37,753
Net income [1,2].....	7,450,156	1,354,001	1,331,372	29,118,435	3,974,217	294,638	* 46,732
Deficit [2].....	1,074,097	257,284	420,718	2,691,093	919,762	138,464	* 8,978

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Construction—continued				Manufacturing		
	Residential building construction	Nonresidential building construction	Heavy and civil engineering construction	Specialty trade contractors	Total	Food manufacturing	Textile and textile product mills
	(16)	(17)	(18)	(19)	(20)	(21)	(22)
BUSINESSES WITH NET INCOME							
Number of returns [1].....	350,801	80,198	40,504	1,879,196	224,481	16,760	* 3,364
Business receipts, total [1].....	47,564,413	8,375,884	6,589,347	135,179,916	20,527,587	2,304,160	* 116,862
Income from sales and operations [1].....	47,250,226	8,337,631	6,526,085	134,167,618	20,423,713	2,285,459	* 116,862
Other business income.....	314,187	38,253	63,261	1,012,298	103,874	18,700	0
Business deductions, total [1,2].....	40,114,404	7,021,882	5,257,974	106,057,359	16,553,240	2,009,521	* 70,130
Cost of sales and operations, total.....	27,619,742	4,129,701	2,984,290	50,481,374	9,093,278	1,373,921	* 40,509
Inventory, beginning of year.....	2,096,338	97,620	614,983	805,338	820,908	99,892	* 4,071
Cost of labor.....	3,548,929	755,636	344,506	10,290,803	998,304	18,657	* 5,421
Purchases.....	7,128,083	815,794	1,190,827	16,258,719	5,373,273	1,055,836	* 26,777
Materials and supplies.....	9,245,195	1,097,876	659,128	18,640,830	1,635,262	175,261	* 156
Other costs.....	8,467,731	1,460,554	987,768	5,259,249	1,168,074	151,767	* 9,028
Inventory, end of year.....	2,866,535	97,778	812,923	773,565	902,541	127,492	* 4,944
Advertising expenses.....	135,253	22,188	25,935	747,540	148,417	10,180	* 80
Car and truck expenses.....	1,565,343	431,615	234,657	9,124,628	641,700	34,704	* 6,071
Commissions.....	267,905	14,603	47,137	574,197	82,071	4,319	* 66
Contract labor.....	1,809,686	435,823	131,503	7,622,522	285,933	5,554	* 4,492
Depletion.....	* 444	* 3	* 4	22,940	2,823	0	0
Depreciation.....	1,006,602	285,967	387,339	4,289,381	608,371	35,288	* 4,485
Employee benefit programs.....	60,556	4,068	10,532	260,674	78,943	5,662	0
Insurance.....	656,055	115,902	139,074	2,858,636	278,362	21,980	* 392
Legal and professional services.....	154,656	33,972	56,101	542,423	120,993	11,062	* 337
Meals and entertainment deducted.....	67,006	28,073	12,529	374,091	43,658	1,203	* 849
Mortgage interest.....	182,931	27,731	44,253	223,032	83,490	5,134	* 77
Other interest paid on business indebtedness.....	141,007	31,438	56,954	477,274	80,555	2,519	* 12
Office expenses.....	159,981	45,017	25,393	693,333	171,196	3,849	* 1,350
Pension and profit-sharing plans.....	8,142	* 1,997	1,692	41,139	13,774	* 721	0
Rent on machinery and equipment.....	158,545	78,039	77,989	856,463	92,066	1,482	0
Rent on other business property.....	117,803	39,251	25,391	879,447	585,968	59,936	0
Repairs.....	208,516	55,783	133,024	1,214,562	217,319	32,213	* 25
Supplies.....	1,469,299	211,168	103,479	4,834,355	537,868	19,245	* 1,806
Salaries and wages.....	1,281,486	313,157	222,442	7,114,606	1,349,313	176,216	* 1,447
Taxes paid.....	283,238	65,974	66,593	1,390,376	335,813	72,264	* 466
Travel.....	68,929	51,442	31,209	468,843	122,190	4,219	* 629
Utilities.....	307,466	79,776	57,159	1,555,542	404,922	45,748	* 2,713
Other business deductions.....	2,130,557	486,055	357,864	8,402,688	1,048,731	77,498	* 1,859
Home office business deductions.....	180,091	25,275	23,420	688,441	79,989	* 21	* 662
Depreciation, Form 8829 [3].....	17,276	1,440	* 1,163	71,640	8,571	* 6	0
Casualty loss, Form 8829 [3].....	* 659	0	0	* 416	0	0	0
Excess—casualty depreciations, Form 8829 [3].....	* 2,410	* 293	0	9,546	* 549	0	0
Net income [1,2].....	7,450,156	1,354,001	1,331,372	29,118,435	3,974,217	294,638	* 46,732
Returns with Schedule C-EZ:							
Number of returns.....	63,781	11,204	5,538	377,195	46,929	* 3,602	* 757
Business receipts.....	547,319	55,484	78,252	2,469,308	356,493	* 46,138	* 4,069
Business deductions.....	74,405	7,863	2,012	326,558	45,596	* 4,583	* 1,801
Net income.....	472,914	47,621	76,241	2,142,750	310,897	* 41,555	* 2,269

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Manufacturing—continued								
	Apparel	Leather and allied products	Wood products	Paper products	Printing and related support activities	Petroleum and coal products	Chemical manufacturing	Plastics, rubber, clay, refractory, and glass products	Nonmetallic mineral products
	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)
BUSINESSES WITH AND WITHOUT NET INCOME									
Number of returns [1].....	17,883	* 3,129	43,249	* 670	32,849	430	12,054	12,176	5,104
Business receipts, total [1].....	1,523,868	* 93,120	2,481,609	* 4,695	2,922,051	261,152	592,171	584,114	1,020,391
Income from sales and operations [1].....	1,521,561	* 92,647	2,441,459	* 4,695	2,919,612	56,203	587,898	572,472	1,014,309
Other business income.....	* 2,307	* 473	40,149	0	2,439	* 204,949	4,273	* 11,642	* 6,083
Business deductions, total [1,2].....	1,408,964	* 80,686	2,197,776	* 5,307	2,568,188	260,881	472,439	541,514	953,194
Cost of sales and operations, total.....	867,513	* 41,851	1,288,019	* 2,531	1,315,960	* 246,999	206,700	201,890	498,033
Inventory, beginning of year.....	126,126	* 28,825	138,600	* 21	51,463	0	17,536	42,352	33,079
Cost of labor.....	32,008	0	188,118	* 1,830	172,252	* 423	* 21,517	* 20,343	* 43,143
Purchases.....	601,184	* 2	787,128	0	756,771	* 50,222	60,425	144,343	190,744
Materials and supplies.....	24,849	* 37,981	262,239	* 672	92,596	* 1,028	96,171	43,795	143,232
Other costs.....	201,010	* 194	109,303	* 85	305,263	* 205,595	* 27,768	* 5,995	137,204
Inventory, end of year.....	117,664	* 25,151	197,369	* 78	62,385	* 10,269	16,718	54,938	49,369
Advertising expenses.....	12,228	* 3,074	16,058	* 6	37,638	* 36	3,524	14,367	6,210
Car and truck expenses.....	24,551	* 552	95,842	* 34	112,069	* 54	10,851	22,029	24,364
Commissions.....	12,864	0	7,418	0	5,962	* 150	* 3,189	* 590	* 561
Contract labor.....	25,366	* 322	33,131	* 75	41,451	* 12	* 64,770	7,568	* 23,189
Depletion.....	0	* 19	* 1,719	0	* 365	* 679	0	0	* 1
Depreciation.....	32,837	* 2,888	135,417	* 552	67,292	* 2,913	9,645	17,497	51,749
Employee benefit programs.....	* 1,198	0	7,663	* 204	9,264	* 267	* 2,977	* 5,278	* 10,835
Insurance.....	13,750	* 869	40,720	* 21	36,863	* 15	14,399	10,460	20,326
Legal and professional services.....	10,029	* 108	12,432	* 128	33,108	* 249	3,627	4,583	6,518
Meals and entertainment deducted.....	1,894	* 231	3,176	* [4]	11,709	* 186	618	2,661	1,738
Mortgage interest.....	* 1,817	* 1,478	15,937	0	20,165	* 1,501	* 959	* 2,502	* 17,343
Other interest paid on business indebtedness.....	11,001	* 393	23,228	* 1	16,159	* 265	2,122	20,883	* 2,145
Office expenses.....	13,795	* 814	11,266	0	70,214	* 89	13,514	5,152	3,999
Pension and profit-sharing plans.....	* 127	0	* 509	0	* 2,402	* 111	* 137	* 638	* 427
Rent on machinery and equipment.....	* 3,081	* 481	6,033	* 4	27,065	* 4	1,470	* 3,076	10,600
Rent on other business property.....	59,462	* 1,467	39,398	0	136,633	* 78	5,398	17,040	* 13,749
Repairs.....	7,216	* 92	55,525	* 362	25,319	* 4	5,113	3,362	18,939
Supplies.....	23,769	* 8,942	39,642	* 39	92,358	* 3	16,534	18,356	41,853
Salaries and wages.....	97,188	* 2,822	122,483	0	134,565	* 2,447	40,647	86,378	95,968
Taxes paid.....	20,718	* 306	26,839	* 25	43,463	* 428	4,010	19,417	22,766
Travel.....	8,346	* 1,122	6,714	* 46	44,411	* 142	6,972	9,663	2,505
Utilities.....	23,923	* 3,270	39,843	* 678	89,719	* 162	8,758	22,658	14,584
Other business deductions.....	118,718	* 9,187	133,858	* 599	174,381	3,888	42,250	41,339	64,791
Home office business deductions.....	* 10,670	* 398	29,591	0	17,939	* 18	* 1,000	* 2,125	0
Depreciation, Form 8829 [3].....	* 1,145	0	3,975	0	* 1,586	* 6	* 328	* 407	0
Casualty loss, Form 8829 [3].....	0	0	0	0	0	0	0	0	0
Excess—casualty depreciations, Form 8829 [3].....	0	0	* 5,589	0	* 455	* 6	* 1	* 836	0
Net income less deficit [1,2].....	115,751	* 12,434	283,703	* -612	357,174	270	121,466	35,246	67,198
Net income [1,2].....	216,652	* 15,971	375,875	* 4,527	428,147	11,803	139,394	79,838	82,616
Deficit [2].....	100,901	* 3,536	92,172	* 5,139	70,973	* 11,533	* 17,929	44,593	15,418

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Manufacturing—continued								
	Apparel	Leather and allied products	Wood products	Paper products	Printing and related support activities	Petroleum and coal products	Chemical manufacturing	Plastics, rubber, clay, refractory, and glass products	Nonmetallic mineral products
	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)
BUSINESSES WITH NET INCOME									
Number of returns [1].....	11,628	* 1,787	25,812	* 667	21,708	414	9,586	7,158	3,795
Business receipts, total [1].....	1,063,366	* 70,672	2,207,439	* 4,539	2,379,126	15,025	557,664	360,319	808,323
Income from sales and operations [1].....	1,061,276	* 70,199	2,178,245	* 4,539	2,381,847	15,025	556,055	358,918	803,849
Other business income.....	* 2,090	* 473	29,195	0	-2,721	0	* 1,609	* 1,401	* 4,474
Business deductions, total [1,2].....	846,714	* 54,701	1,831,435	* 12	1,950,979	3,222	418,269	280,481	725,707
Cost of sales and operations, total.....	450,180	* 37,930	1,153,728	0	1,017,692	* 1,565	184,331	118,228	438,238
Inventory, beginning of year.....	50,704	* 16,795	98,100	0	30,861	0	* 11,367	* 24,355	* 23,793
Cost of labor.....	* 14,668	0	155,176	0	166,234	* 423	* 20,697	* 5,666	* 39,101
Purchases.....	240,328	* 2	698,865	0	631,510	0	* 41,598	* 105,615	* 154,674
Materials and supplies.....	* 12,629	* 37,981	239,849	0	73,974	* 1,028	96,109	* 4,144	* 135,249
Other costs.....	196,580	* 194	101,838	0	146,317	* 115	* 25,595	* 5,621	* 125,919
Inventory, end of year.....	64,729	* 17,041	140,100	0	31,203	0	* 11,036	* 27,173	* 40,498
Advertising expenses.....	5,840	* 384	9,908	* 2	30,651	* 16	2,942	10,935	4,229
Car and truck expenses.....	15,678	* 307	74,696	0	74,864	* 48	10,820	7,167	* 15,678
Commissions.....	4,891	0	* 7,252	0	5,515	* 150	* 3,189	0	* 21
Contract labor.....	* 14,918	* 16	31,747	0	30,754	0	* 64,749	* 2,481	* 7,895
Depletion.....	0	* 19	* 1,718	0	* 365	* 208	0	0	* 1
Depreciation.....	19,089	* 1,619	82,967	0	47,128	* 45	7,351	8,940	28,164
Employee benefit programs.....	* 1,115	0	6,445	0	8,806	0	* 2,818	* 4,860	* 10,551
Insurance.....	9,603	* [4]	29,492	0	24,797	0	14,237	6,132	16,296
Legal and professional services.....	5,463	* 108	8,222	* 3	25,903	* 62	2,612	1,808	3,903
Meals and entertainment deducted.....	202	* 98	2,579	0	6,861	0	489	* 1,169	1,444
Mortgage interest.....	* 452	* 1,478	10,140	0	* 15,197	0	* 426	* 1,875	* 12,249
Other interest paid on business indebtedness.....	6,240	* 393	14,632	0	13,496	* [4]	* 1,748	* 1,534	* 1,035
Office expenses.....	6,153	* 622	7,134	0	51,418	* 21	12,577	2,626	2,218
Pension and profit-sharing plans.....	* 127	0	* 509	0	* 2,368	0	* 28	* 248	* 427
Rent on machinery and equipment.....	* 3,040	* 454	5,308	0	21,662	* 4	1,470	* 449	3,395
Rent on other business property.....	47,842	* 314	22,433	0	117,448	* 53	* 5,176	3,752	* 12,450
Repairs.....	5,379	0	45,054	0	19,389	* 2	4,919	* 993	6,153
Supplies.....	22,066	* 128	25,595	* 2	73,993	0	15,950	11,123	13,147
Salaries and wages.....	84,133	0	99,818	0	109,656	* 199	38,368	* 48,245	72,155
Taxes paid.....	17,454	* 228	21,604	0	35,322	* 18	3,275	11,425	16,957
Travel.....	1,721	* 1,122	5,445	0	24,181	* 49	4,843	3,805	2,023
Utilities.....	18,617	* 1,309	29,398	* 4	58,939	* 49	8,385	13,881	11,540
Other business deductions.....	89,126	* 7,774	112,301	0	122,493	* 551	23,313	16,185	45,537
Home office business deductions.....	* 10,483	* 398	17,998	0	10,365	0	* 997	* 617	0
Depreciation, Form 8829 [3].....	* 1,145	0	* 1,744	0	* 1,322	0	* 327	0	0
Casualty loss, Form 8829 [3].....	0	0	0	0	0	0	0	0	0
Excess—casualty depreciations, Form 8829 [3].....	0	0	0	0	0	0	0	0	0
Net income [1,2].....	216,652	* 15,971	375,875	* 4,527	428,147	11,803	139,394	79,838	82,616
Returns with Schedule C-EZ:									
Number of returns.....	* 3,284	* 658	* 4,386	* 6	* 834	* 80	* 5,166	* 984	* 985
Business receipts.....	* 57,893	* 1,973	* 26,711	* 116	* 3,980	* 9,723	* 46,259	* 9,996	* 8,259
Business deductions.....	* 6,902	0	* 5,314	* 2	* 1,714	* 181	* 3,256	* 2,002	0
Net income.....	* 50,991	* 1,973	* 21,397	* 114	* 2,266	* 9,543	* 43,003	* 7,995	* 8,259

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Manufacturing—continued						
	Primary metal industries	Fabricated metal products	Machinery	Computer and electronic products	Electrical equipment, appliances, and components	Transportation equipment	Furniture and related products
	(32)	(33)	(34)	(35)	(36)	(37)	(38)
BUSINESSES WITH AND WITHOUT NET INCOME							
Number of returns [1].....	7,599	42,668	20,201	8,599	11,130	9,129	22,309
Business receipts, total [1].....	354,662	3,341,870	2,317,305	255,686	848,560	929,024	1,569,700
Income from sales and operations [1].....	332,238	3,331,667	2,304,885	255,557	847,349	926,663	1,567,099
Other business income.....	* 22,424	10,202	12,420	* 129	* 1,212	* 2,360	2,601
Business deductions, total [1,2].....	319,727	3,002,997	1,797,281	205,098	678,944	885,778	1,248,094
Cost of sales and operations, total.....	* 71,589	1,572,532	883,190	99,841	443,096	516,688	544,740
Inventory, beginning of year.....	* 1	97,951	84,035	* 6,455	60,790	80,268	59,077
Cost of labor.....	0	249,212	174,519	* 12,372	* 48,243	* 52,983	65,833
Purchases.....	* 33,979	811,026	435,645	80,819	266,143	292,403	401,201
Materials and supplies.....	* 30,511	275,234	174,146	* 2,814	* 111,551	* 146,695	76,987
Other costs.....	* 7,098	232,733	108,673	* 5,484	* 12,020	* 18,604	16,187
Inventory, end of year.....	0	93,625	93,829	* 8,103	55,650	74,265	74,544
Advertising expenses.....	* 189	18,813	8,310	3,888	8,847	7,172	14,452
Car and truck expenses.....	* 14,577	127,379	79,703	18,857	22,253	58,484	71,081
Commissions.....	* 36	11,147	4,027	* 11	* 3,667	* 481	9,185
Contract labor.....	* 9,376	42,462	13,962	* 1,016	* 6,594	* 8,272	38,452
Depletion.....	* 1	0	* 2	0	* 510	* 1,377	0
Depreciation.....	46,126	149,800	160,838	1,211	12,027	25,862	51,491
Employee benefit programs.....	* 570	15,057	13,857	* 739	* 2,411	* 1,790	* 463
Insurance.....	* 9,154	62,813	35,970	* 1,489	4,972	20,926	28,893
Legal and professional services.....	* 1,519	17,783	14,587	1,225	3,412	2,974	10,647
Meals and entertainment deducted.....	* 1,052	7,372	6,509	1,905	2,331	1,501	5,128
Mortgage interest.....	0	12,432	15,411	0	* 724	* 9,212	* 7,450
Other interest paid on business indebtedness.....	* 1,815	22,592	12,965	* 964	1,929	* 7,648	3,741
Office expenses.....	* 3,529	28,671	19,135	2,690	5,026	5,751	20,072
Pension and profit-sharing plans.....	0	2,517	* 5,041	* 28	* 429	0	* 422
Rent on machinery and equipment.....	* 289	27,954	3,692	* 214	8,820	* 10,745	14,608
Rent on other business property.....	* 21,001	110,993	63,406	10,892	34,137	19,215	57,366
Repairs.....	* 8,018	45,568	20,090	* 760	3,296	20,312	11,341
Supplies.....	* 8,757	74,442	32,375	15,313	10,273	50,602	142,629
Salaries and wages.....	* 65,306	254,213	189,634	* 4,839	46,407	26,387	93,828
Taxes paid.....	* 6,970	71,348	38,110	716	5,645	10,138	21,067
Travel.....	* 2,729	18,918	3,806	* 1,679	5,201	5,381	13,507
Utilities.....	* 13,893	70,095	54,568	6,733	13,599	23,536	29,336
Other business deductions.....	* 23,330	221,066	109,521	26,137	29,089	47,790	53,755
Home office business deductions.....	* 9,901	14,672	* 6,765	* 1,047	* 1,047	* 1,533	* 3,307
Depreciation, Form 8829 [3].....	* 67	* 1,210	* 1,423	* 239	* 111	* 317	* 394
Casualty loss, Form 8829 [3].....	0	0	0	0	0	0	0
Excess—casualty depreciations, Form 8829 [3].....	* 67	* 1,060	* 27	0	0	* 871	0
Net income less deficit [1,2].....	34,935	344,792	520,024	50,588	170,442	43,427	321,800
Net income [1,2].....	57,627	485,488	532,899	74,567	182,486	82,629	363,926
Deficit [2].....	* 22,692	140,696	* 12,875	23,979	* 12,044	39,202	42,126

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Manufacturing—continued						
	Primary metal industries	Fabricated metal products	Machinery	Computer and electronic products	Electrical equipment, appliances, and components	Transportation equipment	Furniture and related products
	(32)	(33)	(34)	(35)	(36)	(37)	(38)
BUSINESSES WITH NET INCOME							
Number of returns [1].....	3,975	26,148	18,065	5,821	8,275	6,860	15,156
Business receipts, total [1].....	339,310	2,910,547	2,179,944	153,426	796,602	832,812	1,439,311
Income from sales and operations [1].....	316,533	2,902,118	2,174,399	153,335	795,570	832,654	1,436,714
Other business income.....	* 22,777	8,428	5,545	* 91	* 1,032	* 158	* 2,597
Business deductions, total [1,2].....	281,683	2,425,059	1,647,044	78,859	614,116	750,182	1,075,386
Cost of sales and operations, total.....	* 63,908	1,371,669	842,258	* 33,792	418,373	451,572	484,664
Inventory, beginning of year.....	* 1	81,712	82,532	* 6,394	* 52,990	* 76,294	41,844
Cost of labor.....	0	189,255	174,519	* 1,282	* 45,943	* 44,530	* 63,850
Purchases.....	* 33,818	743,597	396,869	* 31,448	* 240,182	* 290,180	350,089
Materials and supplies.....	* 22,992	236,716	173,856	* 1,819	* 111,551	* 100,952	72,063
Other costs.....	* 7,098	199,145	105,711	* 533	* 11,478	* 9,590	14,357
Inventory, end of year.....	0	78,755	91,230	* 7,685	* 43,771	* 69,974	57,540
Advertising expenses.....	* 189	13,575	6,900	* 3,537	8,794	6,143	9,279
Car and truck expenses.....	* 8,570	79,902	77,926	* 9,363	14,736	45,490	61,259
Commissions.....	* 36	9,654	* 3,377	* 11	* 3,202	* 425	9,077
Contract labor.....	* 9,376	32,738	12,434	* 668	* 4,924	* 8,272	22,086
Depletion.....	* 1	0	0	0	* 510	0	0
Depreciation.....	* 42,065	91,437	129,436	* 567	10,917	17,387	35,938
Employee benefit programs.....	* 570	14,090	13,676	0	* 1,465	* 1,521	* 422
Insurance.....	* 9,054	47,000	31,649	* 426	4,649	19,631	24,379
Legal and professional services.....	* 1,118	13,024	13,980	* 542	2,863	2,431	9,483
Meals and entertainment deducted.....	* 223	6,589	6,473	* 594	1,736	* 1,310	4,837
Mortgage interest.....	0	9,931	10,486	0	* 256	* 4,313	* 4,326
Other interest paid on business indebtedness.....	* 1,815	13,781	8,375	* 215	* 1,772	* 3,920	2,730
Office expenses.....	* 3,097	22,326	18,128	* 1,652	4,453	5,026	11,196
Pension and profit-sharing plans.....	0	* 2,315	* 5,023	0	* 429	0	* 422
Rent on machinery and equipment.....	* 289	17,835	3,524	* 192	* 5,650	* 10,735	5,056
Rent on other business property.....	* 16,661	75,476	62,801	* 2,513	* 32,023	* 18,798	52,161
Repairs.....	* 8,018	29,873	18,810	* 681	2,784	14,814	10,765
Supplies.....	* 8,677	57,159	30,325	* 6,489	8,730	44,611	142,025
Salaries and wages.....	* 65,306	211,378	164,576	* 2,059	* 36,920	* 23,467	84,653
Taxes paid.....	* 6,813	59,269	33,935	* 385	4,005	9,043	18,508
Travel.....	* 125	16,835	3,635	* 1,014	3,742	* 5,037	12,943
Utilities.....	* 12,442	48,096	49,549	* 3,505	12,356	19,822	23,863
Other business deductions.....	* 23,045	169,895	91,197	* 6,707	24,580	33,559	42,641
Home office business deductions.....	* 285	* 8,851	* 6,765	* 1,047	* 1,047	* 851	* 1,540
Depreciation, Form 8829 [3].....	0	* 150	* 1,423	* 239	* 111	* 97	* 394
Casualty loss, Form 8829 [3].....	0	0	0	0	0	0	0
Excess—casualty depreciations, Form 8829 [3].....	0	0	* 27	0	0	0	0
Net income [1,2].....	57,627	485,488	532,899	74,567	182,486	82,629	363,926
Returns with Schedule C-EZ:							
Number of returns.....	* 654	* 6,009	* 2,794	* 2,265	* 2,332	* 2,432	* 984
Business receipts.....	* 8,284	* 18,154	* 6,122	* 14,419	* 50,422	* 10,621	* 1,230
Business deductions.....	0	* 2,359	* 1,807	* 2,904	* 3,203	* 2,002	* 1,131
Net income.....	* 8,284	* 15,795	* 4,316	* 11,516	* 47,220	* 8,620	* 98

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Manufacturing—continued		Wholesale trade (merchant wholesalers)				Retail trade	
	Medical equipment and supplies	Other miscellaneous manufacturing	Total	Durable goods, including machinery, woods, metals, etc.	Nondurable goods, including food, fiber, chemicals, .etc.	Wholesale electronic markets and agents and brokers	Total	Motor vehicle and parts dealers
	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)
BUSINESSES WITH AND WITHOUT NET INCOME								
Number of returns [1].....	6,823	51,988	347,893	164,131	125,157	58,606	2,473,554	158,658
Business receipts, total [1].....	502,105	1,973,621	46,281,884	20,324,209	20,322,677	5,634,998	197,288,923	40,588,397
Income from sales and operations [1].....	499,526	1,963,101	45,809,103	20,088,914	20,239,899	5,480,290	195,219,220	40,211,802
Other business income.....	* 2,579	10,519	472,780	235,295	82,778	154,708	2,069,703	376,595
Business deductions, total [1,2].....	381,933	1,711,485	41,387,268	18,287,152	18,473,205	4,626,911	188,013,357	39,112,862
Cost of sales and operations, total.....	160,854	812,012	30,693,089	13,412,410	14,183,139	3,097,540	132,797,547	32,109,319
Inventory, beginning of year.....	* 23,789	173,942	2,602,353	1,510,805	830,656	260,891	22,026,515	4,918,802
Cost of labor.....	* 20,260	67,056	612,366	452,107	140,789	* 19,470	2,420,182	393,343
Purchases.....	* 47,073	539,200	26,857,744	11,565,001	13,009,730	2,283,013	121,447,813	30,230,608
Materials and supplies.....	* 63,829	109,290	1,286,241	599,560	508,663	178,018	5,375,821	884,715
Other costs.....	* 14,642	93,434	2,222,276	1,105,689	602,063	514,524	4,398,101	1,077,907
Inventory, end of year.....	* 8,739	170,910	2,887,890	1,820,752	908,761	158,377	22,870,884	5,396,056
Advertising expenses.....	3,873	30,262	308,218	163,960	112,316	31,941	2,388,586	350,929
Car and truck expenses.....	30,443	97,368	1,474,732	580,456	571,394	322,882	5,543,787	565,278
Commissions.....	* 11,742	20,831	720,310	352,255	141,096	226,958	1,075,050	187,181
Contract labor.....	22,012	13,118	342,670	143,911	164,088	34,671	969,928	182,578
Depletion.....	0	* 1	2,531	* 503	1,964	* 63	64,375	* 1,257
Depreciation.....	3,816	58,631	604,666	353,632	200,466	50,569	3,005,091	404,289
Employee benefit programs.....	* 2,227	5,801	63,908	17,840	39,178	6,889	250,886	42,431
Insurance.....	4,796	18,627	245,612	130,327	102,589	12,696	1,636,040	331,547
Legal and professional services.....	5,390	20,762	195,591	97,133	79,110	19,348	731,942	96,432
Meals and entertainment deducted.....	2,490	8,115	183,490	79,597	55,300	48,593	420,814	45,745
Mortgage interest.....	* 56	7,234	110,672	65,800	42,415	2,458	750,858	152,753
Other interest paid on business indebtedness.....	* 669	8,721	181,412	75,538	76,588	29,287	962,168	216,315
Office expenses.....	3,575	23,274	285,004	128,650	87,337	69,016	1,185,504	131,392
Pension and profit-sharing plans.....	* 705	1,079	16,983	7,970	8,536	* 477	46,764	4,952
Rent on machinery and equipment.....	* 9,765	7,053	135,452	65,208	38,475	31,768	768,700	55,866
Rent on other business property.....	22,400	52,622	578,449	304,250	235,209	38,990	6,085,600	548,041
Repairs.....	2,277	18,592	209,397	106,522	95,654	7,222	1,233,149	261,579
Supplies.....	24,879	43,319	456,925	225,343	196,666	34,916	2,500,215	222,875
Salaries and wages.....	* 19,711	125,692	1,083,472	481,394	559,915	42,163	8,785,477	1,060,165
Taxes paid.....	3,424	25,548	236,519	95,772	122,767	17,981	3,019,242	433,149
Travel.....	4,738	47,158	481,950	233,659	146,229	102,061	1,153,059	98,271
Utilities.....	12,217	43,410	452,818	210,840	184,759	57,219	3,644,650	380,383
Other business deductions.....	23,719	194,339	2,124,445	875,706	957,868	290,871	8,051,904	1,183,950
Home office business deductions.....	* 6,154	21,478	179,226	66,471	65,552	47,203	724,448	20,549
Depreciation, Form 8829 [3].....	* 812	* 985	22,208	9,333	9,620	3,256	131,204	2,227
Casualty loss, Form 8829 [3].....	0	0	* 130	* 130	0	0	* 11,064	0
Excess—casualty depreciations, Form 8829 [3].....	0	* 691	12,834	7,141	4,424	* 1,269	324,956	* 2,751
Net income less deficit [1,2].....	120,173	261,717	4,948,556	2,061,747	1,859,591	1,027,217	9,285,087	1,477,143
Net income [1,2].....	125,302	373,098	6,116,417	2,566,328	2,426,840	1,123,249	17,273,702	2,127,558
Deficit [2].....	* 5,130	111,381	1,167,861	504,581	567,249	96,032	7,988,615	650,415

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Manufacturing—continued		Wholesale trade (merchant wholesalers)				Retail trade	
	Medical equipment and supplies	Other miscellaneous manufacturing	Total	Durable goods, including machinery, woods, metals, etc.	Nondurable goods, including food, fiber, chemicals, .etc.	Wholesale electronic markets and agents and brokers	Total	Motor vehicle and parts dealers
	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)
BUSINESSES WITH NET INCOME								
Number of returns [1].....	6,466	31,037	229,125	102,356	81,374	45,396	1,256,246	103,189
Business receipts, total [1].....	486,389	1,501,750	39,167,889	17,395,707	16,896,321	4,875,861	157,607,826	33,031,079
Income from sales and operations [1].....	483,884	1,496,231	38,800,974	17,227,515	16,834,446	4,739,013	155,980,179	32,771,706
Other business income.....	* 2,505	5,519	366,916	168,192	61,876	136,847	1,627,647	259,373
Business deductions, total [1,2].....	361,087	1,128,652	33,051,475	14,829,382	14,469,482	3,752,612	140,265,970	30,903,521
Cost of sales and operations, total.....	154,625	456,095	25,676,123	11,504,841	11,601,521	2,569,761	103,332,393	25,899,699
Inventory, beginning of year.....	* 23,653	95,551	1,706,837	1,088,420	497,685	120,732	13,496,124	3,383,133
Cost of labor.....	* 18,798	34,082	510,534	377,538	125,579	* 7,417	1,840,569	307,941
Purchases.....	* 46,765	285,120	22,728,886	9,970,956	10,659,446	2,098,483	94,957,162	24,361,818
Materials and supplies.....	* 59,857	79,077	1,094,860	519,982	401,668	* 173,210	4,125,801	788,249
Other costs.....	* 14,149	43,038	1,708,098	872,027	527,279	308,792	3,239,769	821,579
Inventory, end of year.....	* 8,598	80,773	2,073,092	1,324,082	610,137	138,872	14,327,031	3,763,022
Advertising expenses.....	3,651	21,183	199,724	110,881	60,373	28,470	1,632,868	246,824
Car and truck expenses.....	29,581	74,839	1,110,564	414,855	417,485	278,224	3,391,230	428,075
Commissions.....	* 11,544	19,341	586,171	255,741	116,939	213,490	791,196	149,821
Contract labor.....	* 21,974	10,855	176,549	108,296	58,914	9,339	686,746	116,148
Depletion.....	0	0	1,643	* 501	* 1,143	0	60,806	* 352
Depreciation.....	3,201	42,348	412,763	243,710	122,884	46,169	1,847,859	274,420
Employee benefit programs.....	* 2,065	* 4,874	49,393	14,577	28,483	* 6,334	187,266	30,702
Insurance.....	4,205	14,439	164,086	83,410	72,193	8,483	1,155,852	238,109
Legal and professional services.....	5,116	12,956	123,184	52,897	54,313	15,974	479,884	72,735
Meals and entertainment deducted.....	2,483	4,517	153,478	66,559	45,905	41,013	255,124	34,083
Mortgage interest.....	* 56	* 7,096	58,413	29,083	28,674	* 656	441,514	96,724
Other interest paid on business indebtedness.....	* 591	5,747	98,760	43,473	44,157	11,130	590,693	157,507
Office expenses.....	3,408	13,940	205,518	107,096	58,239	40,184	733,171	99,597
Pension and profit-sharing plans.....	* 705	* 452	15,188	6,596	8,241	* 352	37,978	4,216
Rent on machinery and equipment.....	* 7,302	4,221	95,454	42,296	27,706	25,451	513,381	34,399
Rent on other business property.....	18,921	37,210	394,384	200,837	174,661	18,885	4,064,737	377,746
Repairs.....	2,250	15,197	144,361	77,515	60,755	6,092	811,929	159,368
Supplies.....	24,825	31,972	299,434	162,035	113,544	23,855	1,442,238	143,054
Salaries and wages.....	* 18,069	112,646	787,996	349,809	407,934	30,252	6,587,106	759,447
Taxes paid.....	3,066	21,776	175,818	73,190	87,104	15,524	2,168,545	327,979
Travel.....	4,499	26,324	364,485	168,927	116,044	79,515	734,053	73,387
Utilities.....	11,754	32,951	323,615	152,177	124,054	47,384	2,445,294	273,242
Other business deductions.....	21,042	139,430	1,272,815	494,311	588,349	190,155	5,317,686	866,222
Home office business deductions.....	* 6,154	11,906	141,929	53,766	45,274	42,889	346,574	14,596
Depreciation, Form 8829 [3].....	* 812	* 801	12,905	6,531	4,136	2,237	47,201	1,477
Casualty loss, Form 8829 [3].....	0	0	* 130	* 130	0	0	* 8,179	0
Excess—casualty depreciations, Form 8829 [3].....	0	* 523	* 1,280	* 585	* 394	* 302	150,661	* 95
Net income [1,2]	125,302	373,098	6,116,417	2,566,328	2,426,840	1,123,249	17,273,702	2,127,558
Returns with Schedule C-EZ:								
Number of returns.....	* 658	8,058	33,799	19,264	8,089	6,446	239,788	18,206
Business receipts.....	* 251	31,871	275,321	126,722	109,728	38,872	1,195,911	131,612
Business deductions.....	0	6,437	19,726	12,003	4,594	3,129	217,571	25,634
Net income.....	* 251	25,434	255,596	114,719	105,134	35,743	978,340	105,978

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Retail trade—continued							
	Furniture and home furnishing stores	Electronic and appliance stores	Building material and garden equipment and supplies dealers	Food and beverage stores	Health and personal care stores	Gasoline stations	Clothing and accessories stores	Sporting goods, hobby, book, and music stores
	(47)	(48)	(49)	(50)	(51)	(52)	(53)	(54)
BUSINESSES WITH AND WITHOUT NET INCOME								
Number of returns [1].....	51,323	37,838	46,589	107,726	143,216	20,365	122,840	111,276
Business receipts, total [1].....	5,844,514	4,405,793	7,611,407	29,469,296	9,523,185	25,727,866	10,648,749	7,202,258
Income from sales and operations [1].....	5,811,559	4,382,588	7,553,066	29,011,383	9,306,008	25,489,629	10,528,087	7,221,118
Other business income.....	32,955	23,204	58,340	457,913	217,178	238,237	120,662	-18,860
Business deductions, total [1,2].....	5,552,592	4,006,866	7,106,364	28,443,868	8,694,835	25,551,704	9,919,124	7,029,646
Cost of sales and operations, total.....	3,286,511	2,448,464	4,957,472	21,590,990	5,855,322	22,364,254	5,840,723	4,192,002
Inventory, beginning of year.....	874,182	450,073	925,716	1,858,909	737,204	592,097	2,488,707	1,779,136
Cost of labor.....	180,903	89,663	215,095	240,108	87,953	98,613	40,651	46,082
Purchases.....	2,606,062	2,104,465	4,290,292	19,377,355	5,529,017	21,997,001	5,423,401	4,030,093
Materials and supplies.....	352,898	200,631	273,884	1,104,632	167,519	253,739	237,108	105,032
Other costs.....	111,037	22,195	263,552	1,001,783	99,938	127,436	113,420	79,855
Inventory, end of year.....	838,570	418,562	1,011,067	1,991,798	766,308	704,633	2,462,564	1,848,197
Advertising expenses.....	245,737	103,599	83,896	146,998	159,355	46,513	195,432	155,208
Car and truck expenses.....	154,531	81,014	190,199	268,322	223,907	56,112	213,079	212,882
Commissions.....	46,794	14,336	12,899	20,789	55,393	19,408	73,673	29,925
Contract labor.....	72,827	76,014	48,935	83,687	31,263	47,127	47,623	53,456
Depletion.....	* 23	* 1	* 4	* 999	0	* 552	* 60,230	* 809
Depreciation.....	76,748	56,140	125,595	363,081	160,374	248,269	157,960	158,877
Employee benefit programs.....	7,903	16,237	14,754	35,686	22,489	15,153	9,348	11,394
Insurance.....	71,218	53,835	113,547	217,226	69,414	115,463	102,408	72,337
Legal and professional services.....	28,033	17,737	21,997	89,346	47,899	40,616	50,763	38,781
Meals and entertainment deducted.....	13,072	8,224	14,142	5,905	22,137	2,759	24,985	12,319
Mortgage interest.....	24,746	11,849	53,344	85,448	19,027	123,431	32,145	41,215
Other interest paid on business indebtedness.....	35,006	32,370	33,258	96,287	29,599	76,819	51,813	61,795
Office expenses.....	35,758	33,213	36,554	50,720	87,465	19,524	89,590	85,943
Pension and profit-sharing plans.....	1,657	* 854	4,403	7,233	9,031	1,511	4,689	* 126
Rent on machinery and equipment.....	15,982	19,373	18,384	102,616	92,772	33,240	118,249	25,618
Rent on other business property.....	353,627	184,273	92,500	811,652	286,432	300,868	893,737	394,244
Repairs.....	43,605	12,467	63,815	195,957	64,460	120,903	51,247	40,663
Supplies.....	50,127	55,038	99,042	345,905	121,921	65,510	131,341	132,040
Salaries and wages.....	425,832	349,272	523,530	1,635,695	572,448	764,398	658,570	491,473
Taxes paid.....	129,812	116,133	133,011	528,611	103,750	321,905	254,666	156,614
Travel.....	32,831	24,510	15,043	34,397	71,308	2,671	72,252	45,052
Utilities.....	144,705	108,261	134,248	719,298	159,608	281,588	250,463	187,536
Other business deductions.....	231,765	160,398	303,262	986,826	395,248	481,500	487,005	363,425
Home office business deductions.....	17,577	14,627	11,845	16,138	24,208	* 866	35,629	61,227
Depreciation, Form 8829 [3].....	3,244	* 1,265	* 554	* 703	3,627	* 14,597	3,807	9,991
Casualty loss, Form 8829 [3].....	0	* 7,536	0	* 80	0	0	0	0
Excess—casualty depreciations, Form 8829 [3].....	* 2,202	* 1,473	* 793	* 1,285	11,640	* 144,240	4,807	25,404
Net income less deficit [1,2].....	297,413	399,014	505,360	1,038,280	768,382	175,834	729,640	190,140
Net income [1,2].....	506,782	498,019	662,249	1,543,224	1,232,527	423,747	1,297,819	662,750
Deficit [2].....	209,368	99,005	156,889	504,944	464,145	247,913	568,180	472,609

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Retail trade—continued							
	Furniture and home furnishing stores	Electronic and appliance stores	Building material and garden equipment and supplies dealers	Food and beverage stores	Health and personal care stores	Gasoline stations	Clothing and accessories stores	Sporting goods, hobby, book, and music stores
	(47)	(48)	(49)	(50)	(51)	(52)	(53)	(54)
BUSINESSES WITH NET INCOME								
Number of returns [1].....	30,567	27,294	31,034	69,628	62,419	14,162	73,187	50,754
Business receipts, total [1].....	4,496,907	3,697,979	6,334,541	24,590,156	8,443,654	19,527,337	8,527,537	4,555,669
Income from sales and operations [1].....	4,478,699	3,686,400	6,277,309	24,181,092	8,285,212	19,338,564	8,417,725	4,597,174
Other business income.....	18,209	11,579	57,232	409,064	158,442	188,773	109,812	-41,505
Business deductions, total [1,2].....	3,990,126	3,199,961	5,672,292	23,046,932	7,151,158	19,102,434	7,229,717	3,892,919
Cost of sales and operations, total.....	2,442,284	1,966,484	4,109,935	17,873,640	5,065,362	16,851,673	4,405,666	2,439,161
Inventory, beginning of year.....	535,516	244,891	698,648	1,411,576	539,646	395,634	1,559,627	859,842
Cost of labor.....	95,803	* 28,011	177,951	205,590	77,642	39,543	20,334	* 27,449
Purchases.....	1,960,871	1,725,002	3,532,954	16,081,319	4,838,549	16,608,702	4,205,650	2,400,203
Materials and supplies.....	327,539	197,074	267,750	777,834	131,601	232,912	147,963	71,322
Other costs.....	61,774	14,046	180,154	865,635	45,911	76,777	87,291	57,828
Inventory, end of year.....	539,219	242,540	747,522	1,468,314	567,987	501,896	1,615,199	977,483
Advertising expenses.....	185,771	80,971	70,348	99,003	122,205	34,354	129,988	68,918
Car and truck expenses.....	108,589	66,477	122,366	206,052	101,259	37,572	146,597	118,127
Commissions.....	41,296	12,404	5,912	13,534	26,019	17,175	58,430	15,487
Contract labor.....	41,201	74,226	44,253	45,150	27,643	27,453	16,683	34,052
Depletion.....	* 23	0	0	0	0	0	* 60,111	0
Depreciation.....	50,546	50,478	86,515	242,870	88,524	170,246	83,079	90,165
Employee benefit programs.....	4,935	* 12,139	10,518	22,079	17,584	8,810	6,683	7,354
Insurance.....	58,317	44,172	82,211	161,507	57,538	83,443	66,508	38,922
Legal and professional services.....	18,905	14,327	15,756	58,510	34,467	25,751	33,474	20,195
Meals and entertainment deducted.....	7,457	5,911	8,650	4,532	11,982	1,538	19,705	5,073
Mortgage interest.....	19,182	7,346	42,269	56,549	12,738	65,511	25,625	11,217
Other interest paid on business indebtedness.....	25,733	27,567	24,243	70,050	15,686	52,439	32,256	26,722
Office expenses.....	22,643	24,128	28,204	34,991	61,751	12,627	63,659	40,399
Pension and profit-sharing plans.....	* 1,633	* 291	3,965	2,615	9,011	* 1,092	* 3,227	* 70
Rent on machinery and equipment.....	11,428	2,847	13,331	92,917	74,621	19,324	73,096	17,228
Rent on other business property.....	215,523	139,114	56,327	615,758	229,791	232,934	589,221	204,337
Repairs.....	33,016	9,984	49,953	149,028	47,109	91,167	38,383	18,729
Supplies.....	35,231	42,604	54,156	204,383	73,217	53,219	87,079	67,065
Salaries and wages.....	281,050	277,903	378,654	1,304,027	518,499	563,038	503,286	257,917
Taxes paid.....	104,044	94,156	105,242	421,900	85,962	209,247	194,919	84,261
Travel.....	24,441	20,952	8,300	25,158	47,885	1,866	51,341	23,874
Utilities.....	102,723	85,913	96,242	543,457	117,196	205,941	164,103	95,178
Other business deductions.....	134,329	117,279	244,109	793,992	286,816	335,208	344,287	184,221
Home office business deductions.....	13,660	13,730	10,146	2,873	8,304	* 809	20,811	19,565
Depreciation, Form 8829 [3].....	* 1,396	* 1,265	* 243	* 176	* 633	* 14,581	1,494	* 1,350
Casualty loss, Form 8829 [3].....	0	* 7,536	0	* 80	0	0	0	0
Excess—casualty depreciations, Form 8829 [3].....	* 39	* 1,473	0	0	* 42	* 144,225	* 1,376	0
Net income [1,2]	506,782	498,019	662,249	1,543,224	1,232,527	423,747	1,297,819	662,750
Returns with Schedule C-EZ:								
Number of returns.....	* 4,457	7,535	* 814	10,167	12,975	* 759	8,819	6,612
Business receipts.....	* 20,235	53,638	* 5,053	74,342	63,657	* 880	72,009	38,613
Business deductions.....	* 6,166	8,629	* 686	4,055	10,004	* 746	11,502	4,685
Net income.....	* 14,069	45,009	* 4,367	70,287	53,653	* 135	60,508	33,928

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Retail trade—continued			Transportation and warehousing				
	General merchandise stores	Miscellaneous store retailers	Nonstore retailers	Total	Air and rail transportation	Water transportation	General freight trucking, local	General freight trucking, long-distance and specialized freight trucking
	(55)	(56)	(57)	(58)	(59)	(60)	(61)	(62)
BUSINESSES WITH AND WITHOUT NET INCOME								
Number of returns [1].....	42,889	522,993	1,107,840	1,043,120	14,830	3,912	243,267	329,126
Business receipts, total [1].....	4,474,583	27,376,015	24,416,859	72,341,709	1,368,830	381,892	19,280,255	36,332,627
Income from sales and operations [1].....	4,418,604	27,174,871	24,110,505	71,367,928	1,340,410	381,318	19,052,964	35,836,511
Other business income.....	55,979	201,144	306,354	973,781	28,420	* 574	227,291	496,116
Business deductions, total [1,2].....	4,380,892	25,758,227	22,456,376	62,258,110	1,631,775	258,286	16,463,235	32,070,151
Cost of sales and operations, total.....	3,066,101	14,619,114	12,467,274	7,392,071	626,270	* 67,144	2,366,711	2,895,656
Inventory, beginning of year.....	656,838	4,632,733	2,112,119	239,293	41,743	* 120	28,227	59,612
Cost of labor.....	* 10,939	436,130	580,702	1,475,337	30,903	* 1,660	764,463	506,416
Purchases.....	2,734,532	12,458,299	10,666,687	2,218,980	226,680	* 1,401	567,775	691,883
Materials and supplies.....	41,888	1,134,303	619,472	627,906	37,993	* 1,827	363,815	131,580
Other costs.....	244,115	546,805	710,057	3,067,597	344,161	* 62,332	685,137	1,515,870
Inventory, end of year.....	622,211	4,589,156	2,221,764	237,043	55,209	* 196	42,706	9,705
Advertising expenses.....	40,290	474,805	385,823	173,788	10,460	* 4,190	30,553	43,167
Car and truck expenses.....	125,047	1,189,989	2,263,429	17,451,207	37,483	12,385	4,281,933	9,713,821
Commissions.....	25,341	311,761	277,550	962,973	11,287	* 297	369,014	315,767
Contract labor.....	5,828	181,812	138,778	3,259,213	25,990	* 2,446	891,544	1,836,731
Depletion.....	0	* 90	* 411	4,778	93	* 75	* 601	* 501
Depreciation.....	73,739	556,820	623,200	5,388,855	338,309	39,052	1,614,089	2,724,367
Employee benefit programs.....	* 3,913	49,385	22,192	85,580	2,983	* 21	25,248	25,914
Insurance.....	33,548	306,647	148,850	2,705,333	27,248	7,031	820,938	1,382,436
Legal and professional services.....	16,429	143,059	140,852	255,473	12,292	1,146	58,290	104,947
Meals and entertainment deducted.....	8,045	101,923	161,558	1,343,523	7,319	1,515	192,981	1,054,940
Mortgage interest.....	18,175	130,196	58,528	288,859	15,447	* 2,510	83,298	101,251
Other interest paid on business indebtedness.....	17,978	178,923	132,005	690,479	49,617	5,808	153,911	358,811
Office expenses.....	13,839	253,615	347,891	320,018	10,517	1,919	90,877	132,098
Pension and profit-sharing plans.....	* 1,540	7,521	3,247	18,154	407	* 182	* 7,029	5,868
Rent on machinery and equipment.....	12,837	154,479	119,285	1,884,245	12,931	* 22	311,482	926,216
Rent on other business property.....	209,397	1,643,236	367,592	634,181	46,066	* 4,236	120,590	201,104
Repairs.....	28,632	206,817	143,004	4,232,426	48,913	12,383	1,203,765	2,598,252
Supplies.....	41,216	478,163	757,038	1,114,409	12,500	6,407	272,570	609,591
Salaries and wages.....	226,747	1,603,665	473,682	2,521,466	35,290	12,372	760,658	1,159,488
Taxes paid.....	87,995	530,919	222,677	1,135,022	13,071	7,335	336,414	624,904
Travel.....	24,615	238,947	493,163	529,474	33,682	2,330	89,128	294,478
Utilities.....	108,565	711,961	458,033	883,606	13,480	2,823	251,124	394,488
Other business deductions.....	184,875	1,451,989	1,821,660	8,678,364	230,488	64,488	2,057,315	4,467,253
Home office business deductions.....	* 6,199	170,397	345,186	180,262	* 9,345	* 124	54,637	76,056
Depreciation, Form 8829 [3].....	* 557	22,081	68,551	21,636	* 2,776	0	5,469	7,443
Casualty loss, Form 8829 [3].....	0	0	* 3,449	* 556	0	0	* [4]	* 556
Excess—casualty depreciations, Form 8829 [3].....	* 142	27,387	102,832	7,862	* 79	0	1,783	1,340
Net income less deficit [1,2].....	94,667	1,644,441	1,964,773	10,112,631	-237,518	124,773	2,821,485	4,264,384
Net income [1,2].....	325,382	3,604,866	4,388,779	12,288,415	145,890	178,202	3,274,149	4,908,472
Deficit [2].....	230,715	1,960,424	2,424,007	2,175,785	383,408	53,430	452,664	644,088

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Retail trade—continued			Transportation and warehousing				
	General merchandise stores	Miscellaneous store retailers	Nonstore retailers	Total	Air and rail transportation	Water transportation	General freight trucking, local	General freight trucking, long-distance and specialized freight trucking
	(55)	(56)	(57)	(58)	(59)	(60)	(61)	(62)
BUSINESSES WITH NET INCOME								
Number of returns [1].....	20,094	268,426	505,491	848,315	9,506	2,692	202,004	263,954
Business receipts, total [1].....	3,835,676	21,025,033	19,542,256	60,471,864	612,475	338,503	16,546,791	30,158,293
Income from sales and operations [1].....	3,784,961	20,888,940	19,272,397	59,578,287	600,284	337,956	16,325,763	29,694,888
Other business income.....	50,715	136,094	269,860	893,576	12,190	* 547	221,029	463,405
Business deductions, total [1,2].....	3,511,269	17,420,197	15,145,444	48,184,154	467,291	160,300	13,272,642	25,249,821
Cost of sales and operations, total.....	2,600,670	10,539,134	9,138,685	5,335,399	* 228,485	* 58,964	1,963,241	2,085,904
Inventory, beginning of year.....	511,343	2,315,417	1,040,850	57,496	* 2,597	* 22	21,180	4,506
Cost of labor.....	* 10,916	316,675	532,713	1,187,899	* 7,130	0	673,603	410,252
Purchases.....	2,293,301	9,091,441	7,857,351	1,534,427	* 192,118	* 1,296	397,498	458,569
Materials and supplies.....	* 27,311	759,282	396,963	470,175	* 25	* 2	349,230	38,340
Other costs.....	240,106	385,838	402,831	2,158,999	* 33,172	* 57,665	536,210	1,179,459
Inventory, end of year.....	482,307	2,329,519	1,092,024	73,596	* 6,556	* 22	14,482	5,223
Advertising expenses.....	29,629	339,915	224,945	117,332	3,260	* 969	23,307	30,456
Car and truck expenses.....	57,192	654,217	1,344,706	14,046,204	24,413	* 5,751	3,491,459	7,914,186
Commissions.....	* 20,628	208,234	222,257	816,997	* 8,826	0	323,012	262,162
Contract labor.....	* 2,698	139,527	117,711	2,446,096	22,061	* 903	704,955	1,309,365
Depletion.....	0	* 14	* 305	4,719	* 38	* 75	* 601	* 498
Depreciation.....	34,423	309,066	367,528	3,591,638	15,349	11,017	1,142,080	2,010,499
Employee benefit programs.....	* 3,913	42,135	20,414	66,870	* 1,931	0	23,701	21,034
Insurance.....	24,526	206,483	94,116	2,140,468	4,265	* 2,486	674,568	1,079,920
Legal and professional services.....	10,582	91,060	84,122	191,850	3,352	* 672	49,856	82,155
Meals and entertainment deducted.....	4,000	59,655	92,539	1,120,190	4,682	* 1,428	163,239	876,654
Mortgage interest.....	11,996	60,429	31,928	195,972	* 1,764	* 132	57,531	65,376
Other interest paid on business indebtedness.....	11,316	81,704	65,471	450,762	6,844	* 2,518	108,488	251,570
Office expenses.....	5,604	139,112	200,456	243,999	4,534	* 1,662	78,151	99,511
Pension and profit-sharing plans.....	* 1,540	7,073	3,247	17,733	* 320	* 182	* 6,859	5,734
Rent on machinery and equipment.....	8,613	99,295	66,282	1,628,976	2,130	0	259,263	798,309
Rent on other business property.....	140,137	1,005,572	258,277	447,058	6,909	* 2,957	92,793	144,915
Repairs.....	15,785	128,705	70,701	3,364,825	3,951	* 736	979,778	2,086,332
Supplies.....	28,507	206,246	447,478	903,965	1,694	* 1,261	238,864	506,030
Salaries and wages.....	194,202	1,163,061	386,023	1,776,600	* 9,126	* 9,095	607,241	748,772
Taxes paid.....	68,244	334,207	138,383	890,065	2,567	* 889	278,535	494,779
Travel.....	15,490	133,385	307,975	415,741	18,969	* 1,791	74,656	253,992
Utilities.....	73,702	428,555	259,043	677,150	5,854	* 2,652	205,038	303,505
Other business deductions.....	143,524	903,032	964,667	7,029,062	76,412	53,991	1,664,271	3,732,574
Home office business deductions.....	* 4,349	80,125	157,605	141,250	* 9,270	* 124	43,736	63,541
Depreciation, Form 8829 [3].....	* 415	6,285	17,884	16,633	* 2,740	0	4,808	5,789
Casualty loss, Form 8829 [3].....	0	0	* 564	* [4]	0	0	* [4]	0
Excess—casualty depreciations, Form 8829 [3].....	0	* 117	* 3,293	* 1,907	0	0	* 1,063	* 105
Net income [1,2].....	325,382	3,604,866	4,388,779	12,288,415	145,890	178,202	3,274,149	4,908,472
Returns with Schedule C-EZ:								
Number of returns.....	* 3,840	59,580	106,024	125,731	* 2,052	* 650	31,284	16,964
Business receipts.....	* 13,170	347,262	375,439	835,645	* 15,215	* 4,163	212,264	89,471
Business deductions.....	0	61,995	83,471	124,350	* 285	* 45	18,536	22,048
Net income.....	* 13,170	285,267	291,968	711,295	* 14,930	* 4,118	193,728	67,423

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Transportation and warehousing—continued						
	Urban transit	Interurban and rural bus transportation	Taxi and limousine service	School, employee, and charter bus industry	Other transit and ground passenger transportation	Pipeline transportation	Scenic and sightseeing transportation
	(63)	(64)	(65)	(66)	(67)	(68)	(69)
BUSINESSES WITH AND WITHOUT NET INCOME							
Number of returns [1].....	0	* 2,463	149,298	13,429	23,288	* 749	8,266
Business receipts, total [1].....	0	* 41,061	4,412,464	636,715	748,984	* 39,588	258,951
Income from sales and operations [1].....	0	* 41,052	4,343,016	630,103	748,976	* 39,588	247,755
Other business income.....	0	* 10	69,448	6,612	* 8	0	* 11,196
Business deductions, total [1,2].....	0	* 40,160	3,200,185	525,232	612,576	* 15,617	372,205
Cost of sales and operations, total.....	0	* 3,083	122,656	* 30,774	* 34,265	0	* 18,224
Inventory, beginning of year.....	0	0	* 362	* 7,052	* 998	0	0
Cost of labor.....	0	* 970	* 36	* 7	* 525	0	* 3,077
Purchases.....	0	0	* 9,537	* 4,045	* 17,828	0	* 1,760
Materials and supplies.....	0	0	* 1,013	* 410	0	0	* 1,694
Other costs.....	0	* 2,113	111,949	* 26,309	* 15,841	0	* 13,397
Inventory, end of year.....	0	0	* 241	* 7,049	* 926	0	* 1,703
Advertising expenses.....	0	* 1,028	45,622	1,787	3,453	0	3,827
Car and truck expenses.....	0	* 6,819	590,018	62,458	157,340	0	10,197
Commissions.....	0	0	132,832	12,230	* 17,963	0	* 949
Contract labor.....	0	0	66,642	* 6,456	* 4,466	0	15,102
Depletion.....	0	0	* 8	0	0	* 3,500	0
Depreciation.....	0	* 2,971	145,981	72,627	33,988	* 6	131,221
Employee benefit programs.....	0	0	* 3,579	* 1,406	* 2,322	0	* 1
Insurance.....	0	* 2,628	194,913	26,542	41,838	0	12,307
Legal and professional services.....	0	* 662	25,256	1,942	8,332	0	4,007
Meals and entertainment deducted.....	0	* 4,040	20,772	3,093	11,383	* 186	2,441
Mortgage interest.....	0	* 11	38,471	* 1,214	* 5,283	0	* 4,480
Other interest paid on business indebtedness.....	0	0	33,786	24,217	* 4,566	0	11,281
Office expenses.....	0	* 1,028	18,298	4,925	4,446	0	4,802
Pension and profit-sharing plans.....	0	0	* 2,381	* 23	* 296	0	* 1
Rent on machinery and equipment.....	0	* 1,603	516,279	3,643	* 17,649	0	* 4,865
Rent on other business property.....	0	0	98,199	4,087	* 7,792	0	* 10,912
Repairs.....	0	* 900	145,190	28,871	26,009	0	15,663
Supplies.....	0	* 730	30,057	7,270	11,554	* 442	8,952
Salaries and wages.....	0	* 201	79,859	69,202	* 87,103	0	* 15,258
Taxes paid.....	0	* 729	48,790	14,461	12,629	0	2,617
Travel.....	0	* 1,298	18,196	11,644	5,052	* 489	17,403
Utilities.....	0	* 1,992	55,092	10,239	13,721	0	3,384
Other business deductions.....	0	* 9,612	730,851	123,493	92,152	* 10,994	73,374
Home office business deductions.....	0	* 826	* 9,387	* 1,280	* 3,425	0	* 219
Depreciation, Form 8829 [3].....	0	* 418	* 1,586	* 109	* 441	0	* 15
Casualty loss, Form 8829 [3].....	0	0	0	0	0	0	0
Excess—casualty depreciations, Form 8829 [3].....	0	* 418	* 664	* 640	0	0	0
Net income less deficit [1,2].....	0	* 901	1,212,278	111,483	136,669	* 23,972	-115,776
Net income [1,2].....	0	* 4,934	1,333,672	158,277	162,252	* 23,972	38,884
Deficit [2].....	0	* 4,033	121,393	46,794	25,583	0	154,660

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Transportation and warehousing—continued						
	Urban transit	Interurban and rural bus transportation	Taxi and limousine service	School, employee, and charter bus industry	Other transit and ground passenger transportation	Pipeline transportation	Scenic and sightseeing transportation
	(63)	(64)	(65)	(66)	(67)	(68)	(69)
BUSINESSES WITH NET INCOME							
Number of returns [1].....	0	* 1,446	133,679	11,015	20,364	* 749	2,958
Business receipts, total [1].....	0	* 39,382	4,072,877	501,494	588,026	* 39,588	145,205
Income from sales and operations [1].....	0	* 39,372	4,003,437	495,911	588,021	* 39,588	145,278
Other business income.....	0	* 10	69,440	* 5,583	* 5	0	* -73
Business deductions, total [1,2].....	0	* 34,448	2,739,205	343,217	425,774	* 15,617	* 106,322
Cost of sales and operations, total.....	0	* 3,083	* 60,161	* 27,420	* 34,106	0	* 57
Inventory, beginning of year.....	0	0	0	* 5,690	* 998	0	0
Cost of labor.....	0	* 970	* 36	* 7	* 525	0	0
Purchases.....	0	0	* 1,165	* 4,037	* 17,668	0	* 57
Materials and supplies.....	0	0	* 443	* 410	0	0	0
Other costs.....	0	* 2,113	* 58,516	* 22,962	* 15,841	0	0
Inventory, end of year.....	0	0	0	* 5,686	* 926	0	0
Advertising expenses.....	0	* 942	36,801	1,234	2,064	0	* 855
Car and truck expenses.....	0	* 5,976	476,096	47,153	129,658	0	* 6,527
Commissions.....	0	0	121,803	* 327	* 17,624	0	0
Contract labor.....	0	0	* 45,472	* 547	* 4,195	0	* 12,152
Depletion.....	0	0	* 8	0	0	* 3,500	0
Depreciation.....	0	* 2,804	123,474	53,034	26,496	* 6	* 2,087
Employee benefit programs.....	0	0	* 3,016	* 1,035	* 1,893	0	0
Insurance.....	0	* 2,628	178,241	22,588	16,370	0	* 850
Legal and professional services.....	0	* 208	21,318	1,378	7,519	0	* 772
Meals and entertainment deducted.....	0	* 4,002	17,813	2,398	10,500	* 186	* 723
Mortgage interest.....	0	* 11	* 38,258	0	* 5,283	0	0
Other interest paid on business indebtedness.....	0	0	30,360	10,575	* 3,873	0	* 14
Office expenses.....	0	* 854	10,255	3,716	2,311	0	* 669
Pension and profit-sharing plans.....	0	0	* 2,381	0	* 296	0	0
Rent on machinery and equipment.....	0	* 1,603	480,739	* 744	* 14,101	0	* 3,410
Rent on other business property.....	0	0	91,706	* 1,551	* 6,676	0	* 3,795
Repairs.....	0	* 900	125,264	21,895	22,047	0	* 1,918
Supplies.....	0	* 730	24,396	4,702	9,065	* 442	* 697
Salaries and wages.....	0	* 201	56,958	* 53,083	* 34,877	0	* 11,601
Taxes paid.....	0	* 729	40,080	12,870	6,674	0	* 1,294
Travel.....	0	* 966	10,030	5,434	* 4,466	* 489	* 6,566
Utilities.....	0	* 620	45,324	6,123	9,548	0	* 1,996
Other business deductions.....	0	* 8,192	666,098	62,782	49,231	* 10,994	* 49,402
Home office business deductions.....	0	0	* 6,082	* 1,280	* 1,354	0	* 219
Depreciation, Form 8829 [3].....	0	0	* 969	* 109	* 441	0	* 15
Casualty loss, Form 8829 [3].....	0	0	0	0	0	0	0
Excess—casualty depreciations, Form 8829 [3].....	0	0	0	* 640	0	0	0
Net income [1,2].....	0	* 4,934	1,333,672	158,277	162,252	* 23,972	38,884
Returns with Schedule C-EZ:							
Number of returns.....	0	0	20,819	* 1,309	* 6,298	0	* 659
Business receipts.....	0	0	176,883	* 4,618	* 45,345	0	* 1,655
Business deductions.....	0	0	27,071	* 1,349	* 5,550	0	* 719
Net income.....	0	0	149,813	* 3,268	* 39,794	0	* 936

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Transportation and warehousing—continued			Information					
	Support activities for transportation (including motor vehicle towing)	Couriers and messengers	Warehousing and storage facilities	Total	Publishing industries (except internet)	Motion picture and sound recording	Broadcasting (except internet) and telecommunications	Internet publishing and broadcasting	Internet service providers, Web search portals, and data processing
	(70)	(71)	(72)	(73)	(74)	(75)	(76)	(77)	(78)
BUSINESSES WITH AND WITHOUT NET INCOME									
Number of returns [1].....	37,288	209,856	7,349	335,407	91,867	85,482	50,767	23,970	83,321
Business receipts, total [1].....	2,473,831	5,824,380	542,131	9,421,847	2,796,414	2,058,710	1,613,990	922,425	2,030,308
Income from sales and operations [1].....	2,413,850	5,753,292	539,093	9,208,744	2,759,552	2,008,505	1,528,896	902,049	2,009,741
Other business income.....	59,981	71,088	* 3,038	213,103	36,862	50,204	85,093	* 20,376	20,567
Business deductions, total [1,2].....	2,159,237	4,414,920	494,529	7,063,808	1,996,400	2,048,626	1,346,525	467,633	1,204,624
Cost of sales and operations, total.....	480,336	602,562	144,390	1,749,556	515,104	303,810	453,277	* 138,063	339,302
Inventory, beginning of year.....	57,754	* 11,584	* 31,842	195,217	90,660	55,154	* 4,810	* 932	43,661
Cost of labor.....	* 42,700	* 86,004	* 38,577	208,076	* 59,810	* 5,885	* 1,429	0	* 140,952
Purchases.....	151,782	505,146	41,144	791,997	261,324	124,162	295,064	* 7,163	104,285
Materials and supplies.....	* 32,724	* 4,538	* 52,312	230,771	58,015	58,496	42,792	* 2,584	* 68,883
Other costs.....	256,407	* 17,530	* 16,551	583,011	168,297	128,858	120,933	* 128,080	36,843
Inventory, end of year.....	61,030	* 22,241	* 36,035	259,516	123,002	68,745	* 11,751	* 696	55,322
Advertising expenses.....	11,181	12,844	5,677	341,024	69,099	65,756	16,542	90,938	98,688
Car and truck expenses.....	293,498	2,247,089	38,167	550,364	158,620	134,506	117,246	32,072	107,921
Commissions.....	29,131	57,370	* 16,133	147,712	50,187	27,166	32,278	* 12,128	25,953
Contract labor.....	112,318	251,636	45,882	237,149	30,957	80,082	80,714	10,714	34,682
Depletion.....	0	0	0	* 2,654	* 28	0	0	0	* 2,626
Depreciation.....	132,857	114,337	39,050	395,370	53,654	247,289	36,953	14,253	43,222
Employee benefit programs.....	6,450	* 15,835	1,819	24,178	9,866	1,890	3,014	* 857	8,550
Insurance.....	82,652	101,724	5,075	84,823	16,520	48,556	15,702	* 807	3,237
Legal and professional services.....	9,463	25,633	3,504	137,544	41,290	40,418	13,525	11,099	31,212
Meals and entertainment deducted.....	9,535	31,587	3,730	80,802	15,726	36,939	16,443	3,642	8,053
Mortgage interest.....	21,768	* 6,891	* 8,237	27,500	* 10,911	8,388	* 7,035	* 514	* 652
Other interest paid on business indebtedness.....	20,420	23,026	5,036	45,542	24,357	8,045	6,106	* 2,027	5,008
Office expenses.....	16,914	32,814	1,380	180,276	58,192	45,365	24,967	9,103	42,649
Pension and profit-sharing plans.....	* 1,587	* 374	* 7	3,799	2,614	* 635	* 439	* 77	* 34
Rent on machinery and equipment.....	20,896	67,933	728	126,123	6,123	88,585	6,729	13,631	11,055
Rent on other business property.....	62,884	46,937	31,374	212,387	59,019	89,025	28,853	12,436	23,054
Repairs.....	67,073	81,867	3,540	50,153	8,226	20,243	11,119	* 7,877	2,688
Supplies.....	54,332	96,339	3,667	221,797	33,408	112,471	20,849	9,803	45,267
Salaries and wages.....	181,693	97,174	23,169	532,686	239,641	104,581	128,015	* 13,297	47,153
Taxes paid.....	36,879	26,663	10,531	67,166	27,584	17,203	14,334	1,681	6,365
Travel.....	25,748	22,841	7,185	231,920	69,503	83,133	23,447	20,523	35,314
Utilities.....	59,233	67,813	10,218	183,905	49,765	48,401	28,283	15,235	42,221
Other business deductions.....	413,449	319,001	85,894	1,200,730	393,946	377,071	227,960	34,179	167,574
Home office business deductions.....	2,910	21,916	* 138	192,045	38,751	55,040	25,386	* 10,289	62,578
Depreciation, Form 8829 [3].....	* 359	2,991	* 29	29,562	4,908	10,790	2,435	* 3,113	8,315
Casualty loss, Form 8829 [3].....	0	0	0	* 15	* 15	0	0	0	0
Excess—casualty depreciations, Form 8829 [3].....	* 401	* 2,538	0	27,115	582	* 23,288	* 560	* 186	2,499
Net income less deficit [1,2].....	316,215	1,409,459	44,307	2,376,337	801,833	19,409	273,817	454,792	826,486
Net income [1,2].....	377,404	1,610,090	72,218	3,391,272	942,279	559,473	419,484	518,927	951,108
Deficit [2].....	61,189	200,631	27,911	1,014,934	140,447	540,064	145,667	64,135	124,622

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Transportation and warehousing—continued			Information					
	Support activities for transportation (including motor vehicle towing)	Couriers and messengers	Warehousing and storage facilities	Total	Publishing industries (except internet)	Motion picture and sound recording	Broadcasting (except internet) and telecommunications	Internet publishing and broadcasting	Internet service providers, Web search portals, and data processing
	(70)	(71)	(72)	(73)	(74)	(75)	(76)	(77)	(78)
BUSINESSES WITH NET INCOME									
Number of returns [1].....	27,757	166,589	5,602	229,105	70,592	45,663	34,137	16,816	61,896
Business receipts, total [1].....	1,991,784	5,079,664	357,782	8,155,428	2,473,599	1,522,009	1,440,723	804,748	1,914,349
Income from sales and operations [1].....	1,940,949	5,009,390	357,450	7,994,432	2,438,729	1,484,822	1,390,788	784,913	1,895,180
Other business income.....	50,835	70,274	* 332	160,996	34,870	37,187	49,936	* 19,835	19,169
Business deductions, total [1,2].....	1,614,380	3,469,574	285,564	4,764,156	1,531,319	962,536	1,021,239	285,820	963,241
Cost of sales and operations, total.....	373,473	395,568	104,938	1,356,398	372,024	198,860	426,263	* 32,667	326,584
Inventory, beginning of year.....	18,382	* 2,613	* 1,507	69,209	28,527	* 10,220	* 4,550	0	* 25,912
Cost of labor.....	* 3,055	* 56,752	* 35,568	169,199	* 27,249	* 784	* 1,380	0	* 139,786
Purchases.....	124,373	* 333,426	* 4,218	664,079	172,480	* 116,583	* 275,430	* 7,004	92,582
Materials and supplies.....	* 26,193	* 3,220	* 52,312	148,740	34,428	* 1,643	* 42,553	* 2,584	* 67,531
Other costs.....	225,306	* 12,345	* 15,408	390,315	132,916	91,392	* 110,447	* 23,079	32,482
Inventory, end of year.....	23,837	* 12,788	* 4,076	85,143	23,577	* 21,761	* 8,097	0	* 31,709
Advertising expenses.....	6,359	8,389	* 2,698	257,286	58,081	22,567	11,799	88,645	76,193
Car and truck expenses.....	215,075	1,721,684	8,228	336,739	115,974	65,744	69,321	16,158	69,542
Commissions.....	10,531	* 57,072	* 15,640	119,251	47,160	6,437	29,609	* 11,912	24,133
Contract labor.....	72,763	232,744	* 40,939	165,097	22,949	31,873	70,028	* 9,813	30,434
Depletion.....	0	0	0	* 1,309	* 8	0	0	0	* 1,301
Depreciation.....	103,051	75,789	25,953	172,558	36,872	76,451	19,863	13,134	26,237
Employee benefit programs.....	5,268	* 8,594	* 398	18,915	7,711	* 1,141	* 1,519	* 131	* 8,414
Insurance.....	66,581	89,154	2,816	46,630	12,992	18,954	11,595	* 747	2,341
Legal and professional services.....	5,072	18,733	816	84,346	28,610	17,084	6,284	8,202	24,165
Meals and entertainment deducted.....	5,905	29,338	* 3,321	45,554	13,628	17,931	8,567	1,442	3,985
Mortgage interest.....	18,337	* 6,891	* 2,391	12,376	* 6,625	* 4,266	* 475	* 508	* 502
Other interest paid on business indebtedness.....	13,609	20,788	* 2,123	21,957	14,128	2,260	* 1,223	* 266	4,079
Office expenses.....	13,765	28,190	382	123,936	47,793	20,560	17,834	6,179	31,570
Pension and profit-sharing plans.....	* 1,587	* 374	0	3,718	2,613	* 634	* 436	0	* 34
Rent on machinery and equipment.....	12,273	55,916	* 486	75,202	5,216	45,006	* 3,030	* 12,693	9,258
Rent on other business property.....	49,010	41,070	* 5,676	130,253	38,162	41,454	16,713	* 11,747	22,176
Repairs.....	49,858	71,125	1,022	28,887	3,906	8,253	7,217	* 7,847	1,663
Supplies.....	31,933	82,961	1,190	128,666	26,011	48,863	13,157	8,503	32,133
Salaries and wages.....	152,586	87,641	* 5,419	385,101	180,614	79,927	82,557	* 4,416	37,586
Taxes paid.....	28,742	21,353	1,553	44,918	18,465	10,832	9,594	* 848	5,178
Travel.....	13,311	18,263	* 6,808	154,942	58,922	41,219	16,067	14,923	23,811
Utilities.....	36,785	56,993	2,713	119,014	38,649	23,098	19,215	8,553	29,499
Other business deductions.....	321,151	284,046	49,917	753,363	326,829	146,275	146,229	15,151	118,878
Home office business deductions.....	* 1,324	14,183	* 138	141,139	34,069	28,816	25,335	* 8,946	43,973
Depreciation, Form 8829 [3].....	* 65	* 1,668	* 29	17,792	4,408	2,533	2,408	* 2,644	5,799
Casualty loss, Form 8829 [3].....	0	0	0	* 15	* 15	0	0	0	0
Excess—casualty depreciations, Form 8829 [3].....	0	* 99	0	* 577	* 57	0	* 520	0	0
Net income [1,2].....	377,404	1,610,090	72,218	3,391,272	942,279	559,473	419,484	518,927	951,108
Returns with Schedule C-EZ:									
Number of returns.....	8,909	36,129	* 658	67,058	21,993	10,647	12,439	* 3,024	18,955
Business receipts.....	67,515	217,586	* 929	421,591	159,668	96,305	56,145	* 8,870	100,604
Business deductions.....	6,032	42,716	0	36,603	13,309	4,027	7,308	* 2,389	9,570
Net income.....	61,483	174,871	* 929	384,989	146,358	92,278	48,837	* 6,481	91,035

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Finance and insurance						
	Total	Credit intermediation and related activities	Securities, commodity contracts, and other financial investments				
			Total	Investment bankers and securities dealers	Securities brokers	Commodity contracts brokers and dealers	Securities and commodity exchanges
	(79)	(80)	(81)	(82)	(83)	(84)	(85)
BUSINESSES WITH AND WITHOUT NET INCOME							
Number of returns [1].....	705,528	118,385	160,575	6,706	21,625	10,457	995
Business receipts, total [1].....	72,415,215	6,385,793	35,260,356	3,260,083	3,777,546	845,521	1,290,552
Income from sales and operations [1].....	71,077,500	6,256,932	34,728,548	3,213,265	3,607,178	805,610	1,289,710
Other business income.....	1,337,715	128,861	531,809	46,818	170,368	39,911	* 843
Business deductions, total [1,2].....	52,940,075	4,431,207	30,251,776	2,941,368	2,892,992	606,690	1,277,538
Cost of sales and operations, total.....	23,003,983	674,293	21,313,846	2,633,014	1,614,824	218,169	* 1,190,063
Inventory, beginning of year.....	152,490	48,025	68,746	* 529	* 6,467	* 4,562	* 1,535
Cost of labor.....	168,529	* 4,803	48,908	0	* 32,698	* 267	* 1,415
Purchases.....	15,153,349	146,747	14,833,426	2,162,425	707,822	* 220,857	* 934,156
Materials and supplies.....	146,112	10,071	57,723	* 26,296	* 7,190	0	* 7,188
Other costs.....	7,587,693	489,498	6,437,621	445,893	887,873	12,462	* 246,837
Inventory, end of year.....	204,190	24,851	132,578	* 2,129	* 27,226	* 19,979	* 1,068
Advertising expenses.....	1,144,220	182,514	217,651	4,676	22,504	8,781	* 2,035
Car and truck expenses.....	2,903,919	491,794	415,607	5,040	61,275	21,058	* 8,773
Commissions.....	3,395,543	432,643	863,778	27,329	124,788	34,398	* 21,076
Contract labor.....	758,307	179,964	234,643	* 6,564	46,393	3,225	* 2,832
Depletion.....	3,735	* 245	2,984	* 4	0	* 347	0
Depreciation.....	1,056,401	195,623	290,185	7,957	36,957	6,018	384
Employee benefit programs.....	222,217	4,034	37,994	1,187	10,286	* 183	* 143
Insurance.....	575,499	42,315	93,748	2,980	18,299	1,697	* 1,013
Legal and professional services.....	655,506	88,019	266,562	4,966	57,388	5,062	1,508
Meals and entertainment deducted.....	568,390	77,454	143,447	3,746	24,369	5,506	* 333
Mortgage interest.....	199,203	50,740	54,081	* 2,049	5,806	* 4,795	* 44
Other interest paid on business indebtedness.....	439,218	60,424	232,708	7,334	17,451	9,222	* 2,944
Office expenses.....	1,118,040	124,813	245,708	11,990	42,788	11,174	1,328
Pension and profit-sharing plans.....	106,651	5,006	39,068	* 315	3,496	* 966	* 209
Rent on machinery and equipment.....	305,547	48,541	70,304	818	23,905	634	* 62
Rent on other business property.....	1,383,260	129,169	365,412	18,721	44,787	44,700	* 230
Repairs.....	240,239	28,803	48,481	1,755	9,622	436	* 297
Supplies.....	613,996	110,781	123,728	2,352	24,141	4,992	3,135
Salaries and wages.....	3,887,566	294,304	940,713	29,557	178,175	24,761	* 12,011
Taxes paid.....	532,803	52,402	119,306	3,715	17,755	5,208	* 905
Travel.....	817,406	88,975	214,471	15,398	29,699	8,063	556
Utilities.....	1,093,394	131,451	198,601	7,079	49,631	6,544	938
Other business deductions.....	7,446,081	827,642	3,622,571	137,212	420,359	168,041	24,524
Home office business deductions.....	414,139	103,237	89,739	4,243	7,375	12,710	* 2,192
Depreciation, Form 8829 [3].....	67,622	24,852	10,883	1,200	1,109	* 34	* 380
Casualty loss, Form 8829 [3].....	* 578	* 578	0	0	0	0	0
Excess—casualty depreciations, Form 8829 [3].....	29,767	* 8,532	3,668	* 593	* 712	* 12	0
Net income less deficit [1,2].....	19,479,833	1,954,586	5,016,314	318,716	884,554	238,876	13,014
Net income [1,2].....	21,827,048	2,322,886	6,227,270	361,128	978,693	348,786	* 25,277
Deficit [2].....	2,347,216	368,301	1,210,957	42,412	94,140	109,910	12,263

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Finance and insurance						
	Total	Credit intermediation and related activities	Securities, commodity contracts, and other financial investments				
			Total	Investment bankers and securities dealers	Securities brokers	Commodity contracts brokers and dealers	Securities and commodity exchanges
	(79)	(80)	(81)	(82)	(83)	(84)	(85)
BUSINESSES WITH NET INCOME							
Number of returns [1].....	496,418	87,604	94,426	4,760	17,480	6,293	* 361
Business receipts, total [1].....	52,249,209	5,706,359	18,083,207	765,105	2,513,476	670,484	* 292,403
Income from sales and operations [1].....	50,980,745	5,576,745	17,559,186	714,289	2,395,966	630,179	* 292,401
Other business income.....	1,268,464	129,615	524,021	50,817	117,510	40,305	* 3
Business deductions, total [1,2].....	30,421,214	3,383,473	11,860,573	403,978	1,534,783	321,698	* 267,126
Cost of sales and operations, total.....	7,942,158	391,986	6,721,256	* 236,436	683,685	* 80,978	* 212,382
Inventory, beginning of year.....	69,321	17,389	38,824	0	* 6,467	0	* 741
Cost of labor.....	148,147	* 3,607	* 46,606	0	* 32,698	0	* 1,415
Purchases.....	4,779,631	127,448	4,499,049	* 91,591	* 177,225	* 95,474	* 140,020
Materials and supplies.....	107,209	* 1,207	55,597	* 26,285	* 7,188	0	* 7,188
Other costs.....	2,952,818	263,451	2,162,265	* 118,606	460,140	* 860	* 63,332
Inventory, end of year.....	114,968	21,115	81,085	* 47	* 33	* 15,357	* 313
Advertising expenses.....	1,014,622	146,527	197,246	4,425	19,560	8,780	* 2,025
Car and truck expenses.....	2,315,051	411,818	299,127	4,863	51,220	18,107	* 4,022
Commissions.....	2,360,203	370,536	394,757	17,969	64,478	32,159	* 21,014
Contract labor.....	638,651	168,681	175,304	* 6,364	31,447	* 2,529	* 2,800
Depletion.....	2,204	* 245	1,555	* 4	0	* 347	0
Depreciation.....	802,417	112,750	210,181	4,657	30,316	959	* 85
Employee benefit programs.....	199,626	2,821	30,608	* 639	9,864	* 95	* 79
Insurance.....	497,825	32,669	72,078	2,126	17,049	824	* 1,010
Legal and professional services.....	459,525	66,864	176,903	3,456	48,400	2,247	* 1,263
Meals and entertainment deducted.....	479,712	62,764	116,489	3,263	22,838	1,798	* 211
Mortgage interest.....	140,353	39,540	23,841	* 2,043	* 5,055	* 410	* 44
Other interest paid on business indebtedness.....	227,569	41,529	61,540	3,056	8,062	333	* 531
Office expenses.....	963,121	101,968	193,337	11,309	34,386	4,377	* 1,140
Pension and profit-sharing plans.....	101,762	4,642	35,590	* 315	3,496	* 526	* 10
Rent on machinery and equipment.....	251,886	38,175	55,805	* 443	20,546	* 574	* 62
Rent on other business property.....	1,224,485	113,158	311,965	18,186	42,627	38,955	* 76
Repairs.....	202,657	20,756	41,350	1,714	8,904	401	* 297
Supplies.....	520,693	96,684	93,086	2,133	16,768	4,429	* 3,107
Salaries and wages.....	3,413,784	239,521	708,340	21,392	126,240	10,572	* 4,814
Taxes paid.....	446,760	39,213	86,942	2,754	15,071	969	* 843
Travel.....	650,284	63,023	161,286	13,353	24,776	3,947	* 422
Utilities.....	925,725	108,380	164,737	6,413	46,503	4,904	* 594
Other business deductions.....	4,286,112	629,675	1,449,787	31,580	195,865	89,830	* 8,107
Home office business deductions.....	300,094	73,525	71,293	3,719	6,709	* 12,650	* 2,185
Depreciation, Form 8829 [3].....	38,844	9,831	8,874	* 965	* 814	* 21	* 377
Casualty loss, Form 8829 [3].....	* 578	* 578	0	0	0	0	0
Excess—casualty depreciations, Form 8829 [3].....	2,963	* 1,241	* 1	0	0	0	0
Net income [1,2].....	21,827,048	2,322,886	6,227,270	361,128	978,693	348,786	* 25,277
Returns with Schedule C-EZ:							
Number of returns.....	73,086	11,159	14,367	* 960	1,317	* 19	* 3
Business receipts.....	679,619	55,585	197,810	* 102,739	14,992	* 7,146	* 5
Business deductions.....	54,814	6,023	6,441	* 1,365	918	0	* 2
Net income.....	624,805	49,562	191,369	* 101,374	14,074	* 7,146	* 2

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Finance and insurance—continued				Real estate and rental and leasing		
	Securities—cont.	Insurance agents, brokers, and related activities			Total	Real estate	
	Other financial	Total	Insurance agencies and brokerages	Other insurance related activities		Total	Lessors of real estate (including miniwarehouses and self-storage)
	investment activities (investment advice)						
	(86)	(87)	(88)	(89)	(90)	(91)	(92)
BUSINESSES WITH AND WITHOUT NET INCOME							
Number of returns [1].....	120,792	426,568	338,352	88,217	1,349,577	1,284,270	34,985
Business receipts, total [1].....	26,086,654	30,769,066	27,014,913	3,754,152	82,914,620	78,677,446	1,896,046
Income from sales and operations [1].....	25,812,785	30,092,020	26,372,581	3,719,439	81,131,685	76,993,026	1,747,391
Other business income.....	273,869	677,046	642,332	34,713	1,782,934	1,684,420	148,655
Business deductions, total [1,2].....	22,533,189	18,257,091	16,193,368	2,063,723	49,594,277	45,717,607	1,828,569
Cost of sales and operations, total.....	15,657,775	1,015,845	960,212	55,632	10,084,748	8,890,998	163,964
Inventory, beginning of year.....	55,653	35,719	34,587	* 1,132	1,681,968	1,478,809	78,045
Cost of labor.....	14,529	114,817	105,129	* 9,688	930,262	902,304	* 7,536
Purchases.....	10,808,165	173,177	160,491	* 12,686	6,216,297	5,465,348	68,200
Materials and supplies.....	17,049	78,318	61,215	* 17,103	1,084,082	918,854	45,821
Other costs.....	4,844,556	660,574	644,701	15,873	2,433,929	2,184,104	45,124
Inventory, end of year.....	82,177	46,761	45,911	* 850	2,261,790	2,058,421	80,763
Advertising expenses.....	179,655	744,055	693,854	50,202	2,856,817	2,805,280	27,527
Car and truck expenses.....	319,461	1,996,518	1,567,819	428,700	5,738,336	5,617,896	95,621
Commissions.....	656,187	2,099,122	1,904,575	194,547	4,464,570	4,444,945	60,456
Contract labor.....	175,629	343,700	286,446	57,254	1,026,766	979,489	41,174
Depletion.....	2,633	506	402	* 104	14,856	13,783	* 4,683
Depreciation.....	238,869	570,593	497,382	73,212	2,984,880	2,129,612	216,911
Employee benefit programs.....	26,196	180,190	174,471	5,719	100,616	93,899	4,404
Insurance.....	69,759	439,436	394,921	44,515	718,195	631,374	54,025
Legal and professional services.....	197,638	300,925	272,359	28,565	1,049,534	998,315	48,782
Meals and entertainment deducted.....	109,493	347,489	298,325	49,165	826,029	803,418	9,650
Mortgage interest.....	41,387	94,383	88,636	* 5,747	872,747	817,166	267,274
Other interest paid on business indebtedness.....	195,757	146,086	128,183	17,903	529,551	411,333	90,573
Office expenses.....	178,427	747,519	636,217	111,301	1,540,366	1,511,216	21,551
Pension and profit-sharing plans.....	34,081	62,577	59,644	2,933	68,050	66,915	613
Rent on machinery and equipment.....	44,885	186,702	149,330	37,373	554,117	444,987	10,913
Rent on other business property.....	256,974	888,679	838,171	50,508	1,125,778	995,252	41,155
Repairs.....	36,371	162,954	153,959	8,996	721,712	625,841	119,277
Supplies.....	89,108	379,487	338,594	40,893	1,008,688	964,572	20,877
Salaries and wages.....	696,208	2,652,549	2,534,855	117,694	1,856,144	1,588,871	113,692
Taxes paid.....	91,723	361,095	326,505	34,589	818,000	725,214	120,853
Travel.....	160,754	513,960	365,898	148,061	781,362	744,162	12,587
Utilities.....	134,409	763,342	661,239	102,103	1,520,327	1,445,106	81,299
Other business deductions.....	2,872,435	2,995,867	2,670,512	325,355	7,544,942	7,213,318	177,393
Home office business deductions.....	63,219	221,163	161,466	59,696	622,219	600,643	18,261
Depreciation, Form 8829 [3].....	8,160	31,887	19,464	12,423	75,111	74,272	1,640
Casualty loss, Form 8829 [3].....	0	0	0	0	* 831	* 831	0
Excess—casualty depreciations, Form 8829 [3].....	2,351	17,567	8,529	* 9,038	37,020	36,220	* 2,841
Net income less deficit [1,2].....	3,561,154	12,508,933	10,818,548	1,690,386	33,320,113	32,978,070	72,284
Net income [1,2].....	4,513,385	13,276,892	11,435,356	1,841,536	36,822,850	36,076,435	420,855
Deficit [2].....	952,232	767,958	616,808	151,150	3,502,737	3,098,364	348,570

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Finance and insurance—continued				Real estate and rental and leasing		
	Securities—cont.	Insurance agents, brokers, and related activities			Total	Real estate	
	Other financial	Total	Insurance agencies and brokerages	Other insurance related activities		Total	Lessors of real estate (including miniwarehouses and self-storage)
	investment activities (investment advice)						
	(86)	(87)	(88)	(89)	(90)	(91)	(92)
BUSINESSES WITH NET INCOME							
Number of returns [1].....	65,531	314,388	251,635	62,753	971,259	931,021	14,947
Business receipts, total [1].....	13,841,737	28,459,643	24,899,321	3,560,322	74,278,979	71,180,568	1,153,944
Income from sales and operations [1].....	13,526,352	27,844,814	24,318,865	3,525,950	72,881,471	69,843,321	1,058,821
Other business income.....	315,385	614,829	580,456	34,372	1,397,508	1,337,247	95,123
Business deductions, total [1,2].....	9,332,988	15,177,168	13,458,382	1,718,787	37,450,686	35,107,104	734,990
Cost of sales and operations, total.....	5,507,776	828,916	780,515	48,402	6,864,108	5,885,437	47,411
Inventory, beginning of year.....	31,616	13,108	13,108	0	972,373	808,212	16,124
Cost of labor.....	* 12,493	97,933	88,652	* 9,282	637,037	623,750	* 3,744
Purchases.....	3,994,739	153,133	142,215	* 10,919	4,284,997	3,593,947	* 13,796
Materials and supplies.....	14,936	50,406	35,387	* 15,019	756,248	646,379	* 18,225
Other costs.....	1,519,326	527,103	513,921	13,182	1,595,844	1,428,714	11,236
Inventory, end of year.....	65,335	12,768	12,768	0	1,382,392	1,215,564	15,714
Advertising expenses.....	162,455	670,849	637,987	32,863	2,545,545	2,508,732	17,034
Car and truck expenses.....	220,915	1,604,106	1,268,369	335,737	4,624,306	4,556,941	55,916
Commissions.....	259,137	1,594,910	1,426,086	168,824	3,991,932	3,987,247	49,799
Contract labor.....	132,164	294,666	244,747	49,919	906,109	869,322	21,647
Depletion.....	1,204	404	301	* 104	8,989	8,935	* 132
Depreciation.....	174,164	479,486	432,169	47,318	1,868,799	1,519,477	67,550
Employee benefit programs.....	19,931	166,197	160,541	5,657	77,983	73,672	3,273
Insurance.....	51,071	393,078	352,114	40,963	519,942	478,893	27,285
Legal and professional services.....	121,537	215,757	191,139	24,619	758,825	742,196	19,453
Meals and entertainment deducted.....	88,379	300,460	258,509	41,950	713,861	694,084	6,062
Mortgage interest.....	16,289	76,972	71,430	* 5,542	308,568	294,991	66,980
Other interest paid on business indebtedness.....	49,558	124,500	106,832	17,667	235,192	185,155	7,588
Office expenses.....	142,125	667,815	567,562	100,253	1,304,033	1,287,619	8,382
Pension and profit-sharing plans.....	31,243	61,529	58,596	2,933	62,875	62,158	* 364
Rent on machinery and equipment.....	34,180	157,906	129,477	28,429	430,416	368,270	8,390
Rent on other business property.....	212,120	799,363	756,545	42,817	915,294	823,439	16,944
Repairs.....	30,035	140,552	132,801	7,751	471,371	433,581	40,875
Supplies.....	66,649	330,923	297,469	33,454	795,337	761,020	11,389
Salaries and wages.....	545,320	2,465,923	2,349,097	116,826	1,424,913	1,237,746	71,628
Taxes paid.....	67,305	320,605	288,617	31,988	496,628	445,141	47,669
Travel.....	118,788	425,975	306,152	119,824	607,664	584,769	5,897
Utilities.....	106,323	652,608	566,096	86,512	1,204,521	1,159,325	45,232
Other business deductions.....	1,124,406	2,206,649	1,929,165	277,484	5,647,348	5,489,139	74,350
Home office business deductions.....	46,031	155,276	116,697	38,579	506,428	501,045	8,691
Depreciation, Form 8829 [3].....	6,696	20,139	15,028	5,110	57,055	56,448	* 74
Casualty loss, Form 8829 [3].....	0	0	0	0	* 831	* 831	0
Excess—casualty depreciations, Form 8829 [3].....	* 1	* 1,721	* 660	* 1,061	3,341	3,313	0
Net income [1,2].....	4,513,385	13,276,892	11,435,356	1,841,536	36,822,850	36,076,435	420,855
Returns with Schedule C-EZ:							
Number of returns.....	12,068	47,560	34,342	13,218	115,451	105,229	1,462
Business receipts.....	72,929	426,224	325,460	100,764	1,223,152	1,172,496	20,200
Business deductions.....	4,156	42,350	29,394	12,956	164,929	154,001	5,054
Net income.....	68,772	383,874	296,067	87,808	1,058,224	1,018,496	15,147

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Real estate and rental and leasing—continued								
	Real estate—continued		Rental and leasing services						
	Offices of real estate agents, brokers, property managers and appraisers	Other activities related to real estate	Total	Automotive equipment rental and leasing	Consumer electronics and appliances rental	Formal wear and costume rental	Videotape and disc rental	General rental centers and other consumer goods rental	Commercial and industrial machinery and equipment rental and leasing
	(93)	(94)	(95)	(96)	(97)	(98)	(99)	(100)	(101)
BUSINESSES WITH AND WITHOUT NET INCOME									
Number of returns [1].....	1,009,929	239,356	65,308	16,321	* 796	* 304	8,225	20,142	19,519
Business receipts, total [1].....	60,468,718	16,312,681	4,237,174	730,271	* 62,240	* 4,981	649,340	1,325,032	1,465,311
Income from sales and operations [1].....	59,386,451	15,859,183	4,138,659	717,608	* 62,216	* 4,981	642,821	1,320,414	1,390,619
Other business income.....	1,082,267	453,498	98,514	12,663	* 24	0	* 6,518	4,618	74,692
Business deductions, total [1,2].....	31,905,762	11,983,277	3,876,670	690,039	* 34,950	* 4,312	571,380	1,185,777	1,390,212
Cost of sales and operations, total.....	3,108,945	5,618,090	1,193,750	195,169	* 40	0	195,441	672,345	130,754
Inventory, beginning of year.....	416,020	984,744	203,159	* 25,379	0	0	73,565	80,983	23,232
Cost of labor.....	580,680	314,089	27,958	* 14,998	0	0	* 711	* 1,682	* 10,568
Purchases.....	1,709,444	3,687,703	750,950	119,071	* 40	0	160,334	427,888	43,618
Materials and supplies.....	269,421	603,612	165,227	* 4,487	0	0	* 16,843	* 105,132	38,766
Other costs.....	778,986	1,359,994	249,825	58,183	0	0	* 11,611	142,381	37,649
Inventory, end of year.....	645,606	1,332,052	203,369	* 26,947	0	0	67,622	85,721	23,078
Advertising expenses.....	2,494,282	283,471	51,537	3,420	* 25	0	6,136	26,625	15,332
Car and truck expenses.....	4,603,446	918,829	120,439	29,310	* 826	* 1,682	16,526	40,894	31,202
Commissions.....	3,852,941	531,547	19,625	* 7,260	0	0	* 320	9,337	2,709
Contract labor.....	754,468	183,848	47,276	8,138	* 47	0	* 527	13,853	24,712
Depletion.....	6,129	2,971	1,073	* 1	0	0	0	* 3	1,069
Depreciation.....	1,470,704	441,997	855,268	199,115	* 3,103	* 948	57,321	94,184	500,597
Employee benefit programs.....	72,360	17,136	6,716	* 941	* 26	0	* 429	* 2,316	3,005
Insurance.....	453,043	124,306	86,821	19,104	* 8	0	7,602	17,686	42,420
Legal and professional services.....	762,385	187,148	51,220	4,108	* 253	0	2,452	8,669	35,737
Meals and entertainment deducted.....	663,348	130,421	22,611	1,281	* 93	0	* 2,010	2,308	16,919
Mortgage interest.....	338,593	211,299	55,580	8,720	* 454	0	* 7,316	4,975	34,114
Other interest paid on business indebtedness.....	187,883	132,877	118,218	13,938	0	* 149	* 17,813	9,298	77,020
Office expenses.....	1,312,553	177,112	29,149	3,547	* 147	0	3,838	10,035	11,582
Pension and profit-sharing plans.....	52,758	13,544	1,135	* 142	* 8	0	* 57	* 177	* 752
Rent on machinery and equipment.....	372,817	61,257	109,130	28,482	* 836	* 696	* 12,532	22,518	44,067
Rent on other business property.....	775,128	178,970	130,526	14,097	* 238	0	65,201	9,594	41,395
Repairs.....	424,341	82,224	95,871	18,382	* 165	0	3,634	12,799	60,891
Supplies.....	772,929	170,766	44,115	5,464	* 3	0	7,781	16,710	14,158
Salaries and wages.....	992,088	483,091	267,273	47,511	* 823	0	71,416	73,075	74,449
Taxes paid.....	480,971	123,391	92,786	12,887	* 195	* 40	20,498	25,909	33,257
Travel.....	551,261	180,314	37,200	2,646	* 189	0	* 1,931	6,008	26,426
Utilities.....	1,152,826	210,981	75,221	9,578	* 918	* 48	26,909	22,262	15,506
Other business deductions.....	5,643,646	1,392,278	331,624	49,145	* 26,555	* 750	42,629	64,190	148,355
Home office business deductions.....	498,266	84,116	21,576	* 1,275	0	0	* 1,061	* 16,502	* 2,738
Depreciation, Form 8829 [3].....	64,050	8,582	* 840	* 235	0	0	0	* 24	* 581
Casualty loss, Form 8829 [3].....	* 824	* 7	0	0	0	0	0	0	0
Excess—casualty depreciations, Form 8829 [3].....	29,335	4,044	* 799	* 190	0	0	0	0	* 610
Net income less deficit [1,2].....	28,572,784	4,333,002	342,043	30,969	* 27,220	* 669	78,069	139,255	65,862
Net income [1,2].....	30,367,390	5,288,189	746,415	93,145	* 28,144	* 669	106,992	205,255	312,210
Deficit [2].....	1,794,607	955,187	404,372	62,176	* 924	0	* 28,923	66,000	246,348

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Real estate and rental and leasing—continued								
	Real estate—continued		Rental and leasing services						
	Offices of real estate agents, brokers, property managers and appraisers	Other activities related to real estate	Total	Automotive equipment rental and leasing	Consumer electronics and appliances rental	Formal wear and costume rental	Videotape and disc rental	General rental centers and other consumer goods rental	Commercial and industrial machinery and equipment rental and leasing
	(93)	(94)	(95)	(96)	(97)	(98)	(99)	(100)	(101)
BUSINESSES WITH NET INCOME									
Number of returns [1].....	753,118	162,956	40,238	10,054	* 787	* 304	5,073	13,271	10,749
Business receipts, total [1].....	57,007,631	13,018,993	3,098,411	425,265	* 62,231	* 4,981	531,294	1,203,035	871,605
Income from sales and operations [1].....	56,133,498	12,651,003	3,038,149	423,739	* 62,207	* 4,981	524,968	1,196,611	825,643
Other business income.....	874,134	367,990	60,261	1,526	* 24	0	* 6,326	* 6,424	45,962
Business deductions, total [1,2].....	26,639,804	7,732,311	2,343,581	324,529	* 34,087	* 4,312	424,302	997,780	558,572
Cost of sales and operations, total.....	2,525,162	3,312,865	978,671	125,389	* 40	0	125,233	650,784	77,224
Inventory, beginning of year.....	305,223	486,866	164,161	* 22,772	0	0	* 52,894	80,473	8,022
Cost of labor.....	411,318	208,688	* 13,286	* 2,614	0	0	0	* 1,682	* 8,990
Purchases.....	1,444,510	2,135,641	691,050	* 116,153	* 40	0	109,508	424,211	41,139
Materials and supplies.....	205,951	422,203	109,869	* 3,913	0	0	* 10,158	* 92,081	* 3,717
Other costs.....	630,606	786,871	167,131	* 4,576	0	0	* 3,357	* 137,318	21,879
Inventory, end of year.....	472,446	727,404	166,827	* 24,639	0	0	* 50,684	84,983	6,521
Advertising expenses.....	2,270,820	220,878	36,812	2,959	* 4	0	5,661	17,799	10,389
Car and truck expenses.....	3,802,001	699,024	67,366	15,891	* 826	* 1,682	11,996	29,429	7,542
Commissions.....	3,476,152	461,296	4,684	* 1,275	0	0	* 174	* 2,750	* 485
Contract labor.....	689,111	158,564	36,788	* 645	0	0	* 525	* 13,492	22,126
Depletion.....	6,020	2,784	* 54	* 1	0	0	0	0	* 53
Depreciation.....	1,186,066	265,862	349,322	53,083	* 2,968	* 948	* 45,679	53,852	192,793
Employee benefit programs.....	60,399	10,000	4,311	* 684	* 26	0	* 429	* 1,607	* 1,566
Insurance.....	373,741	77,866	41,049	14,708	* 5	0	6,365	8,969	11,003
Legal and professional services.....	613,733	109,010	16,629	1,944	* 178	0	* 1,943	4,265	8,300
Meals and entertainment deducted.....	583,568	104,454	19,777	* 453	* 92	0	* 1,882	1,799	15,551
Mortgage interest.....	150,547	77,465	13,577	* 4,583	* 454	0	* 3,180	* 1,966	3,393
Other interest paid on business indebtedness.....	130,101	47,465	50,037	2,537	0	* 149	* 13,596	8,687	25,068
Office expenses.....	1,149,743	129,494	16,414	1,053	* 139	0	2,958	6,052	6,212
Pension and profit-sharing plans.....	50,355	11,440	* 716	* 81	* 8	0	0	* 177	* 451
Rent on machinery and equipment.....	312,551	47,328	62,146	* 9,171	* 836	* 696	* 3,835	* 22,416	25,192
Rent on other business property.....	652,145	154,350	91,855	* 1,320	* 37	0	57,233	8,119	25,146
Repairs.....	351,405	41,301	37,790	9,252	* 151	0	2,671	10,424	15,294
Supplies.....	638,739	110,892	34,317	* 4,587	* 1	0	6,876	14,040	8,813
Salaries and wages.....	810,229	355,889	187,167	* 38,922	* 588	0	* 62,314	61,100	24,242
Taxes paid.....	336,522	60,950	51,487	3,862	* 164	* 40	* 13,860	20,467	13,095
Travel.....	449,272	129,600	22,895	* 2,178	* 173	0	* 1,722	4,906	13,916
Utilities.....	956,833	157,259	45,197	6,744	* 887	* 48	18,537	12,546	6,435
Other business deductions.....	4,538,365	876,424	158,209	16,067	* 26,511	* 750	36,572	37,084	41,225
Home office business deductions.....	421,168	71,186	5,384	* 760	0	0	* 1,061	* 1,550	* 2,013
Depreciation, Form 8829 [3].....	50,030	6,345	* 607	* 206	0	0	0	* 24	* 378
Casualty loss, Form 8829 [3].....	* 824	* 7	0	0	0	0	0	0	0
Excess—casualty depreciations, Form 8829 [3].....	2,443	* 871	* 27	* 27	0	0	0	0	0
Net income [1,2].....	30,367,390	5,288,189	746,415	93,145	* 28,144	* 669	106,992	205,255	312,210
Returns with Schedule C-EZ:									
Number of returns.....	74,008	29,758	10,222	3,622	0	0	0	* 4,075	2,525
Business receipts.....	773,303	378,992	50,656	14,710	0	0	0	* 22,147	13,799
Business deductions.....	107,652	41,294	10,928	6,380	0	0	0	* 3,503	1,046
Net income.....	665,651	337,698	39,728	8,330	0	0	0	* 18,645	12,754

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Professional, scientific, and technical services						
	Total	Legal services	Office of certified public accountants	Other accounting services	Architectural, engineering, and related services		
					Total	Architectural services	Engineering services
	(102)	(103)	(104)	(105)	(106)	(107)	(108)
BUSINESSES WITH AND WITHOUT NET INCOME							
Number of returns [1].....	2,883,419	337,715	42,250	313,281	285,877	108,357	98,756
Business receipts, total [1].....	145,109,981	37,953,215	3,383,146	8,686,941	14,804,451	7,069,843	5,278,371
Income from sales and operations [1].....	142,511,149	37,601,114	3,374,653	8,579,041	14,571,997	6,998,641	5,179,997
Other business income.....	2,598,832	352,101	8,493	107,900	232,454	71,202	98,373
Business deductions, total [1,2].....	84,200,641	21,472,573	2,020,565	5,036,300	9,875,964	5,267,193	3,198,836
Cost of sales and operations, total.....	16,718,683	2,263,870	17,680	337,151	2,666,186	1,664,250	963,573
Inventory, beginning of year.....	629,346	29,394	* 413	38,634	62,456	37,588	* 13,377
Cost of labor.....	1,628,491	45,789	* 386	102,889	615,024	432,496	175,280
Purchases.....	5,857,471	62,937	* 5,836	36,117	741,011	473,020	260,674
Materials and supplies.....	2,136,998	57,774	0	28,124	563,859	321,048	225,835
Other costs.....	7,250,427	2,101,505	* 12,754	168,577	745,829	436,802	303,739
Inventory, end of year.....	784,051	33,528	* 1,709	37,191	61,993	36,703	* 15,332
Advertising expenses.....	1,855,562	799,643	20,932	89,720	126,094	94,048	18,957
Car and truck expenses.....	6,147,724	952,049	99,539	464,661	885,155	376,823	245,481
Commissions.....	1,240,922	220,234	15,808	182,969	72,395	40,835	18,499
Contract labor.....	3,228,432	675,399	67,618	182,330	512,825	152,031	224,388
Depletion.....	13,880	4,482	* 742	* 283	* 3,053	* 492	* 2,529
Depreciation.....	3,737,504	555,362	84,873	283,816	499,549	269,714	134,426
Employee benefit programs.....	611,979	209,977	50,546	38,729	77,686	29,471	26,767
Insurance.....	1,502,229	590,826	51,428	92,048	257,886	135,334	73,863
Legal and professional services.....	2,206,458	692,683	24,199	88,465	215,183	137,946	61,920
Meals and entertainment deducted.....	1,125,317	234,381	23,601	53,391	104,666	44,807	35,624
Mortgage interest.....	357,449	112,110	15,663	30,354	15,318	7,593	2,582
Other interest paid on business indebtedness.....	602,340	117,727	31,028	64,123	63,249	38,090	20,232
Office expenses.....	2,832,467	1,018,729	112,752	211,871	237,497	98,795	80,444
Pension and profit-sharing plans.....	327,728	137,259	13,431	14,830	31,332	11,147	16,459
Rent on machinery and equipment.....	829,337	202,064	17,423	52,472	76,477	50,558	9,666
Rent on other business property.....	3,580,247	1,661,362	146,166	289,295	240,610	125,426	89,887
Repairs.....	864,864	216,720	23,419	67,584	142,375	91,604	36,834
Supplies.....	2,538,829	380,400	40,569	186,956	305,826	168,953	84,035
Salaries and wages.....	10,444,874	4,050,284	560,151	825,519	1,190,672	593,005	352,026
Taxes paid.....	1,552,005	536,033	66,402	127,058	166,713	95,352	38,026
Travel.....	3,007,075	344,417	35,130	107,089	234,895	105,363	85,745
Utilities.....	2,775,016	832,168	87,078	216,385	252,229	131,294	73,920
Other business deductions.....	13,621,932	4,502,275	368,334	842,922	1,225,734	710,029	379,950
Home office business deductions.....	1,990,785	134,542	41,445	123,025	238,399	83,272	109,897
Depreciation, Form 8829 [3].....	331,916	23,479	6,176	13,895	50,376	23,821	20,859
Casualty loss, Form 8829 [3].....	6,238	* 105	0	* 2,413	0	0	0
Excess—casualty depreciations, Form 8829 [3].....	271,039	12,135	* 1	8,658	19,650	7,520	* 10,353
Net income less deficit [1,2].....	61,023,166	16,489,814	1,362,581	3,650,771	4,928,487	1,802,649	2,079,534
Net income [1,2].....	66,086,332	17,031,934	1,423,219	3,896,373	5,343,857	2,010,662	2,196,728
Deficit [2].....	5,063,166	542,120	60,638	245,602	415,370	208,013	117,193

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Professional, scientific, and technical services						
	Total	Legal services	Office of certified public accountants	Other accounting services	Architectural, engineering, and related services		
					Total	Architectural services	Engineering services
	(102)	(103)	(104)	(105)	(106)	(107)	(108)
BUSINESSES WITH NET INCOME							
Number of returns [1].....	2,134,235	264,361	33,420	251,744	217,767	83,042	73,141
Business receipts, total [1].....	134,486,357	36,233,041	3,284,563	8,166,888	13,919,803	6,753,736	4,852,890
Income from sales and operations [1].....	132,067,563	35,928,089	3,279,528	8,085,942	13,689,925	6,682,985	4,756,629
Other business income.....	2,418,795	304,952	5,035	80,947	229,878	70,750	96,261
Business deductions, total [1,2].....	68,403,015	19,201,854	1,861,344	4,270,515	8,575,946	4,743,074	2,656,163
Cost of sales and operations, total.....	14,177,754	1,947,545	13,628	326,524	2,426,270	1,542,632	851,685
Inventory, beginning of year.....	343,028	24,800	* 413	* 22,715	26,031	6,621	* 13,372
Cost of labor.....	1,506,076	36,421	* 386	* 102,721	599,525	417,004	175,278
Purchases.....	5,139,519	62,366	* 5,836	28,075	676,933	431,873	242,419
Materials and supplies.....	1,782,705	35,164	0	25,438	496,246	286,556	193,429
Other costs.....	5,826,347	1,821,780	* 8,701	168,528	652,223	405,451	242,516
Inventory, end of year.....	419,921	32,986	* 1,709	20,952	24,688	* 4,873	* 15,329
Advertising expenses.....	1,518,233	752,291	19,610	74,430	114,254	86,711	17,764
Car and truck expenses.....	4,565,715	819,264	91,020	343,233	705,111	329,591	199,474
Commissions.....	1,003,075	203,795	15,476	181,828	71,001	40,633	18,273
Contract labor.....	2,733,336	579,650	62,731	166,230	395,770	123,570	139,784
Depletion.....	10,057	4,422	* 742	* 14	* 1,234	0	* 1,202
Depreciation.....	2,774,894	483,127	73,586	194,341	397,662	224,704	94,956
Employee benefit programs.....	539,416	201,720	50,546	34,472	76,850	28,982	26,460
Insurance.....	1,278,278	523,781	46,340	84,808	228,003	124,363	66,198
Legal and professional services.....	1,686,448	607,152	21,262	54,380	180,155	123,872	43,155
Meals and entertainment deducted.....	894,568	206,447	21,493	42,554	92,836	40,426	30,031
Mortgage interest.....	259,118	93,860	11,811	24,931	11,932	5,246	1,831
Other interest paid on business indebtedness.....	412,636	96,844	19,195	51,725	44,515	29,408	10,595
Office expenses.....	2,393,150	925,561	99,477	171,380	202,899	86,009	68,565
Pension and profit-sharing plans.....	309,001	134,526	13,431	14,570	31,213	11,147	16,349
Rent on machinery and equipment.....	656,416	180,174	17,423	40,727	51,172	29,636	7,419
Rent on other business property.....	3,016,252	1,530,068	133,325	248,694	197,069	113,371	63,351
Repairs.....	649,705	184,714	20,343	55,846	114,461	73,634	30,560
Supplies.....	2,001,291	336,192	33,173	157,819	252,750	139,983	67,645
Salaries and wages.....	8,798,534	3,750,867	541,333	764,018	1,091,571	565,664	308,437
Taxes paid.....	1,345,996	490,476	62,632	114,295	149,678	88,704	31,347
Travel.....	2,440,464	291,017	27,129	77,249	212,649	97,064	77,489
Utilities.....	2,231,050	741,032	76,459	177,513	212,682	115,975	60,887
Other business deductions.....	10,676,574	3,974,241	344,669	715,151	1,082,946	638,751	324,272
Home office business deductions.....	1,567,189	119,831	39,907	92,717	200,370	75,102	85,326
Depreciation, Form 8829 [3].....	206,601	21,374	6,175	11,231	27,296	6,856	15,515
Casualty loss, Form 8829 [3].....	3,751	* 105	0	* 2,412	0	0	0
Excess—casualty depreciations, Form 8829 [3].....	14,035	* 174	0	* 394	* 4,298	* 4,296	0
Net income [1,2].....	66,086,332	17,031,934	1,423,219	3,896,373	5,343,857	2,010,662	2,196,728
Returns with Schedule C-EZ:							
Number of returns.....	486,663	32,374	6,134	73,680	39,216	11,778	16,333
Business receipts.....	4,954,117	324,819	22,875	590,242	379,606	121,612	181,275
Business deductions.....	487,004	27,578	4,606	63,254	33,961	10,960	13,107
Net income.....	4,467,113	297,241	18,269	526,988	345,646	110,652	168,167

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Professional, scientific, and technical services —continued						
	Architectural, engineering, related services —continued			Specialized design services	Computer systems design services	Other professional, scientific services	
	Drafting, building inspections, and geophysical surveying	Surveying and mapping (except geophysical) services	Testing laboratories			Total	Management, scientific, and technical consulting services
	(109)	(110)	(111)	(112)	(113)	(114)	(115)
BUSINESSES WITH AND WITHOUT NET INCOME							
Number of returns [1].....	58,784	16,319	3,661	209,249	243,230	1,451,817	762,557
Business receipts, total [1].....	1,498,281	794,948	163,008	8,173,483	8,597,146	63,511,598	34,763,483
Income from sales and operations [1].....	1,433,664	797,487	162,208	8,091,514	8,543,151	61,749,679	33,375,359
Other business income.....	* 64,618	* -2,538	* 800	81,969	53,995	1,761,919	1,388,124
Business deductions, total [1,2].....	823,155	492,975	93,805	6,101,410	4,217,347	35,476,480	16,636,349
Cost of sales and operations, total.....	25,510	* 8,242	* 4,611	2,912,962	947,197	7,573,637	2,676,142
Inventory, beginning of year.....	* 5,969	0	* 5,522	154,732	36,625	307,092	140,874
Cost of labor.....	0	* 7,243	* 5	167,772	126,713	569,916	282,411
Purchases.....	* 4,502	0	* 2,815	1,668,297	519,270	2,824,003	848,082
Materials and supplies.....	* 15,988	* 940	* 48	499,734	120,029	867,478	228,545
Other costs.....	* 4,520	* 59	* 709	624,760	198,313	3,398,688	1,370,761
Inventory, end of year.....	* 5,468	0	* 4,489	202,332	53,755	393,542	194,531
Advertising expenses.....	8,682	3,216	* 1,191	109,229	87,754	622,190	255,020
Car and truck expenses.....	185,682	67,909	* 9,260	360,563	401,243	2,984,514	1,485,834
Commissions.....	* 3,519	* 99	* 9,443	49,036	58,600	641,880	362,519
Contract labor.....	88,705	* 46,638	* 1,063	247,071	234,507	1,308,683	690,831
Depletion.....	* 32	0	0	* 563	* 147	4,611	3,932
Depreciation.....	39,267	50,471	* 5,670	267,390	274,352	1,772,161	857,711
Employee benefit programs.....	* 8,981	* 11,942	* 524	9,549	21,070	204,423	91,917
Insurance.....	31,399	16,141	* 1,148	44,765	44,591	420,686	166,222
Legal and professional services.....	9,637	4,636	* 1,045	62,439	86,422	1,037,068	661,853
Meals and entertainment deducted.....	18,786	877	* 4,572	52,067	71,251	585,961	354,268
Mortgage interest.....	* 4,313	* 750	* 80	14,119	12,611	157,273	78,245
Other interest paid on business indebtedness.....	2,421	* 2,431	* 75	27,448	34,655	264,109	157,482
Office expenses.....	37,009	13,696	* 7,553	154,679	127,335	969,604	507,934
Pension and profit-sharing plans.....	* 1,681	* 1,661	* 384	* 3,589	32,943	94,345	57,497
Rent on machinery and equipment.....	7,055	* 9,123	* 75	52,617	54,188	374,096	177,238
Rent on other business property.....	16,706	* 4,695	* 3,897	213,727	102,510	926,576	430,957
Repairs.....	4,891	7,759	* 1,286	43,918	28,334	342,515	138,770
Supplies.....	29,234	21,286	* 2,319	191,101	194,331	1,239,645	449,819
Salaries and wages.....	115,687	121,986	* 7,968	316,384	361,119	3,140,744	1,381,876
Taxes paid.....	14,321	17,686	* 1,327	68,157	57,897	529,745	191,300
Travel.....	28,709	6,642	* 8,437	126,769	181,665	1,977,110	1,311,519
Utilities.....	25,880	17,277	* 3,859	164,452	138,095	1,084,610	538,663
Other business deductions.....	74,176	45,108	16,471	410,043	460,028	5,812,596	2,798,578
Home office business deductions.....	33,295	* 11,628	* 307	166,698	171,253	1,115,422	665,769
Depreciation, Form 8829 [3].....	4,731	* 822	* 144	28,869	21,416	187,705	118,571
Casualty loss, Form 8829 [3].....	0	0	0	* 3	* 1,285	2,432	2,384
Excess—casualty depreciations, Form 8829 [3].....	* 1,665	* 112	0	32,233	14,140	184,222	145,392
Net income less deficit [1,2].....	675,127	301,973	69,203	2,073,650	4,380,404	28,137,458	18,202,381
Net income [1,2].....	753,857	313,021	69,589	2,513,808	4,739,849	31,137,292	19,946,620
Deficit [2].....	78,731	* 11,048	* 386	440,157	359,445	2,999,834	1,744,239

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Professional, scientific, and technical services —continued						
	Architectural, engineering, related services —continued			Specialized design services	Computer systems design services	Other professional, scientific services	
	Drafting, building inspections, and geophysical surveying	Surveying and mapping (except geophysical) services	Testing laboratories			Total	Management, scientific, and technical consulting services
	(109)	(110)	(111)	(112)	(113)	(114)	(115)
BUSINESSES WITH NET INCOME							
Number of returns [1].....	43,416	14,508	3,660	146,769	179,492	1,040,683	553,905
Business receipts, total [1].....	1,386,926	769,493	156,757	7,515,453	8,116,759	57,249,851	30,965,631
Income from sales and operations [1].....	1,322,322	772,031	155,957	7,439,919	8,068,661	55,575,500	29,643,377
Other business income.....	* 64,605	* -2,538	* 800	75,534	48,098	1,674,351	1,322,254
Business deductions, total [1,2].....	633,069	456,472	87,168	5,001,646	3,377,504	26,114,205	11,020,016
Cost of sales and operations, total.....	* 21,893	* 8,166	* 1,894	2,601,374	840,262	6,022,152	1,640,554
Inventory, beginning of year.....	* 590	0	* 5,448	56,575	19,624	192,870	73,320
Cost of labor.....	0	* 7,243	0	145,970	122,599	498,454	271,212
Purchases.....	* 1,843	0	* 797	1,493,973	424,203	2,448,133	685,574
Materials and supplies.....	* 15,349	* 864	* 48	407,089	113,651	705,118	190,050
Other costs.....	* 4,197	* 59	0	583,567	182,009	2,409,538	532,276
Inventory, end of year.....	* 86	0	* 4,399	85,800	21,823	231,962	111,878
Advertising expenses.....	6,327	* 2,273	* 1,179	61,148	76,664	419,836	168,221
Car and truck expenses.....	113,391	53,395	* 9,260	243,113	321,117	2,042,857	954,671
Commissions.....	* 2,553	* 99	* 9,443	45,117	46,651	439,209	235,162
Contract labor.....	* 84,721	* 46,638	* 1,056	214,215	211,093	1,103,648	596,616
Depletion.....	* 32	0	0	* 36	0	3,609	3,106
Depreciation.....	23,158	50,305	* 4,539	206,679	194,967	1,224,533	596,342
Employee benefit programs.....	* 8,981	* 11,942	* 484	9,179	15,840	150,808	56,215
Insurance.....	23,961	12,435	* 1,046	34,577	38,811	321,958	121,978
Legal and professional services.....	8,256	4,271	* 600	44,383	71,176	707,942	445,350
Meals and entertainment deducted.....	16,933	877	* 4,570	35,875	57,720	437,643	257,221
Mortgage interest.....	* 4,025	* 750	* 80	8,278	3,809	104,497	44,414
Other interest paid on business indebtedness.....	* 2,080	* 2,431	0	15,879	15,998	168,479	89,483
Office expenses.....	30,240	10,628	* 7,456	116,470	107,095	770,269	398,558
Pension and profit-sharing plans.....	* 1,681	* 1,661	* 375	* 3,589	26,579	85,093	51,889
Rent on machinery and equipment.....	* 5,318	* 8,791	* 8	38,923	42,574	285,423	128,494
Rent on other business property.....	11,755	* 4,695	* 3,897	154,198	87,179	665,719	286,886
Repairs.....	3,448	5,720	* 1,100	25,652	20,912	227,777	77,214
Supplies.....	23,861	18,941	* 2,319	147,175	155,567	918,616	313,490
Salaries and wages.....	87,923	121,986	* 7,560	279,766	272,439	2,098,539	609,914
Taxes paid.....	10,904	17,432	* 1,291	53,963	43,310	431,641	144,466
Travel.....	25,859	* 4,118	* 8,119	84,037	153,354	1,595,030	1,080,254
Utilities.....	19,474	12,530	* 3,816	114,331	109,917	799,117	367,830
Other business deductions.....	59,997	44,396	15,529	297,028	294,814	3,967,725	1,727,641
Home office business deductions.....	28,720	* 10,915	* 307	134,586	137,269	842,508	480,719
Depreciation, Form 8829 [3].....	4,071	* 711	* 144	16,356	13,485	110,685	67,315
Casualty loss, Form 8829 [3].....	0	0	0	* 3	0	1,232	1,196
Excess—casualty depreciations, Form 8829 [3].....	0	* 1	0	* 2,742	* 510	5,917	5,386
Net income [1,2].....	753,857	313,021	69,589	2,513,808	4,739,849	31,137,292	19,946,620
Returns with Schedule C-EZ:							
Number of returns.....	6,331	* 3,789	* 985	32,755	42,892	259,612	130,041
Business receipts.....	55,424	* 19,327	* 1,969	188,942	518,923	2,928,709	1,887,417
Business deductions.....	7,578	* 1,076	* 1,239	32,075	33,251	292,277	144,454
Net income.....	47,846	* 18,250	* 731	156,867	485,672	2,636,431	1,742,963

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Professional, scientific, and technical services —continued				Administrative and support and waste management and remediation services		
	Other professional, scientific, and technical services —continued				Total	Administrative and support services	Waste management and remediation services
	Scientific research and development services	Advertising and related services	Market research and public opinion polling	Other miscellaneous services			
	(116)	(117)	(118)	(119)	(120)	(121)	(122)
BUSINESSES WITH AND WITHOUT NET INCOME							
Number of returns [1].....	25,177	113,510	30,888	519,685	1,915,541	1,890,977	24,564
Business receipts, total [1].....	1,002,566	5,893,679	1,527,502	20,324,368	51,960,458	50,197,327	1,763,131
Income from sales and operations [1].....	993,669	5,876,794	1,525,369	19,978,488	51,177,202	49,414,566	1,762,636
Other business income.....	8,896	16,885	* 2,133	345,881	783,256	782,761	* 495
Business deductions, total [1,2].....	577,765	4,157,020	888,636	13,216,711	37,492,160	35,949,309	1,542,851
Cost of sales and operations, total.....	93,439	1,737,556	316,081	2,750,419	9,479,649	9,232,621	247,028
Inventory, beginning of year.....	* 2,091	7,968	0	156,160	307,525	306,757	* 768
Cost of labor.....	* 30,694	* 12,810	* 5,273	238,728	1,710,409	1,671,294	* 39,115
Purchases.....	* 2,996	870,423	* 32,333	1,070,170	3,730,301	3,657,899	72,402
Materials and supplies.....	* 19,162	144,028	* 47,753	427,990	1,831,381	1,792,342	* 39,039
Other costs.....	40,059	718,579	* 232,953	1,036,336	2,247,971	2,151,520	96,451
Inventory, end of year.....	* 1,562	16,252	* 2,231	178,966	347,939	347,191	* 748
Advertising expenses.....	4,529	125,366	8,395	228,879	600,407	580,573	19,834
Car and truck expenses.....	30,734	314,584	41,897	1,111,465	4,631,416	4,459,480	171,936
Commissions.....	* 7,344	138,212	* 7,933	125,873	487,796	478,887	* 8,910
Contract labor.....	52,706	184,472	24,375	356,299	1,583,215	1,545,916	37,299
Depletion.....	0	0	0	679	2,396	1,451	* 946
Depreciation.....	29,559	116,810	16,891	751,190	2,251,167	2,013,259	237,908
Employee benefit programs.....	3,302	4,475	* 6,706	98,023	121,227	112,076	9,151
Insurance.....	5,476	27,949	7,699	213,340	994,935	934,399	60,536
Legal and professional services.....	49,150	50,787	11,556	263,722	415,224	393,357	21,867
Meals and entertainment deducted.....	6,677	59,973	6,983	158,059	250,867	245,417	5,450
Mortgage interest.....	* 264	9,798	* 2,989	65,977	130,140	117,221	12,919
Other interest paid on business indebtedness.....	4,405	18,506	* 954	82,762	237,381	217,605	19,777
Office expenses.....	11,038	80,382	16,942	353,308	592,571	570,846	21,725
Pension and profit-sharing plans.....	* 1,087	1,827	* 6,482	27,452	48,653	48,275	* 377
Rent on machinery and equipment.....	4,242	16,566	20,838	155,213	544,322	526,569	17,753
Rent on other business property.....	20,666	86,504	45,523	342,927	605,306	586,436	18,870
Repairs.....	5,844	27,531	4,997	165,373	829,191	743,425	85,766
Supplies.....	20,719	57,671	27,587	683,849	1,782,468	1,750,291	32,177
Salaries and wages.....	53,979	150,722	99,165	1,455,002	4,124,182	3,974,974	149,209
Taxes paid.....	9,593	33,603	18,956	276,292	651,920	613,850	38,069
Travel.....	39,176	109,256	43,915	473,244	513,735	508,536	5,199
Utilities.....	16,824	94,632	24,321	410,170	943,891	909,814	34,077
Other business deductions.....	90,688	589,965	109,695	2,223,670	4,703,980	4,430,225	273,755
Home office business deductions.....	10,409	103,432	6,752	329,059	501,874	491,510	10,364
Depreciation, Form 8829 [3].....	2,666	9,447	* 945	56,076	59,266	58,186	* 1,080
Casualty loss, Form 8829 [3].....	0	0	0	* 49	* 572	* 572	0
Excess—casualty depreciations, Form 8829 [3].....	* 4,172	2,860	* 33	31,765	20,692	20,692	0
Net income less deficit [1,2].....	424,833	1,737,245	638,866	7,134,133	14,476,143	14,255,863	220,280
Net income [1,2].....	514,164	1,930,881	695,818	8,049,809	16,421,175	16,172,624	248,552
Deficit [2].....	89,331	193,636	56,952	915,675	1,945,033	1,916,761	28,272

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Professional, scientific, and technical services —continued				Administrative and support and waste management and remediation services		
	Other professional, scientific, and technical services —continued				Total	Administrative and support services	Waste management and remediation services
	Scientific research and development services	Advertising and related services	Market research and public opinion polling	Other miscellaneous services			
	(116)	(117)	(118)	(119)	(120)	(121)	(122)
BUSINESSES WITH NET INCOME							
Number of returns [1].....	16,604	87,170	23,938	359,065	1,561,511	1,543,555	17,956
Business receipts, total [1].....	912,124	5,551,492	1,500,533	18,320,070	45,877,374	44,250,972	1,626,403
Income from sales and operations [1].....	905,587	5,534,916	1,498,403	17,993,216	45,306,413	43,680,098	1,626,315
Other business income.....	6,537	16,576	* 2,130	326,854	570,961	570,873	* 88
Business deductions, total [1,2].....	397,960	3,620,611	804,714	10,270,903	29,460,747	28,082,896	1,377,851
Cost of sales and operations, total.....	90,504	1,643,528	312,451	2,335,115	7,957,971	7,713,700	244,271
Inventory, beginning of year.....	* 2,060	* 3,162	0	114,328	229,736	229,681	* 56
Cost of labor.....	* 30,340	* 9,441	* 5,273	182,189	1,466,229	1,427,930	* 38,299
Purchases.....	* 625	847,045	* 28,714	886,175	3,279,880	3,207,979	* 71,900
Materials and supplies.....	* 18,936	97,128	* 47,753	351,251	1,558,937	1,520,062	* 38,875
Other costs.....	* 40,008	690,212	* 232,942	914,100	1,672,557	1,577,283	95,274
Inventory, end of year.....	* 1,464	* 3,461	* 2,231	112,927	249,368	249,234	* 133
Advertising expenses.....	2,814	81,412	6,212	161,178	436,069	418,298	17,771
Car and truck expenses.....	22,902	257,348	28,767	779,169	3,594,784	3,443,565	151,220
Commissions.....	* 3,823	112,350	* 7,817	80,056	392,331	383,458	* 8,873
Contract labor.....	35,938	163,760	13,790	293,544	1,235,947	1,198,820	37,127
Depletion.....	0	0	0	503	2,025	1,080	* 946
Depreciation.....	21,123	85,402	6,811	514,855	1,693,141	1,475,627	217,514
Employee benefit programs.....	* 1,049	3,677	* 6,706	83,161	94,712	86,046	8,666
Insurance.....	4,271	23,914	7,640	164,155	801,855	749,352	52,504
Legal and professional services.....	10,128	39,176	11,307	201,982	286,527	266,995	19,532
Meals and entertainment deducted.....	4,279	52,382	6,108	117,653	191,374	186,354	5,019
Mortgage interest.....	* 82	* 9,541	* 2,853	47,607	74,037	63,881	10,156
Other interest paid on business indebtedness.....	* 582	14,984	* 942	62,489	175,001	155,979	19,022
Office expenses.....	8,629	60,132	15,471	287,479	413,189	393,357	19,832
Pension and profit-sharing plans.....	* 1,075	1,775	* 6,482	23,871	46,603	46,248	* 355
Rent on machinery and equipment.....	3,617	10,090	20,499	122,723	408,787	393,080	15,707
Rent on other business property.....	14,177	68,387	41,934	254,336	457,402	439,900	17,502
Repairs.....	3,724	18,948	4,881	123,010	641,312	565,833	75,479
Supplies.....	6,528	45,650	16,338	536,611	1,282,832	1,260,944	21,888
Salaries and wages.....	34,216	134,568	96,695	1,223,145	3,251,085	3,127,596	123,489
Taxes paid.....	7,163	28,723	18,589	232,701	522,363	488,303	34,060
Travel.....	25,890	85,815	41,559	361,512	395,023	391,168	3,854
Utilities.....	14,452	78,070	22,683	316,082	715,433	686,211	29,222
Other business deductions.....	70,569	498,204	91,287	1,580,024	3,530,025	3,298,401	231,623
Home office business deductions.....	7,833	86,917	* 5,888	261,151	409,785	399,514	10,271
Depreciation, Form 8829 [3].....	1,253	6,928	* 911	34,278	42,298	41,218	* 1,080
Casualty loss, Form 8829 [3].....	0	0	0	* 36	* 337	* 337	0
Excess—casualty depreciations, Form 8829 [3].....	0	* 114	0	* 417	* 1,410	* 1,410	0
Net income [1,2].....	514,164	1,930,881	695,818	8,049,809	16,421,175	16,172,624	248,552
Returns with Schedule C-EZ:							
Number of returns.....	5,709	22,121	9,396	92,346	579,786	578,993	* 793
Business receipts.....	43,016	121,598	64,164	812,514	3,245,823	3,241,082	* 4,742
Business deductions.....	5,913	16,442	11,005	114,464	464,246	462,297	* 1,950
Net income.....	37,103	105,156	53,159	698,050	2,781,577	2,778,785	* 2,792

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Educational services		Health care and social assistance				
	Total	Total	Ambulatory health care services				
			Total	Offices of physicians (except mental health specialists)	Offices of physicians, mental health specialists	Offices of dentists	Offices of chiropractors
	(123)	(124)	(125)	(126)	(127)	(128)	(129)
BUSINESSES WITH AND WITHOUT NET INCOME							
Number of returns [1].....	552,218	1,768,679	891,060	186,042	32,969	89,162	42,247
Business receipts, total [1].....	6,975,660	106,744,305	90,135,345	32,221,684	2,967,163	28,704,600	4,909,738
Income from sales and operations [1].....	6,479,868	105,068,580	88,836,627	31,379,440	2,816,215	28,575,231	4,882,043
Other business income.....	495,792	1,675,725	1,298,719	842,244	150,948	129,369	27,695
Business deductions, total [1,2].....	4,746,166	63,672,413	52,315,438	16,875,473	1,212,188	18,811,642	3,139,078
Cost of sales and operations, total.....	760,793	5,577,403	4,926,097	1,267,898	44,302	1,936,950	117,816
Inventory, beginning of year.....	42,092	363,277	299,118	46,640	* 9,104	20,634	12,260
Cost of labor.....	49,888	825,851	715,621	190,105	* 24,079	310,346	* 15,398
Purchases.....	123,388	1,613,193	1,429,795	251,683	* 11,837	197,208	79,016
Materials and supplies.....	54,158	1,004,392	903,900	252,165	* 1,204	399,256	* 18,705
Other costs.....	539,495	2,124,888	1,849,041	595,903	* 7,797	1,025,832	* 5,295
Inventory, end of year.....	48,228	354,198	271,378	68,599	* 9,719	16,327	* 12,858
Advertising expenses.....	112,688	1,030,035	926,600	191,230	10,430	324,721	177,731
Car and truck expenses.....	508,482	2,662,671	1,757,931	407,434	77,219	180,934	98,055
Commissions.....	33,464	290,382	249,605	103,384	5,550	44,916	* 16,120
Contract labor.....	142,103	1,582,238	1,373,938	550,823	30,350	357,018	114,545
Depletion.....	* 254	2,371	2,322	1,134	* 349	* 333	* 22
Depreciation.....	211,239	2,625,825	2,228,207	567,302	43,654	931,709	159,962
Employee benefit programs.....	7,084	532,193	478,542	181,391	3,203	190,580	16,497
Insurance.....	66,343	2,621,591	2,382,886	1,344,227	90,325	480,148	116,233
Legal and professional services.....	90,762	1,225,559	1,089,423	457,202	38,158	273,020	54,076
Meals and entertainment deducted.....	51,650	493,395	304,697	95,044	14,151	63,991	22,478
Mortgage interest.....	11,119	619,246	321,698	60,901	* 7,181	127,841	56,901
Other interest paid on business indebtedness.....	24,576	504,818	442,621	79,321	4,988	266,725	19,221
Office expenses.....	130,353	1,836,519	1,648,813	578,739	50,679	486,788	155,239
Pension and profit-sharing plans.....	3,269	464,339	455,692	196,904	12,817	196,713	12,363
Rent on machinery and equipment.....	41,385	689,507	574,389	200,488	20,543	125,546	70,119
Rent on other business property.....	377,175	4,590,849	4,123,717	1,241,121	167,092	1,125,478	433,209
Repairs.....	67,817	918,531	667,005	180,350	15,083	267,760	48,102
Supplies.....	242,275	3,871,828	3,045,144	929,214	29,984	1,401,832	198,835
Salaries and wages.....	308,587	14,264,366	12,579,867	3,868,883	165,009	6,032,447	503,439
Taxes paid.....	57,413	1,974,741	1,695,472	521,281	27,811	738,497	95,773
Travel.....	245,588	734,301	628,896	214,563	30,262	87,680	52,209
Utilities.....	176,403	2,018,130	1,514,605	413,236	39,182	452,249	150,327
Other business deductions.....	781,725	10,777,134	8,398,193	3,146,083	257,299	2,687,094	431,352
Home office business deductions.....	148,534	1,423,817	330,799	52,614	23,545	18,612	18,261
Depreciation, Form 8829 [3].....	18,325	172,232	46,004	8,926	2,985	2,398	* 2,352
Casualty loss, Form 8829 [3].....	0	* 575	* 575	* 266	0	0	* 308
Excess—casualty depreciations, Form 8829 [3]..	14,407	260,378	38,497	1,025	* 11,131	* 407	* 151
Net income less deficit [1,2].....	2,230,202	43,090,991	37,822,631	15,346,326	1,754,975	9,892,958	1,770,660
Net income [1,2].....	2,774,802	44,905,668	38,910,133	15,622,382	1,773,571	9,995,847	1,870,035
Deficit [2].....	544,600	1,814,677	1,087,502	276,056	18,596	102,889	99,375

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Educational services		Health care and social assistance				
	Total	Total	Ambulatory health care services				
			Total	Offices of physicians (except mental health specialists)	Offices of physicians, mental health specialists	Offices of dentists	Offices of chiropractors
	(123)	(124)	(125)	(126)	(127)	(128)	(129)
BUSINESSES WITH NET INCOME							
Number of returns [1].....	447,749	1,466,138	734,362	155,388	28,531	81,577	34,942
Business receipts, total [1].....	5,702,834	100,134,405	86,557,639	31,180,541	2,906,144	28,125,904	4,607,290
Income from sales and operations [1].....	5,662,511	98,547,767	85,312,297	30,369,976	2,755,220	27,996,351	4,587,161
Other business income.....	40,324	1,586,638	1,245,341	810,565	150,924	129,553	20,129
Business deductions, total [1,2].....	2,928,129	55,229,048	47,647,844	15,558,250	1,132,573	18,130,057	2,737,255
Cost of sales and operations, total.....	227,659	4,785,913	4,565,258	1,202,418	44,127	1,911,245	116,347
Inventory, beginning of year.....	29,773	220,456	198,541	43,846	* 9,079	12,772	* 12,022
Cost of labor.....	47,105	703,364	666,829	173,889	* 24,079	309,431	* 15,398
Purchases.....	94,333	1,348,997	1,261,548	242,859	* 11,837	194,673	77,784
Materials and supplies.....	48,533	926,847	875,524	244,043	* 1,204	389,203	* 18,705
Other costs.....	38,512	1,834,979	1,789,260	564,523	* 7,646	1,018,437	* 5,295
Inventory, end of year.....	30,596	248,730	226,444	66,742	* 9,719	13,271	* 12,858
Advertising expenses.....	79,729	896,931	839,683	167,476	10,285	310,051	157,929
Car and truck expenses.....	342,688	2,120,164	1,476,881	354,992	64,404	162,858	88,515
Commissions.....	28,904	268,728	230,462	90,828	5,524	43,302	* 16,023
Contract labor.....	118,560	1,431,916	1,272,274	521,506	30,306	350,132	82,873
Depletion.....	0	2,211	2,162	976	* 349	* 333	* 22
Depreciation.....	118,893	2,205,475	1,948,155	527,756	39,713	858,282	123,891
Employee benefit programs.....	6,315	491,136	454,725	175,061	3,144	188,000	16,072
Insurance.....	46,186	2,363,631	2,215,105	1,249,635	87,654	462,579	104,824
Legal and professional services.....	57,080	1,071,823	985,854	407,825	37,480	263,875	45,441
Meals and entertainment deducted.....	37,184	407,037	269,091	84,692	13,130	62,057	19,461
Mortgage interest.....	3,992	460,863	270,300	48,617	* 6,958	121,499	43,913
Other interest paid on business indebtedness.....	18,351	430,791	387,591	64,212	4,801	250,567	16,959
Office expenses.....	83,399	1,654,899	1,532,727	554,285	43,114	472,166	133,387
Pension and profit-sharing plans.....	3,099	459,804	451,724	194,029	12,817	196,278	12,361
Rent on machinery and equipment.....	20,695	568,097	488,888	179,117	20,408	110,655	47,244
Rent on other business property.....	256,151	4,048,300	3,715,367	1,177,219	158,709	1,063,781	383,172
Repairs.....	40,763	739,801	602,821	167,026	15,037	255,386	38,868
Supplies.....	143,238	3,436,558	2,860,166	876,806	28,391	1,370,922	183,717
Salaries and wages.....	229,699	12,858,745	11,786,191	3,638,726	155,124	5,864,366	453,022
Taxes paid.....	43,410	1,761,874	1,589,068	494,354	26,796	718,051	79,694
Travel.....	172,155	628,952	559,160	187,068	29,540	86,685	48,477
Utilities.....	112,399	1,706,855	1,365,498	379,837	38,433	435,761	129,404
Other business deductions.....	487,111	8,966,450	7,329,782	2,745,151	233,030	2,541,704	380,381
Home office business deductions.....	105,391	1,126,893	284,607	46,201	20,280	17,459	15,065
Depreciation, Form 8829 [3].....	14,782	121,338	36,536	8,388	* 1,775	2,292	* 2,201
Casualty loss, Form 8829 [3].....	0	* 575	* 575	* 266	0	0	* 308
Excess—casualty depreciations, Form 8829 [3]..	* 1,033	16,331	10,994	* 667	* [4]	* 291	0
Net income [1,2].....	2,774,802	44,905,668	38,910,133	15,622,382	1,773,571	9,995,847	1,870,035
Returns with Schedule C-EZ:							
Number of returns.....	199,084	436,386	159,473	26,357	2,491	12,346	* 651
Business receipts.....	807,131	3,088,776	1,487,720	453,892	12,641	142,500	* 2,716
Business deductions.....	145,086	340,624	168,278	24,704	3,021	12,061	* 193
Net income.....	662,046	2,748,152	1,319,442	429,188	9,620	130,439	* 2,522

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Health care and social assistance—continued						
	Ambulatory health care services—continued						
	Offices of optometrists	Offices of mental health practitioners and social therapists	Offices of podiatrists	Outpatient care centers and other miscellaneous health practitioners	Medical and diagnostic laboratories	Home health care services	Other ambulatory health care services (including ambulance service, blood, organ banks)
	(130)	(131)	(132)	(133)	(134)	(135)	(136)
BUSINESSES WITH AND WITHOUT NET INCOME							
Number of returns [1].....	15,546	164,854	6,365	125,107	27,533	176,810	24,425
Business receipts, total [1].....	3,040,214	8,243,429	1,071,266	3,361,098	1,598,984	3,454,361	562,809
Income from sales and operations [1].....	3,016,077	8,218,134	1,061,499	3,327,688	1,597,483	3,399,496	563,321
Other business income.....	24,137	25,296	* 9,766	33,410	1,501	54,865	* -512
Business deductions, total [1,2].....	2,239,561	3,816,899	699,673	1,931,302	1,080,117	2,214,287	295,218
Cost of sales and operations, total.....	619,260	220,393	31,507	177,806	193,920	293,208	* 23,037
Inventory, beginning of year.....	73,197	58,705	* 10,875	47,207	* 4,277	16,083	* 136
Cost of labor.....	* 20,271	* 16,308	* 3,444	* 31,203	* 57,887	* 46,579	0
Purchases.....	431,620	115,994	* 1,217	51,065	* 67,528	206,255	* 16,371
Materials and supplies.....	76,344	30,150	* 16,850	38,914	46,290	* 21,664	* 2,357
Other costs.....	91,693	35,590	* 9,275	25,073	21,052	21,490	* 10,041
Inventory, end of year.....	73,864	36,354	* 10,155	15,657	* 3,113	18,863	* 5,868
Advertising expenses.....	40,931	43,711	16,362	56,716	10,902	49,820	4,047
Car and truck expenses.....	37,113	302,012	24,784	213,308	59,722	309,526	47,825
Commissions.....	* 1,617	23,632	* 286	9,664	* 2,670	35,863	* 5,902
Contract labor.....	26,422	134,440	13,027	73,058	15,520	48,357	10,378
Depletion.....	0	* 3	0	* 464	* 13	0	* 4
Depreciation.....	110,114	129,023	23,400	69,368	77,895	97,868	17,912
Employee benefit programs.....	26,117	20,316	4,992	7,866	7,235	20,266	* 78
Insurance.....	43,065	102,767	66,868	64,917	30,758	31,340	12,238
Legal and professional services.....	52,857	106,840	14,255	55,175	15,205	18,256	4,379
Meals and entertainment deducted.....	3,688	46,072	5,224	23,759	3,785	19,905	6,600
Mortgage interest.....	9,858	21,667	* 1,820	9,836	* 2,276	21,265	* 2,153
Other interest paid on business indebtedness.....	12,711	18,228	6,630	12,349	10,741	11,008	* 700
Office expenses.....	46,565	153,905	38,786	73,336	17,238	38,968	8,572
Pension and profit-sharing plans.....	10,465	6,236	5,770	6,904	6,799	* 633	* 87
Rent on machinery and equipment.....	12,783	82,068	13,568	8,594	14,882	19,511	6,289
Rent on other business property.....	186,422	535,812	92,930	196,567	55,714	71,233	18,140
Repairs.....	25,312	48,781	14,161	28,121	16,108	21,469	1,759
Supplies.....	56,841	142,941	40,572	91,051	40,687	96,173	17,015
Salaries and wages.....	513,433	509,489	125,213	173,758	215,883	445,418	26,897
Taxes paid.....	76,285	85,469	15,838	34,689	52,533	42,743	4,552
Travel.....	10,511	105,651	7,687	65,367	15,339	28,769	10,860
Utilities.....	59,699	181,984	26,671	77,424	32,618	66,955	14,260
Other business deductions.....	256,025	649,073	108,702	328,203	167,487	323,817	43,056
Home office business deductions.....	* 1,467	118,705	* 591	44,749	* 10,040	37,809	* 4,406
Depreciation, Form 8829 [3].....	* 165	15,717	* 99	8,142	* 325	4,477	* 418
Casualty loss, Form 8829 [3].....	0	0	0	0	0	0	0
Excess—casualty depreciations, Form 8829 [3].....	* 172	13,181	0	* 9,078	0	* 3,351	* 1
Net income less deficit [1,2].....	800,657	4,426,530	371,593	1,430,506	518,913	1,241,923	267,591
Net income [1,2].....	808,548	4,573,340	376,874	1,570,117	565,987	1,435,023	318,409
Deficit [2].....	* 7,891	146,810	* 5,281	139,611	47,074	193,100	50,819

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Health care and social assistance —continued						
	Ambulatory health care services—continued						
	Offices of optometrists	Offices of mental health practitioners and social therapists	Offices of podiatrists	Outpatient care centers and other miscellaneous health practitioners	Medical and diagnostic laboratories	Home health care services	Other ambulatory health care services (including ambulance service, blood, organ banks)
	(130)	(131)	(132)	(133)	(134)	(135)	(136)
BUSINESSES WITH NET INCOME							
Number of returns [1].....	13,800	130,572	5,194	91,155	23,564	152,549	17,089
Business receipts, total [1].....	2,842,101	7,853,826	1,068,415	3,032,118	1,421,711	3,015,477	504,112
Income from sales and operations [1].....	2,817,965	7,828,900	1,059,807	3,012,370	1,421,475	2,958,324	504,749
Other business income.....	24,136	24,926	* 8,608	19,748	* 235	57,153	* -637
Business deductions, total [1,2].....	2,033,553	3,280,486	691,541	1,462,249	855,723	1,580,453	185,703
Cost of sales and operations, total.....	577,622	185,769	31,507	122,729	186,750	170,726	* 16,019
Inventory, beginning of year.....	54,123	25,776	* 10,875	10,062	* 4,174	* 15,738	* 74
Cost of labor.....	* 19,544	* 16,308	* 3,444	* 31,171	* 57,739	* 15,825	0
Purchases.....	391,152	108,448	* 1,217	35,597	* 65,578	* 128,713	* 3,688
Materials and supplies.....	75,998	29,961	* 16,850	33,784	46,049	* 17,437	* 2,290
Other costs.....	91,686	33,613	* 9,275	22,662	* 16,182	* 9,900	* 10,041
Inventory, end of year.....	54,881	28,338	* 10,155	10,547	* 2,971	* 16,887	* 74
Advertising expenses.....	38,744	33,381	15,364	48,987	9,820	46,299	1,348
Car and truck expenses.....	36,858	259,170	24,754	146,767	49,637	263,804	25,122
Commissions.....	* 1,617	22,212	* 84	8,687	* 771	* 35,511	* 5,902
Contract labor.....	25,721	129,001	13,027	54,566	11,461	43,315	* 10,366
Depletion.....	0	0	0	* 464	* 13	0	* 4
Depreciation.....	81,432	108,385	23,231	60,174	66,696	49,202	9,391
Employee benefit programs.....	23,403	17,009	4,992	5,974	5,262	15,729	* 78
Insurance.....	38,563	90,711	66,868	54,271	28,301	24,259	7,441
Legal and professional services.....	49,879	97,167	13,731	43,389	10,311	13,926	2,833
Meals and entertainment deducted.....	3,663	42,039	5,204	16,265	2,882	15,467	4,230
Mortgage interest.....	9,819	21,529	* 1,820	* 7,034	* 981	* 7,798	* 332
Other interest paid on business indebtedness.....	9,927	14,386	6,626	10,602	3,674	5,140	* 698
Office expenses.....	42,877	138,916	36,999	55,913	14,168	34,592	6,311
Pension and profit-sharing plans.....	10,465	6,065	5,770	6,731	* 6,678	* 472	* 57
Rent on machinery and equipment.....	12,571	78,807	13,452	4,912	7,499	10,586	* 3,638
Rent on other business property.....	170,121	452,316	92,882	129,473	41,461	36,304	9,928
Repairs.....	24,067	45,280	12,331	21,873	8,343	13,837	774
Supplies.....	50,213	125,260	39,565	66,396	28,616	81,021	9,259
Salaries and wages.....	468,978	465,354	125,213	152,612	166,986	278,027	* 17,782
Taxes paid.....	71,430	75,394	15,838	28,657	48,807	27,642	2,403
Travel.....	10,478	94,548	7,673	50,640	13,818	21,101	9,134
Utilities.....	57,805	159,603	26,225	57,801	27,056	48,396	5,178
Other business deductions.....	215,834	491,121	107,764	245,187	101,557	239,004	29,048
Home office business deductions.....	* 1,465	99,381	* 591	35,494	* 10,028	34,288	* 4,355
Depreciation, Form 8829 [3].....	* 163	13,361	* 99	3,667	* 316	3,871	* 401
Casualty loss, Form 8829 [3].....	0	0	0	0	0	0	0
Excess—casualty depreciations, Form 8829 [3].....	* 157	* 6,646	0	* 489	0	* 2,745	0
Net income [1,2].....	808,548	4,573,340	376,874	1,570,117	565,987	1,435,023	318,409
Returns with Schedule C-EZ:							
Number of returns.....	* 346	15,273	* 651	28,824	* 4,095	64,714	* 3,726
Business receipts.....	* 2,879	126,627	* 163	177,078	* 45,284	465,812	* 58,129
Business deductions.....	* 2	27,684	* 29	28,254	* 4,149	64,108	* 4,073
Net income.....	* 2,876	98,943	* 134	148,824	* 41,134	401,704	* 54,057

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Health care and social assistance —continued				Arts, entertainment, and recreation		
	Hospitals	Nursing and residential care facilities	Social assistance	Child day care services	Total	Performing arts, spectator sports and related industries	Museums, historical sites, and similar institutions
	(137)	(138)	(139)	(140)	(141)	(142)	(143)
BUSINESSES WITH AND WITHOUT NET INCOME							
Number of returns [1].....	16,628	61,362	125,384	674,246	1,157,201	971,068	3,843
Business receipts, total [1].....	613,205	3,536,460	2,672,393	9,786,903	27,376,360	20,042,905	63,241
Income from sales and operations [1].....	539,502	3,531,840	2,651,682	9,508,930	26,412,137	19,389,391	63,069
Other business income.....	* 73,703	4,619	20,711	277,973	964,223	653,514	* 172
Business deductions, total [1,2].....	357,554	3,209,671	1,625,119	6,164,632	20,897,869	14,232,534	20,104
Cost of sales and operations, total.....	* 59,829	178,532	158,557	254,388	3,525,758	1,911,393	* 6,129
Inventory, beginning of year.....	* 10,541	11,415	* 25,176	* 17,026	544,499	423,009	* 279
Cost of labor.....	* 2,282	89,520	* 488	17,940	429,672	258,799	* 450
Purchases.....	* 38,230	23,218	* 20,210	101,739	1,246,159	593,290	* 4,099
Materials and supplies.....	* 17,983	30,493	* 11,525	40,492	353,871	267,280	* 1,429
Other costs.....	* 1	34,822	* 133,889	107,135	1,510,587	817,561	* 156
Inventory, end of year.....	* 9,208	10,937	* 32,730	29,944	559,030	448,546	* 285
Advertising expenses.....	* 1,096	19,009	30,191	53,140	417,981	273,778	* 458
Car and truck expenses.....	24,850	154,140	260,491	465,258	1,634,494	1,362,247	* 2,567
Commissions.....	* 6,059	4,458	* 6,874	23,387	549,419	504,833	* 476
Contract labor.....	* 1,501	87,079	44,509	75,211	600,842	486,859	* 237
Depletion.....	* 28	* 20	* 2	0	845	240	0
Depreciation.....	11,373	127,529	67,577	191,139	1,499,694	1,103,701	* 1,252
Employee benefit programs.....	* 713	40,854	* 1,871	10,213	36,739	19,510	* 7
Insurance.....	* 6,846	90,960	38,043	102,856	257,017	140,658	* 445
Legal and professional services.....	1,700	47,662	34,677	52,097	479,043	401,321	* 203
Meals and entertainment deducted.....	1,356	14,212	30,394	142,737	306,133	275,325	* 250
Mortgage interest.....	* 6,657	166,151	* 9,155	115,584	94,263	52,772	0
Other interest paid on business indebtedness.....	* 709	35,572	803	25,113	109,825	64,455	* 4
Office expenses.....	* 2,585	33,594	55,366	96,160	308,578	252,218	* 343
Pension and profit-sharing plans.....	* 7	7,540	* 534	* 567	16,558	13,817	0
Rent on machinery and equipment.....	* 478	23,725	21,919	68,997	203,712	133,928	0
Rent on other business property.....	* 24,786	119,186	147,120	176,040	848,006	470,498	* 28
Repairs.....	* 594	63,704	10,616	176,612	376,104	254,347	* 5
Supplies.....	8,006	142,147	70,131	606,400	848,988	708,871	* 677
Salaries and wages.....	* 117,442	792,953	168,105	605,998	1,164,166	617,878	* 100
Taxes paid.....	* 5,684	136,112	24,275	113,197	294,777	135,746	* 84
Travel.....	* 6,751	24,908	43,159	30,587	890,496	810,103	* 1,436
Utilities.....	* 1,762	147,616	90,760	263,386	582,358	398,374	* 1,010
Other business deductions.....	58,993	679,897	229,193	1,410,859	5,204,366	3,278,739	* 1,778
Home office business deductions.....	* 4,329	62,138	57,734	968,816	468,979	427,593	* 2,011
Depreciation, Form 8829 [3].....	* 500	8,197	4,603	112,929	85,753	54,389	* 907
Casualty loss, Form 8829 [3].....	0	0	0	0	* 88	* 84	0
Excess—casualty depreciations, Form 8829 [3].....	* 120	* 8,828	* 1,532	211,401	50,092	46,080	0
Net income less deficit [1,2].....	255,651	336,552	1,047,274	3,628,883	6,484,281	5,811,366	43,137
Net income [1,2].....	261,054	503,201	1,195,788	4,035,492	9,585,960	8,216,788	44,283
Deficit [2].....	* 5,403	166,649	148,514	406,609	3,101,679	2,405,421	* 1,146

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Health care and social assistance —continued				Arts, entertainment, and recreation		
	Hospitals	Nursing and residential care facilities	Social assistance	Child day care services	Total	Performing arts, spectator sports and related industries	Museums, historical sites, and similar institutions
	(137)	(138)	(139)	(140)	(141)	(142)	(143)
BUSINESSES WITH NET INCOME							
Number of returns [1].....	15,312	44,536	90,880	581,048	696,774	577,078	3,315
Business receipts, total [1].....	474,194	2,555,048	2,157,104	8,390,421	21,633,289	16,550,897	56,663
Income from sales and operations [1].....	403,445	2,558,627	2,139,692	8,133,705	20,987,210	16,048,630	56,663
Other business income.....	* 70,749	-3,579	17,412	256,715	646,079	502,267	0
Business deductions, total [1,2].....	213,140	2,052,034	961,315	4,354,714	12,048,051	8,334,374	* 12,380
Cost of sales and operations, total.....	* 32,786	78,971	* 11,340	97,558	2,069,603	1,144,721	* 431
Inventory, beginning of year.....	* 10,177	* 10,750	* 1	* 986	193,711	100,470	* 279
Cost of labor.....	* 39	* 21,665	* 295	14,537	162,223	108,520	0
Purchases.....	* 31,239	7,228	* 4,972	44,011	835,275	328,299	* 263
Materials and supplies.....	* 6	21,456	* 4,288	25,572	210,748	144,442	* 173
Other costs.....	* 1	28,362	* 1,785	* 15,570	854,545	572,813	0
Inventory, end of year.....	* 8,677	* 10,490	* 1	* 3,118	186,899	109,824	* 285
Advertising expenses.....	* 1,092	11,650	11,211	33,295	219,941	151,812	* 15
Car and truck expenses.....	23,033	106,924	182,092	331,234	975,201	821,564	* 1,863
Commissions.....	* 6,059	4,142	* 6,804	* 21,260	438,423	404,923	* 476
Contract labor.....	* 1,501	69,378	29,900	58,862	410,514	315,379	* 237
Depletion.....	* 28	* 20	* 2	0	435	* 179	0
Depreciation.....	* 10,178	77,317	52,663	117,162	677,650	496,280	* 1,146
Employee benefit programs.....	* 565	25,480	* 830	* 9,536	22,815	11,775	* 7
Insurance.....	* 5,499	51,122	18,028	73,877	155,475	83,614	* 441
Legal and professional services.....	* 1,658	26,625	22,587	35,098	297,031	268,862	* 174
Meals and entertainment deducted.....	* 1,192	9,853	25,883	101,018	200,047	179,376	* 248
Mortgage interest.....	* 1,241	116,650	* 4,307	68,366	36,589	21,422	0
Other interest paid on business indebtedness.....	* 707	27,228	* 227	15,038	42,256	21,111	* 4
Office expenses.....	* 2,544	24,557	32,748	62,324	182,560	158,819	* 167
Pension and profit-sharing plans.....	0	6,979	* 534	* 567	12,159	9,520	0
Rent on machinery and equipment.....	* 426	20,818	13,173	44,792	119,295	81,731	0
Rent on other business property.....	* 6,727	73,543	113,320	139,343	496,173	289,373	* 11
Repairs.....	* 578	35,247	4,729	96,426	166,070	92,823	* 5
Supplies.....	* 7,936	87,726	46,168	434,562	447,464	381,887	* 671
Salaries and wages.....	* 43,943	490,232	91,042	447,336	711,957	367,880	* 98
Taxes paid.....	* 5,518	89,678	12,468	65,143	198,292	90,616	* 20
Travel.....	* 6,218	15,357	28,856	19,363	559,549	515,435	* 1,423
Utilities.....	* 1,650	100,519	64,464	174,724	346,178	255,357	* 996
Other business deductions.....	44,311	434,361	120,371	1,037,625	2,735,261	1,720,612	* 1,330
Home office business deductions.....	* 4,329	57,683	45,958	734,316	352,893	317,792	* 2,011
Depreciation, Form 8829 [3].....	* 500	7,371	4,158	72,774	34,801	31,648	* 907
Casualty loss, Form 8829 [3].....	0	0	0	0	* 3	0	0
Excess—casualty depreciations, Form 8829 [3].....	* 120	* 3,778	* 948	* 491	5,910	4,266	0
Net income [1,2].....	261,054	503,201	1,195,788	4,035,492	9,585,960	8,216,788	44,283
Returns with Schedule C-EZ:							
Number of returns.....	7,628	11,898	23,734	233,654	218,960	170,118	* 1,827
Business receipts.....	42,891	58,842	136,124	1,363,199	877,805	709,702	* 12,543
Business deductions.....	3,421	9,974	23,061	135,890	178,730	133,329	* 605
Net income.....	39,470	48,868	113,063	1,227,310	699,074	576,373	* 11,939

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Arts—continued	Accommodation, food services, and drinking places					
	Amusement, gambling, and recreation industries	Total	Accommodation				Food services and drinking places
			Total	Travel accommodation (including hotels, motels, and bed and breakfast inns)	RV (recreational vehicle) parks and recreational camps	Rooming and boarding houses	
	(144)	(145)	(146)	(147)	(148)	(149)	(150)
BUSINESSES WITH AND WITHOUT NET INCOME							
Number of returns [1].....	182,290	392,320	55,924	33,710	9,258	12,956	336,396
Business receipts, total [1].....	7,270,214	43,117,518	5,522,843	4,034,930	516,693	971,219	37,594,675
Income from sales and operations [1].....	6,959,676	42,530,762	5,322,349	3,921,111	513,109	888,129	37,208,413
Other business income.....	310,537	586,755	200,494	113,820	* 3,584	83,090	386,262
Business deductions, total [1,2].....	6,645,231	41,930,536	5,573,900	4,089,928	466,121	1,017,851	36,356,636
Cost of sales and operations, total.....	1,608,236	16,739,473	559,980	337,611	33,336	189,033	16,179,493
Inventory, beginning of year.....	121,210	621,819	41,992	35,683	* 1,311	* 4,998	579,827
Cost of labor.....	170,423	1,295,450	116,239	65,614	* 2,133	* 48,491	1,179,211
Purchases.....	648,771	14,060,662	302,958	157,655	22,925	* 122,378	13,757,704
Materials and supplies.....	85,162	929,013	33,101	26,865	* 2,827	* 3,409	895,912
Other costs.....	692,869	492,243	123,184	102,411	* 5,404	* 15,369	369,059
Inventory, end of year.....	110,200	659,713	57,493	50,616	* 1,264	* 5,613	602,220
Advertising expenses.....	143,744	735,661	121,802	95,825	11,315	14,662	613,859
Car and truck expenses.....	269,679	704,307	117,363	71,139	21,256	24,967	586,944
Commissions.....	44,110	130,126	53,942	47,548	* 571	5,822	76,184
Contract labor.....	113,745	333,358	73,548	31,953	34,742	6,852	259,810
Depletion.....	605	3,032	* 1,840	* 272	0	* 1,569	* 1,191
Depreciation.....	394,742	1,506,342	544,093	399,997	57,841	86,254	962,250
Employee benefit programs.....	17,222	72,949	18,215	13,252	* 1,423	3,540	54,734
Insurance.....	115,914	842,884	201,858	142,055	21,637	38,167	641,026
Legal and professional services.....	77,520	333,650	61,694	45,453	5,501	10,740	271,956
Meals and entertainment deducted.....	30,558	78,393	10,209	5,986	1,137	3,085	68,184
Mortgage interest.....	41,491	669,821	455,850	380,892	27,641	47,317	213,972
Other interest paid on business indebtedness.....	45,366	360,300	147,718	106,101	17,321	24,295	212,582
Office expenses.....	56,017	204,167	57,580	39,261	5,764	12,555	146,587
Pension and profit-sharing plans.....	2,740	9,698	1,205	1,057	* 23	* 126	8,493
Rent on machinery and equipment.....	69,784	321,282	24,472	16,212	2,269	5,991	296,810
Rent on other business property.....	377,479	2,872,030	135,595	103,860	* 2,243	29,492	2,736,435
Repairs.....	121,752	895,226	288,873	196,200	36,918	55,755	606,353
Supplies.....	139,439	1,095,629	238,767	174,524	19,096	45,146	856,863
Salaries and wages.....	546,189	6,279,247	701,436	563,541	28,193	109,702	5,577,811
Taxes paid.....	158,946	1,847,833	400,270	314,065	31,599	54,607	1,447,563
Travel.....	78,956	109,049	43,194	27,861	7,836	7,497	65,855
Utilities.....	182,974	2,437,357	535,527	393,963	52,350	89,214	1,901,830
Other business deductions.....	1,923,849	3,249,088	756,900	571,801	43,242	141,858	2,492,187
Home office business deductions.....	39,375	68,918	18,523	7,496	* 2,066	* 8,961	50,396
Depreciation, Form 8829 [3].....	30,458	32,591	25,867	* 2,421	* 511	* 22,935	6,724
Casualty loss, Form 8829 [3].....	* 3	* 209	0	0	0	0	* 209
Excess—casualty depreciations, Form 8829 [3].....	4,012	37,440	* 29,687	* 6,042	* 261	* 23,384	7,753
Net income less deficit [1,2].....	629,778	1,213,244	-37,736	-43,014	50,572	-45,294	1,250,980
Net income [1,2].....	1,324,889	3,782,110	641,928	438,021	88,570	115,338	3,140,182
Deficit [2].....	695,111	2,568,865	679,664	481,035	37,998	160,631	1,889,202

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Arts—continued	Accommodation, food services, and drinking places					
	Amusement, gambling, and recreation industries	Total	Accommodation				Food services and drinking places
			Total	Travel accommodation (including hotels, motels, and bed and breakfast inns)	RV (recreational vehicle) parks and recreational camps	Rooming and boarding houses	
	(144)	(145)	(146)	(147)	(148)	(149)	(150)
BUSINESSES WITH NET INCOME							
Number of returns [1].....	116,381	246,979	25,889	15,014	5,461	5,414	221,089
Business receipts, total [1].....	5,025,730	32,487,249	3,488,693	2,452,781	380,456	655,457	28,998,556
Income from sales and operations [1].....	4,881,918	32,078,095	3,377,097	2,417,679	378,691	580,727	28,700,998
Other business income.....	143,812	409,154	111,596	35,102	* 1,765	74,729	297,558
Business deductions, total [1,2].....	3,701,298	28,717,526	2,846,765	2,014,760	291,886	540,119	25,870,762
Cost of sales and operations, total.....	924,452	12,533,663	321,838	140,031	23,718	* 158,089	12,211,825
Inventory, beginning of year.....	92,962	415,263	28,385	24,553	* 1,083	* 2,749	386,878
Cost of labor.....	53,703	952,884	62,225	21,399	* 1,951	* 38,876	890,659
Purchases.....	506,713	10,880,697	220,029	99,818	* 18,681	* 101,530	10,660,668
Materials and supplies.....	66,133	455,256	15,307	10,034	* 2,542	* 2,731	439,948
Other costs.....	281,732	292,115	35,053	19,327	* 519	* 15,207	257,062
Inventory, end of year.....	76,791	462,552	39,162	35,100	* 1,057	* 3,005	423,390
Advertising expenses.....	68,114	493,572	60,365	42,636	8,391	9,338	433,208
Car and truck expenses.....	151,774	426,169	46,546	24,300	11,393	10,854	379,623
Commissions.....	33,024	75,445	18,050	12,743	* 556	* 4,751	57,395
Contract labor.....	94,899	233,790	43,147	19,031	* 21,746	* 2,369	190,644
Depletion.....	* 256	* 1,443	* 271	* 271	0	0	* 1,172
Depreciation.....	180,224	800,066	234,289	169,657	35,277	29,355	565,777
Employee benefit programs.....	11,033	49,836	7,153	4,899	* 724	* 1,530	42,684
Insurance.....	71,420	541,141	118,196	78,836	15,951	23,409	422,945
Legal and professional services.....	27,995	184,021	25,276	17,335	3,807	4,134	158,745
Meals and entertainment deducted.....	20,424	33,560	3,437	2,634	* 37	* 766	30,123
Mortgage interest.....	15,167	380,493	232,026	204,438	* 14,994	12,593	148,467
Other interest paid on business indebtedness.....	21,141	164,900	66,144	44,472	* 6,165	* 15,507	98,756
Office expenses.....	23,574	120,788	31,156	17,785	4,373	8,999	89,632
Pension and profit-sharing plans.....	2,638	8,930	983	* 834	* 23	* 126	7,948
Rent on machinery and equipment.....	37,564	169,181	11,204	6,474	* 213	* 4,517	157,976
Rent on other business property.....	206,789	1,978,354	73,406	60,339	* 2,108	* 10,960	1,904,947
Repairs.....	73,242	558,320	167,902	110,671	25,505	31,726	390,418
Supplies.....	64,907	695,731	148,263	109,323	12,496	26,444	547,468
Salaries and wages.....	343,978	4,291,389	354,611	285,170	15,091	54,350	3,936,779
Taxes paid.....	107,657	1,234,331	236,598	188,336	21,424	26,838	997,733
Travel.....	42,690	58,096	14,950	11,586	* 2,885	* 479	43,146
Utilities.....	89,826	1,612,593	316,823	240,339	34,734	41,750	1,295,770
Other business deductions.....	1,013,320	2,012,896	309,147	220,387	28,169	60,591	1,703,749
Home office business deductions.....	33,089	28,860	* 2,298	* 232	* 2,066	0	26,562
Depreciation, Form 8829 [3].....	2,246	3,241	* 521	* 10	* 511	0	2,720
Casualty loss, Form 8829 [3].....	* 3	0	0	0	0	0	0
Excess—casualty depreciations, Form 8829 [3].....	* 1,643	* 262	* 261	0	* 261	0	* 1
Net income [1,2].....	1,324,889	3,782,110	641,928	438,021	88,570	115,338	3,140,182
Returns with Schedule C-EZ:							
Number of returns.....	47,015	58,271	4,833	* 1,552	* 1,636	* 1,645	53,438
Business receipts.....	155,559	304,294	11,677	* 3,407	* 3,770	* 4,500	292,617
Business deductions.....	44,797	30,716	3,447	* 2,003	* 801	* 643	27,269
Net income.....	110,762	273,578	8,230	* 1,403	* 2,969	* 3,857	265,348

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Other services							Religious, grantmaking, civic, professional, and similar organizations	Unclassified establishments
	Total	Auto repair and maintenance				Miscellaneous repairs	Personal and laundry services		
		Total	Automotive mechanical and electrical repair and maintenance	Automotive body shops	Other auto repair and maintenance (including oil change, lube, and car washes)				
	(151)	(152)	(153)	(154)	(155)	(156)	(157)	(158)	(159)
BUSINESSES WITH AND WITHOUT NET INCOME									
Number of returns [1].....	2,315,191	337,784	172,443	85,875	79,466	488,926	1,488,481	244,212	423,157
Business receipts, total [1].....	78,147,800	22,760,458	11,940,054	6,609,797	4,210,607	17,562,692	37,824,651	3,536,438	4,449,754
Income from sales and operations [1].....	77,345,471	22,632,483	11,875,310	6,596,522	4,160,650	17,380,958	37,332,030	3,278,259	4,391,223
Other business income.....	802,330	127,975	64,743	13,275	49,956	181,734	492,621	258,179	58,531
Business deductions, total [1,2].....	60,341,098	19,938,730	10,516,329	5,747,444	3,674,957	13,749,855	26,652,514	1,829,458	2,667,206
Cost of sales and operations, total.....	19,265,346	9,369,833	5,296,679	2,549,121	1,524,033	5,444,678	4,450,835	114,031	583,535
Inventory, beginning of year.....	1,690,390	712,413	379,408	205,380	127,626	516,103	461,874	* 2,767	28,552
Cost of labor.....	1,825,646	825,106	428,555	302,382	94,169	404,260	596,281	* 7,408	* 12,873
Purchases.....	11,630,654	6,219,021	3,594,738	1,452,296	1,171,987	3,188,459	2,223,174	* 8,345	256,616
Materials and supplies.....	4,042,355	1,870,865	1,015,550	666,135	189,179	1,320,820	850,670	* 7,250	134,137
Other costs.....	1,817,734	438,550	252,977	129,137	56,436	551,163	828,021	* 91,886	225,290
Inventory, end of year.....	1,741,433	696,122	374,549	206,209	115,364	536,126	509,185	* 3,627	73,933
Advertising expenses.....	967,280	250,299	110,428	82,467	57,404	197,988	518,993	53,278	28,463
Car and truck expenses.....	4,593,636	967,537	439,232	300,660	227,645	1,489,500	2,136,598	529,010	365,311
Commissions.....	600,639	60,436	28,432	24,275	7,730	51,874	488,329	* 16,771	21,621
Contract labor.....	1,574,082	307,457	95,959	100,613	110,885	453,583	813,042	11,592	32,740
Depletion.....	5,591	* 50	0	* 49	* 1	* 2,339	3,201	0	* 679
Depreciation.....	2,867,810	919,810	483,772	242,314	193,724	698,322	1,249,678	38,017	131,851
Employee benefit programs.....	132,498	56,180	31,796	20,343	* 4,041	39,762	36,555	* 14,448	1,675
Insurance.....	1,281,954	489,979	264,635	139,710	85,634	319,907	472,068	19,818	50,829
Legal and professional services.....	533,268	152,664	84,877	44,722	23,065	82,316	298,288	22,561	54,439
Meals and entertainment deducted.....	273,492	58,182	25,535	15,672	16,974	68,668	146,642	38,557	40,337
Mortgage interest.....	425,514	199,773	114,844	44,095	40,834	70,302	155,439	* 6,573	35,210
Other interest paid on business indebtedness.....	399,460	149,328	56,534	45,459	47,335	73,546	176,586	8,654	19,021
Office expenses.....	724,294	180,548	84,447	65,525	30,576	152,503	391,243	60,289	46,640
Pension and profit-sharing plans.....	22,483	5,293	* 1,239	* 3,868	* 185	* 6,433	10,758	* 8,318	* 1,143
Rent on machinery and equipment.....	858,734	161,992	71,662	44,493	45,837	152,725	544,017	6,569	60,524
Rent on other business property.....	5,060,755	834,554	481,777	180,075	172,703	341,283	3,884,918	50,559	56,693
Repairs.....	1,058,379	314,285	147,862	94,030	72,393	222,120	521,973	20,105	75,772
Supplies.....	3,413,083	688,901	323,191	237,795	127,915	682,567	2,041,615	75,098	171,993
Salaries and wages.....	5,261,093	1,859,658	879,997	671,695	307,966	900,323	2,501,112	43,692	119,670
Taxes paid.....	1,371,665	584,664	275,403	198,381	110,880	226,751	560,249	10,556	22,801
Travel.....	459,384	50,300	16,773	22,733	10,794	144,184	264,901	105,002	75,255
Utilities.....	2,760,500	734,142	376,800	202,978	154,364	410,789	1,615,569	91,958	74,102
Other business deductions.....	5,415,314	1,433,764	764,476	383,304	285,984	1,251,657	2,729,893	395,280	499,221
Home office business deductions.....	551,369	66,642	32,026	27,768	* 6,848	190,208	294,519	52,141	31,162
Depreciation, Form 8829 [3].....	69,019	10,136	4,422	4,884	* 830	25,425	33,458	7,049	* 1,749
Casualty loss, Form 8829 [3].....	* 531	* 387	0	* 387	0	* 144	0	* 1,015	0
Excess—casualty depreciations, Form 8829 [3].....	46,613	10,348	* 9,504	* 844	0	23,017	13,248	* 8,996	* 890
Net income less deficit [1,2].....	17,818,889	2,822,264	1,424,132	862,353	535,779	3,812,833	11,183,792	1,708,644	1,794,590
Net income [1,2].....	20,785,006	3,516,634	1,739,362	1,083,714	693,558	4,376,655	12,891,717	1,969,196	2,299,659
Deficit [2].....	2,966,117	694,370	315,230	221,361	157,778	563,822	1,707,925	260,552	505,070

Footnotes at end of table.

Sole Proprietorship Returns, 2005

Table 2. Nonfarm Sole Proprietorships: Income Statements, by Industrial Sectors, Tax Year 2005—Continued

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

Net income status, item	Other services								Religious, grantmaking, civic, professional, and similar organizations	Unclassified establishments
	Total	Auto repair and maintenance				Miscellaneous repairs	Personal and laundry services			
		Total	Automotive mechanical and electrical repair and maintenance	Automotive body shops	Other auto repair and maintenance (including oil change, lube, and car washes)					
	(151)	(152)	(153)	(154)	(155)	(156)	(157)	(158)	(159)	
BUSINESSES WITH NET INCOME										
Number of returns [1].....	1,824,281	253,694	129,440	66,485	57,769	382,244	1,188,343	184,823	324,260	
Business receipts, total [1].....	68,536,568	19,100,540	9,704,732	5,838,578	3,557,230	15,462,230	33,973,798	3,249,931	3,818,009	
Income from sales and operations [1].....	67,833,268	18,978,583	9,639,994	5,826,499	3,512,090	15,314,762	33,539,922	2,985,978	3,764,266	
Other business income.....	703,300	121,957	64,738	12,079	45,140	147,468	433,875	263,953	53,742	
Business deductions, total [1,2].....	47,751,636	15,583,906	7,965,370	4,754,864	2,863,673	11,085,571	21,082,158	1,281,933	1,518,403	
Cost of sales and operations, total.....	15,679,753	7,367,705	3,864,640	2,198,685	1,304,381	4,562,400	3,749,648	111,073	363,576	
Inventory, beginning of year.....	1,134,821	531,401	254,718	165,478	111,206	305,871	297,549	* 846	* 14,666	
Cost of labor.....	1,472,433	656,135	329,217	247,154	79,763	342,521	473,777	* 7,408	* 12,398	
Purchases.....	9,275,256	4,779,484	2,519,241	1,246,759	1,013,484	2,626,911	1,868,861	* 6,617	171,277	
Materials and supplies.....	3,414,850	1,607,626	842,177	591,625	173,824	1,097,220	710,004	* 7,142	112,542	
Other costs.....	1,555,470	334,700	184,227	116,757	33,717	503,565	717,204	* 91,765	86,168	
Inventory, end of year.....	1,173,076	541,641	264,940	169,088	107,613	313,688	317,747	* 2,705	* 33,474	
Advertising expenses.....	711,559	191,743	81,850	63,022	46,871	154,730	365,085	46,344	12,815	
Car and truck expenses.....	3,497,234	688,013	317,184	225,532	145,297	1,213,411	1,595,810	356,380	191,142	
Commissions.....	479,238	34,775	25,040	* 2,070	* 7,665	29,223	415,240	* 15,494	16,795	
Contract labor.....	1,302,148	229,027	81,225	79,613	68,189	373,737	699,384	* 10,180	28,426	
Depletion.....	3,514	* 1	0	0	* 1	* 2,330	1,183	0	* 111	
Depreciation.....	2,015,339	664,703	352,725	186,552	125,426	528,017	822,619	23,533	48,301	
Employee benefit programs.....	103,919	47,827	27,067	17,667	* 3,093	36,109	19,982	* 10,425	* 1,594	
Insurance.....	986,321	385,947	201,736	117,732	66,479	240,551	359,823	12,018	35,533	
Legal and professional services.....	421,197	129,419	71,175	40,398	17,846	64,157	227,621	15,250	30,157	
Meals and entertainment deducted.....	209,468	44,350	20,315	10,192	13,843	53,991	111,127	25,526	29,537	
Mortgage interest.....	317,449	156,371	96,064	40,578	19,729	50,112	110,966	* 16	* 4,078	
Other interest paid on business indebtedness.....	289,895	103,167	40,711	33,295	29,161	56,923	129,805	* 1,228	9,526	
Office expenses.....	527,828	136,808	61,587	49,341	25,880	116,135	274,885	42,741	17,809	
Pension and profit-sharing plans.....	21,944	5,293	* 1,239	* 3,868	* 185	* 6,047	10,604	* 4,807	* 390	
Rent on machinery and equipment.....	659,357	127,733	54,589	40,947	32,197	111,055	420,570	5,958	40,864	
Rent on other business property.....	4,076,107	667,413	413,295	130,026	124,092	231,525	3,177,169	37,874	44,913	
Repairs.....	814,136	241,424	114,651	71,727	55,046	164,079	408,633	5,838	44,467	
Supplies.....	2,725,882	531,417	262,644	184,080	84,692	523,106	1,671,359	52,793	98,973	
Salaries and wages.....	4,308,866	1,538,999	705,433	586,438	247,129	754,467	2,015,400	* 37,652	83,704	
Taxes paid.....	1,102,464	469,222	210,442	179,498	79,281	181,360	451,882	3,448	11,543	
Travel.....	321,084	25,799	11,312	7,236	7,251	101,870	193,415	75,406	46,338	
Utilities.....	2,137,480	563,820	287,490	160,903	115,426	313,857	1,259,803	64,847	36,131	
Other business deductions.....	4,131,400	1,130,409	607,788	293,524	229,096	988,013	2,012,978	260,266	245,505	
Home office business deductions.....	454,085	61,951	29,100	26,642	* 6,209	155,152	236,983	27,450	17,462	
Depreciation, Form 8829 [3].....	52,143	8,945	* 3,746	4,405	* 794	17,149	26,049	3,570	* 662	
Casualty loss, Form 8829 [3].....	0	0	0	0	0	0	0	* 237	0	
Excess—casualty depreciations, Form 8829 [3].....	* 3,209	* 2,393	* 2,393	* [4]	0	* 418	* 397	* 1,571	0	
Net income [1,2].....	20,785,006	3,516,634	1,739,362	1,083,714	693,558	4,376,655	12,891,717	1,969,196	2,299,659	
Returns with Schedule C-EZ:										
Number of returns.....	446,809	42,227	24,132	* 6,079	12,015	93,850	310,732	62,216	159,260	
Business receipts.....	3,201,342	299,024	153,365	* 45,580	100,078	623,389	2,278,930	245,133	778,671	
Business deductions.....	463,478	42,459	27,954	* 5,297	9,208	75,527	345,492	36,579	66,520	
Net income.....	2,737,865	256,565	125,411	* 40,283	90,870	547,861	1,933,439	208,555	712,151	

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

** Data combined to prevent disclosure of taxpayer information.

[1] Includes returns with Schedule C-EZ attached. Schedule C-EZ was filed for certain small businesses, i.e., those with net income business expenses of \$2,500 or less, used the cash accounting method, with no inventories or employees, and with no deduction for a home office business and no allowable "passive" activity losses. Because only a total is reported for business deductions on Schedule C-EZ, the totals shown in the statistics exceed the sum of the detailed deductions; the detailed deductions are, therefore, slightly understated.

[2] Total business deductions are before subtraction of nonallowable "passive" activity losses and any "passive loss" carryover from the prior years. However, these losses (after subtraction) and any carryover are reflected in net income or deficit. Therefore, total business receipts minus total business deductions may not always equal net income or deficit.

[3] These are selected line items from Form 8829, Expenses for Business Use of Your Home, and do not represent the total of the home office business deduction found on the Schedule C.

[4] Less than \$500.

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

Source: IRS, Statistics of Income Division, April 2007

Foreign-Controlled Domestic Corporations, 2004

by James R. Hobbs

For Tax Year 2004, the 57,935 domestic corporations each controlled by a foreign “person” generated \$3.1 trillion of total receipts with \$8.0 trillion of total assets, reported on income tax returns filed with the Internal Revenue Service (IRS). Both total receipts and total assets increased substantially for 2004, by 19.0 percent and 29.2 percent, respectively, over the previous year.¹ These corporations were small in number, just 1.0 percent of the U.S. total. However, they accounted for 13.5 percent of the receipts and 13.3 percent of the assets reported on all U.S. corporation income tax returns.

The profits (i.e., “net income (less deficit)” shown in the statistics of this article) reported by foreign-controlled domestic corporations (FCDCs) for tax purposes under the Internal Revenue Code were \$90.8 billion for 2004. This was a substantial increase from the \$32.0 billion reported for the prior year. Placed in context, the profits reported on all corporation income tax returns also increased, to \$1.1 trillion for 2004 from \$0.8 trillion for 2003.² FCDCs accounted for 8.2 percent of the profits reported by all corporations for 2004, up from 4.1 percent for 2003.

Of all the FCDCs, 29,233 reported positive profits (i.e., net income) for 2004, totaling \$138.0 billion. This was a 48.6-percent increase over the prior-year amount. The profitable companies for 2004 also reported \$104.7 billion of taxable income (i.e., “income subject to tax”), another significant increase of 42.5 percent over the prior year. The U.S. tax liability (i.e., “total income tax after credits”) of FCDCs was \$29.9 billion for 2004, 56.5 percent more than that of the prior year.

For 2004, there were 3,524 “large” foreign-controlled domestic corporations, each with at least \$250 million of assets or at least \$50 million of receipts. These large FCDCs accounted for most of the key financial items of all FCDCs: 95.9 percent of total assets, 94.4 percent of total receipts, 92.7 percent of

taxable income, and 91.7 percent of total income tax after credits. After an overview of all FCDCs, this article focuses on the large foreign-controlled domestic companies and compares them to other large domestic corporations, i.e., those not controlled by foreign persons.

Tables showing selected balance sheet, income statement, and tax items for FCDCs are included at the end of this article. Table 1 shows historical FCDC data for selected tax years between 1971 and 2004. Table 2 includes information for all FCDCs, classified by major industries that conform to the North American Industry Classification System (NAICS). Table 3 also presents data for all FCDCs, classified by countries of the foreign owners, as well as age of the corporations. Table 4 presents information on the “large” FCDCs, classified by industrial sectors. For comparison purposes, this table also contains data for the large domestic corporations not controlled by foreign persons.

Foreign Investment in the United States

Foreign investment in the United States can take several forms, including corporations. With regard to corporations, a foreign investor may own stock of a domestic (i.e., United States) company or operate in the United States through a branch of a foreign corporation.³ This article focuses on domestic corporations that are “controlled” by foreign persons. For the foreign-controlled domestic corporations covered in this article, control is defined as ownership by one foreign “person,” directly or indirectly, of 50 percent or more of the U.S. corporation’s voting stock, or of 50 percent or more of the value of all of the corporation’s stock, at any time during the accounting period. A person is an entity, including an individual, corporation, partnership, estate, or trust. (This is discussed in greater depth in the Data Sources and Limitations section. Also, see “constructive ownership rules” and “foreign person” in the Explanation of Selected Terms section.)

James R. Hobbs is a management official with the Special Studies Branch.

¹ For additional 2004 statistics covering foreign-controlled domestic corporations (FCDCs), see Tables 24 and 25 of *Statistics of Income—2004, Corporation Income Tax Returns*, IRS Publication 16. Statistics for tax years prior to 2004 are available in earlier editions of Publication 16. Additionally, for 2003 statistics covering FCDCs, see Hobbs, James R., “Foreign-Controlled Domestic Corporations, 2003,” *Statistics of Income Bulletin*, Summer 2006, Volume 26, Number 1. In addition, FCDC data are included on the IRS Internet site at www.irs.gov, under Tax Stats.

² Total corporate data referenced throughout this article come from: (1) *Statistics of Income Bulletin*, Publication 1136, Spring 2007, Volume 26, Number 4; (2) *Statistics of Income—Corporation Income Tax Returns*, Publication 16, selected years; (3) *Source Book of Statistics of Income—Corporation Income Tax Returns*, Publication 1053, selected years; and (4) unpublished Statistics of Income tabulations.

³ Sections 7701(a)(4) and (5) of the Internal Revenue Code define a domestic corporation as one created or organized in the United States or under the laws of the United States or any State. A foreign corporation is “one which is not domestic.”

Foreign-Controlled Domestic Corporations, 2004

As specified in the above paragraph, this study excludes returns of domestic corporations with stock owned by a single foreign person of 49 percent or less. However, the tax return forms filed by domestic corporations do indicate the presence of 25-percent to 49-percent foreign owners, and the Statistics of Income program does separately compile unpublished data on these domestic corporations.⁴

Returns of certain domestic companies that are effectively controlled by foreign persons, i.e., those public companies in which “control” may be exercised with as little as 10 percent to 20 percent of the stock holdings, are excluded from both the 50-percent-or-more and the 25-percent to 49-percent tabulations. Tax return forms filed by domestic corporations do not include information about foreign persons with less than 25-percent stock holdings.

The foreign-controlled domestic corporation statistics shown in this article, as well as the unpublished tabulations for domestic corporations with 25-percent to 49-percent foreign owners, exclude domestic corporations with only foreign “portfolio” investment. A foreign portfolio investor, having only a minimal interest in a domestic company, exerts no control over the management of the domestic corporation, except to the extent, for example, of rights to vote periodically in stockholder meetings of the corporation. A foreign portfolio investor is primarily seeking dividend payments, an increase in the value of the shares of stock, or both. The Statistics of Income program does not conduct studies covering foreign portfolio investors of domestic corporations.

In addition to the foreign-controlled domestic corporations study discussed in this article, the Statistics of Income program conducts a separate study covering branches of foreign corporations operating in the United States. Statistics from that study are available to the public.⁵

Foreign-controlled domestic corporations can file tax returns on: (1) Form 1120, *U.S. Corporation Income Tax Return*; (2) Form 1120-L, *U.S. Life Insurance Company Income Tax Return*; (3) Form 1120-PC, *U.S. Property and Casualty Insurance Company Income Tax Return*; (4) Form 1120-REIT, *U.S. Income Tax Return for Real Estate Investment Trusts*; and (5) Form 1120-RIC, *U.S. Income Tax Return for Regulated Investment Companies*. The FCDC statistics shown in this article include all of these return types (unless otherwise stated). Data for all corporation income tax returns discussed in this article include (unless otherwise stated) the five form types listed above, plus two types filed by domestic corporations: Form 1120-A, *U.S. Corporation Short-Form Income Tax Return*, and Form 1120S, *U.S. Income Tax Return for an S Corporation*. Also included in the corporate total is Form 1120-F, *U.S. Income Tax Return of a Foreign Corporation*, for foreign corporations with income effectively connected with a U.S. trade or business. All of these form types are included in the Statistics of Income Corporate Study, from which FCDC statistics are derived.⁶ However, FCDCs cannot file Forms 1120-A, 1120-F, or 1120S.

Foreign-Controlled Domestic Corporations

Growth of Corporations

The estimated numbers of returns filed by FCDCs have remained rather constant during the 10-year period of 1995-2004.⁷ There were 60,157 returns of foreign-controlled domestic corporations for 1995; 57,935 for 2004. With the more rapid increase in the total numbers of U.S. corporation income tax returns, FCDCs comprised a slowly decreasing percentage of those returns, from 1.3 percent for 1995 down to 1.0 percent for 2004. The increase in total filings of U.S. corporation income tax returns has largely been

⁴ For 2004, there were only 4,767 returns that indicated a level of foreign ownership between 25 percent and 49 percent. These companies reported \$114.6 billion of assets, \$68.2 billion of receipts, \$3.7 billion of taxable income, and \$1.1 billion of total income tax after credits. All of these amounts were small in comparison to data for the corporations with at least 50-percent foreign ownership.

⁵ For the most recent statistics, there are tabulations covering branch operations of foreign corporations with income “effectively connected” with a U.S. trade or business in *Statistics of Income—2004, Corporation Income Tax Returns*, IRS Publication 16. See Tables 10 and 11 of this publication. Statistics for tax years prior to 2004 are available in earlier editions of Publication 16.

⁶ As a result of the Statistics of Income (SOI) sampling process, data shown in this article for “all corporations” exclude certain out-of-scope returns, such as returns for homeowners’ associations (Form 1120-H) and certain political organizations (Form 1120-POL). For a more complete listing of the returns excluded from the SOI corporation sample, see the Description of the Sample and Limitations of the Data section of *Statistics of Income—2004, Corporation Income Tax Returns*. On the other hand, in addition to legally defined corporations, the Internal Revenue Code recognizes many types of businesses as corporations, including joint stock companies and unincorporated associations (e.g., certain partnerships, savings and loan associations, and mutual savings banks). These organizations possess characteristics typical of the corporate form, such as continuity of life, limited liability of owners, and transferability of shares of capital ownership. They filed Forms 1120 and were included in the SOI corporation sample.

⁷ For additional information on foreign investment in the United States, see *Survey of Current Business* reports, produced by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA). BEA periodically produces several articles related to this subject. In addition to the printed versions of these articles, electronic versions can be obtained from the Internet at www.bea.doc.gov. The data in these reports may not be directly comparable to the information shown in this article because of definitional differences, such as those relating to time periods covered, levels of foreign ownership, and levels of company consolidation.

Foreign-Controlled Domestic Corporations, 2004

due to the long-term growth in the number of Forms 1120S filed by S corporations. FCDCs are not eligible to elect to be treated as S corporations for Federal income tax purposes.

To the extent that FCDCs filed consolidated income tax returns, the data included in this article actually represent more corporations than the stated number of returns. FCDCs, like most other corporations, could elect to file consolidated returns for affiliated groups of domestic corporations. Consolidated returns contained the combined financial data of two or more corporations in which a common parent corporation owned at least 80 percent of the stock of at least one member of the group, and at least 80 percent of the stock of each other member of the group was owned within the group. A consolidated return filed by a common parent was treated as a unit, with each statistical item being determined on the basis of the combined data of the affiliated group. For 2004, there were 6,020 consolidated returns filed by FCDCs, 10.4 percent of all FCDC returns. These returns accounted for \$7.1 trillion of assets (89.4 percent of the total for all FCDCs), \$2.7 trillion of receipts (87.5 percent of the total), \$81.8 billion of net income less deficits (90.1 percent of the total), \$90.9

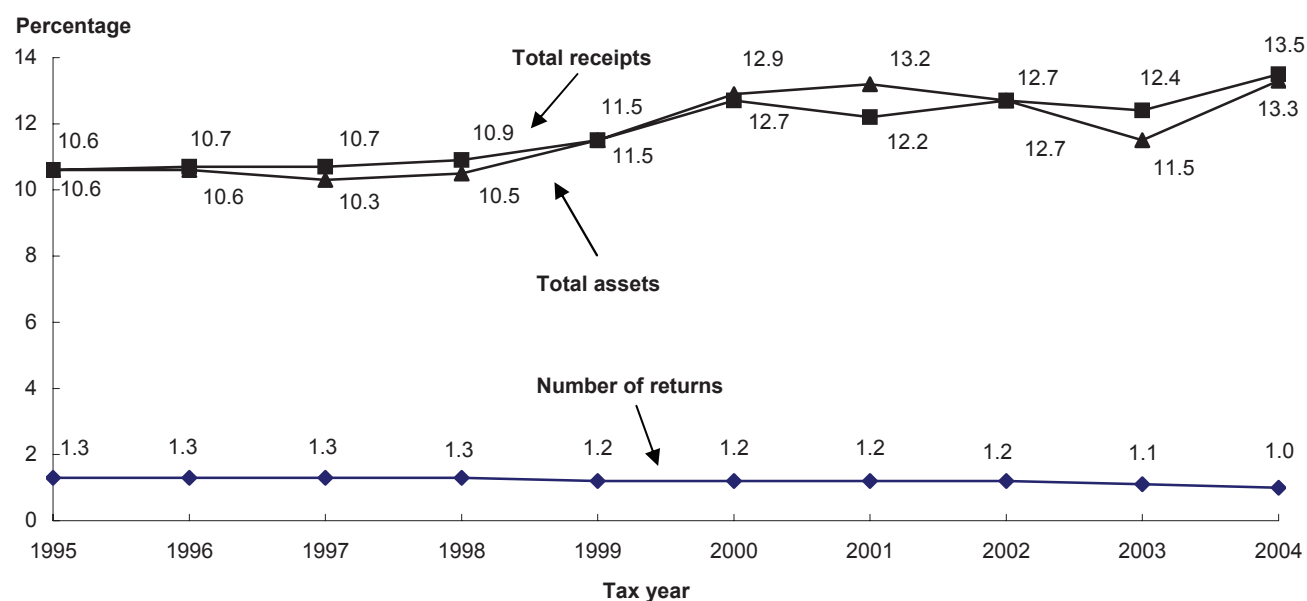
billion of taxable income (86.8 percent of the total), and \$25.7 billion of total income tax after credits (86.0 percent of the total).

In contrast to the numbers of returns, the growth of foreign investment in the United States through foreign-controlled domestic corporations during the last 10 years was evident in most of the financial items. In particular, the percentages of both assets and receipts accounted for by FCDCs increased over the 1995-2004 time period.

The assets of domestic corporations controlled by foreign persons increased by 29.2 percent between 2003 and 2004, as compared to the 12.1-percent increase for the assets reported on all U.S. corporation income tax returns.⁸ As a result of these changes, the percentage of total corporate assets accounted for by FCDCs rose from 11.5 percent for 2003 to 13.3 percent for 2004. Additionally, there was a substantial rise in FCDC assets during the previous 10 years. The value of FCDC assets increased faster than did the value of assets of other corporations. Thus, the 13.3-percent share of the 2004 total corporate assets is an increase from the 10.6-percent share for 1995 (Figure A).

Figure A

Foreign-Controlled Domestic Corporations as a Percentage of All Corporations, Tax Years 1995-2004



⁸ The percent changes in the assets between 2003 and 2004 of domestic corporations controlled by foreign persons, as well as those of all corporations, may overstate the actual "change in investment." Assets are generally reported at book value on tax returns (i.e., the value at the time of acquisition). The book value of newly-acquired assets is generally greater than the book value of similar assets they replaced. Therefore, new corporations may tend to have a greater percentage of new assets with greater book values. To the extent that new corporations may have comprised a different portion of FCDCs than they did for other companies, the comparability of the two percentages may be limited.

Foreign-Controlled Domestic Corporations, 2004

Total receipts of FCDCs increased by 19.0 percent between 2003 and 2004, as compared to the increase of 9.8 percent for all corporations. Using a 10-year time period, the \$3.1 trillion of FCDC receipts for 2004 represent an increase of 98.9 percent (using current dollars) over the \$1.5 trillion for 1995. In comparison, total receipts reported on all U.S. corporation income tax returns grew from \$14.5 trillion for 1995 to \$22.7 trillion for 2004, a 56.2-percent increase. As a result of the relatively rapid growth rate by FCDCs, their share of the receipts reported on all corporate returns increased from 10.6 percent for 1995 to 13.5 percent for 2004.

The growth of FCDCs can also be measured from the early 1970s, when a question concerning foreign ownership of corporations was first placed on the income tax return. For 1971, the 5,154 FCDCs reported \$36.7 billion of total assets and \$39.2 billion of total receipts. They accounted for just 0.3 percent of the returns, 1.3 percent of the assets, and 2.1 per-

cent of the receipts reported by all corporations for that year (Table 1).

Industry Characteristics

For 2004, foreign-controlled domestic corporations were involved in each of the 19 industrial sectors (treating wholesale trade and retail trade as separate sectors) listed in Figure B. However, 40,332 of the 57,935, nearly 70 percent of the total, had primary business activities in one of the following four industrial sectors: (1) wholesale trade (15,766 returns); (2) real estate and rental and leasing (11,514 returns); (3) manufacturing (6,833 returns); and (4) professional, scientific, and technical services (6,219 returns). By comparison, relatively few FCDCs were involved in health care or social assistance (53 returns) or as utilities (53 returns). The Data Sources and Limitations section discusses how returns were classified by industry.

Figure B

Foreign-Controlled Domestic Corporations: Selected Items, by Industrial Sector, Tax Year 2004

[Money amounts are in millions of dollars]

Industrial sector	Returns		Total assets		Total receipts	
	Number	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)
All industries.....	57,935	100.00	7,971,399	100.00	3,056,503	100.00
Agriculture, forestry, fishing, and hunting.....	844	1.46	6,863	0.09	10,734	0.35
Mining.....	560	0.97	95,417	1.20	38,452	1.26
Utilities.....	53	0.09	83,792	1.05	29,973	0.98
Construction.....	1,624	2.80	34,706	0.44	41,674	1.36
Manufacturing.....	6,833	11.79	2,157,362	27.06	1,463,787	47.89
Wholesale and retail trade [1].....	18,763	32.39	492,007	6.17	810,722	26.52
Wholesale trade.....	15,766	27.21	391,937	4.92	655,431	21.44
Retail trade.....	2,996	5.17	100,054	1.26	155,275	5.08
Transportation and warehousing.....	2,058	3.55	46,704	0.59	43,995	1.44
Information.....	1,637	2.83	550,879	6.91	91,865	3.01
Finance and insurance.....	2,108	3.64	3,293,604	41.32	305,364	9.99
Real estate and rental and leasing.....	11,514	19.87	110,115	1.38	24,203	0.79
Professional, scientific, and technical services.....	6,219	10.73	99,714	1.25	54,655	1.79
Management of companies (holding companies).....	2,257	3.90	884,643	11.10	63,764	2.09
Administrative and support and waste management and remediation services.....	1,351	2.33	36,434	0.46	31,538	1.03
Educational services.....	111	0.19	1,548	0.02	929	0.03
Health care and social assistance.....	53	0.09	15,467	0.19	10,615	0.35
Arts, entertainment, and recreation.....	445	0.77	4,366	0.05	2,806	0.09
Accommodation and food services.....	938	1.62	53,902	0.68	27,577	0.90
Other services.....	565	0.98	3,873	0.05	3,853	0.13

[1] Includes "Wholesale and retail trade not allocable," which is not shown separately.

NOTES: Detail may not add to totals because of rounding. Percentages are computed using rounded data.

Foreign-Controlled Domestic Corporations, 2004

Corporations classified as wholesalers accounted for 21.4 percent of the receipts for all FCDCs, a percentage nearly as high as the 27.2 percent of the total returns they comprised. However, these companies reported only 4.9 percent of the total FCDC assets.

Corporations classified in the real estate and rental and leasing industrial sector reported only 1.4 percent of the assets and 0.8 percent of the receipts of all FCDCs. These percentages were both substantially less than the 19.9 percent of the FCDC returns that they filed.

Manufacturing corporations filed 11.8 percent of the FCDC returns for 2004. These capital-intensive goods-producing companies accounted for far greater percentages of the total FCDC assets (27.1 percent) and receipts (47.9 percent). These corporations were often large, with reported average amounts of assets and receipts of \$315.7 million and \$214.2 million, respectively.

Corporations classified in the professional, scientific, and technical services industrial sector reported only 1.3 percent of the assets and 1.8 percent of the receipts of all FCDCs. Both of these percentages are significantly lower than the portion (10.7 percent) of total FCDC returns this services sector represented. This sector is the reverse of the manufacturing sector in this regard. The service corporations were generally smaller than those in manufacturing, with reported average amounts of assets and receipts of \$16.0 million and \$8.8 million, respectively.

Three additional sectors warrant discussion. While corporations classified in the finance and insurance industrial sector composed only 3.6 percent of the total returns filed by FCDCs for 2004, they accounted for a very large portion of the FCDC assets (41.3 percent). In fact, this was the largest share of the total assets by any of the industrial sectors. Additionally, finance and insurance companies accounted for 10.0 percent of the total FCDC receipts.

Two other sectors contributed substantial amounts of assets to the FCDC total: management (or holding) companies with 11.1 percent and information companies with 6.9 percent. However, neither of these sectors accounted for significant portions of the number of returns filed by FCDCs, nor the receipts reported by them.

While foreign-controlled domestic corporations accounted for 13.5 percent of the \$22.7 trillion of total receipts reported by all corporations filing U.S. income tax returns for 2004, these companies played

disproportionately larger roles in certain industrial sectors. For instance, FCDCs produced substantial portions of the total receipts reported for manufacturing (23.0 percent), wholesale trade (21.6 percent), and mining (16.5 percent). Conversely, FCDC involvement in a number of other business activities was relatively low and accounted for a small percentage of the receipts for all companies classified in the following industries: educational services (2.8 percent); "other" services (2.2 percent); and health care and social assistance (2.1 percent). See Figure C.

FCDC industrial data can be tabulated at a more exacting level than that for industrial sectors. In general, sectors are composed of major groups, which in turn are composed of minor industries. For 2004, there were 13 minor industries that each accounted for over \$45 billion of receipts. They were: petroleum manufacturing refineries (\$459 billion); motor vehicles and parts manufacturing (\$282 billion); stock life insurance companies (\$147 billion); motor vehicles and parts wholesalers (\$141 billion); electrical goods wholesalers (\$123 billion); pharmaceuticals and medicines manufacturing (\$109 billion); food and beverage retailers (\$93 billion); furniture and other durable goods wholesalers (\$60 billion); bank holding companies (\$60 billion); securities brokers (\$51 billion); petroleum wholesalers (\$47 billion); stock property and casualty insurance companies (\$45 billion); and professional and commercial equipment wholesalers (\$45 billion). See Figure D.

Companies in different industries often have different financial characteristics. For instance, the relative levels of assets and receipts of companies primarily engaged in wholesale trade differ significantly from those primarily engaged in credit intermediation (e.g., commercial banks, credit card issuers, credit unions, mortgage banks, and savings institutions). FCDC wholesalers produced large amounts of receipts with relatively small amounts of assets (as of the end of their accounting periods), resulting in \$1.67 of receipts for each dollar of assets for 2004. By comparison, credit intermediation companies reported large amounts of assets, but relatively small amounts of receipts. These FCDCs produced only \$.07 of receipts for each dollar of assets. See Table 2.

Statistics classified by industry do have certain limitations. For example, FCDCs accounted for 23.0 percent and 21.6 percent of the receipts of all companies classified as manufacturers and wholesalers, respectively. However, these percentages

Foreign-Controlled Domestic Corporations, 2004

Figure C

Total Receipts of All Corporations and Foreign-Controlled Domestic Corporations, by Industrial Sector, Tax Year 2004

[Money amounts are in millions of dollars]

Industrial sector	Total receipts		
	All corporations	Foreign-controlled domestic corporations	Percentage
	(1)	(2)	(3)
All industries [1].....	22,711,864	3,056,503	13.46
Agriculture, forestry, fishing, and hunting.....	136,706	10,734	7.85
Mining.....	232,552	38,452	16.53
Utilities.....	569,459	29,973	5.26
Construction.....	1,263,428	41,674	3.30
Manufacturing.....	6,356,738	1,463,787	23.03
Wholesale and retail trade [2].....	6,309,079	810,722	12.85
Wholesale trade.....	3,040,221	655,431	21.56
Retail trade.....	3,267,721	155,275	4.75
Transportation and warehousing.....	623,192	43,995	7.06
Information.....	993,365	91,865	9.25
Finance and insurance.....	2,872,973	305,364	10.63
Real estate and rental and leasing.....	253,829	24,203	9.54
Professional, scientific, and technical services.....	753,590	54,655	7.25
Management of companies (holding companies).....	728,911	63,764	8.75
Administrative and support and waste management and remediation services.....	416,278	31,538	7.58
Educational services.....	33,316	929	2.79
Health care and social assistance.....	506,458	10,615	2.10
Arts, entertainment, and recreation.....	82,695	2,806	3.39
Accommodation and food services.....	404,941	27,577	6.81
Other services.....	174,225	3,853	2.21

[1] Includes "Not allocable," which is not shown separately.

[2] Includes "Wholesale and retail trade not allocable," which is not shown separately.

NOTES: Detail may not add to totals because of rounding. Percentages are computed using rounded data.

may overstate the FCDC portion of wholesaling and understate the FCDC portion of manufacturing. This is because certain U.S. companies (not foreign-controlled) and their subsidiaries may have been involved in both manufacturing and wholesaling of the same product(s) and reported tax information for these activities on a single (consolidated) income tax return, which was statistically classified under the industry of its principal business activity, that being manufacturing, rather than trade. Conversely, many FCDCs acted as wholesalers in the United States for products manufactured overseas by their parent, or other related, companies. These foreign-controlled domestic companies were classified in the wholesale trade industrial sector. (See the Data Sources and Limitations section for additional information about industrial classification limitations.)

Country Characteristics

Persons (including individuals, corporations, and other entities) resident in any country throughout the

world can control U.S. corporations. As reported on the U.S. income tax returns of the foreign-controlled domestic corporations, the countries represent the geographic location of the foreign owner's place of residence in the case of individuals; and place of incorporation, organization, creation, or administration in the case of corporations or other entities. A foreign corporation, or a chain of related foreign corporations, is frequently the owner of a U.S. subsidiary corporation. Because a holding company located in a country different from that of the ultimate owner may directly own the stock of a U.S. affiliate, the country reported on the tax return may not necessarily reflect the country of the ultimate owner. No data on the extent of this potential limitation are available. (See the Data Sources and Limitations section of this article for a brief discussion of the possible limitations of the data classified on a country basis.)

For 2004, residents of 40 countries accounted for 90.1 percent of the 57,935 domestic corporations classified as 50-percent-or-more controlled by a for-

Foreign-Controlled Domestic Corporations, 2004

Figure D

Foreign-Controlled Domestic Corporations: Selected Items for Largest Minor Industries, Tax Year 2004

[Money amounts are in millions of dollars]

Minor industry	Number of returns	Total assets	Total receipts	Net income (less deficit)	Net income	Income subject to tax	Total income tax after credits	
							Amount	As a percentage of total receipts
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Petroleum refineries, including integrated (manufacturers).....	13	812,214	458,747	22,731	22,776	21,990	5,103	1.1
Motor vehicles and parts (manufacturers).....	449	430,694	281,612	667	3,921	2,387	746	0.3
Stock life insurance companies.....	51	791,515	147,453	5,865	6,130	3,817	1,156	0.8
Motor vehicles and motor vehicle parts and supplies (wholesalers).....	686	91,715	141,269	2,048	3,187	3,029	1,043	0.7
Electrical goods (wholesalers).....	1,680	64,014	123,347	1,263	1,923	1,425	339	0.3
Pharmaceutical and medicine (manufacturers).....	97	184,295	108,973	12,213	12,811	12,490	3,324	3.1
Food and beverage stores (retailers).....	47	48,853	93,367	405	746	709	223	0.2
Furniture, sports, toys, recycle, jewelry, and other durable goods (wholesalers).....	2,893	30,180	60,141	753	1,271	1,009	337	0.6
Offices of bank holding companies.....	28	826,428	59,963	6,916	6,949	6,892	2,145	3.6
Securities brokerage.....	122	995,132	50,593	1,691	2,131	1,008	320	0.6
Petroleum and petroleum products (wholesalers).....	93	19,449	46,976	533	611	386	120	0.3
Stock property and casualty insurance companies.....	105	330,127	45,297	-655	2,476	1,220	398	0.9
Professional and commercial equipment and supplies (wholesalers).....	2,294	26,496	45,082	676	1,117	901	297	0.7

NOTES: This figure includes minor industries with at least \$45 billion of total receipts. Percentages are computed using rounded data.

eign person. The 52,227 corporations controlled by persons resident in the 40 countries shown in Table 3 accounted for nearly all of the total FCDC financial items, including 99.4 percent of total assets, 98.8 percent of total receipts, 98.6 percent of taxable income, and 98.5 percent of total income tax after credits.

Domestic corporations controlled by persons resident in the United Kingdom reported total receipts of \$587 billion for 2004, an amount larger than for any other country. These receipts represented 19.2 percent of the total for all FCDCs (Figure E).

For 2004, domestic corporations with owners resident in Japan (\$534 billion), Germany (\$388 billion), the Netherlands (\$372 billion), Canada (\$236 billion), France (\$193 billion), and Switzerland (\$135 billion) also accounted for significant amounts of receipts. Of these six countries, Germany's portion of total receipts increased the most between 1995 and 2004 (from 9.2 percent to 12.7 percent), while the portion for Japan decreased the most (from 28.5 percent to 17.5 percent).

Domestic corporations controlled by persons resident in the United Kingdom accounted for \$2.1 trillion of assets, the largest portion held by any country. Corporations controlled by persons resident

in Germany (\$1.1 trillion), the Netherlands (\$1.0 trillion), France (\$0.7 trillion), Switzerland (\$0.7 trillion), Japan (\$0.6 trillion), and Canada (\$0.6 trillion) also accounted for significant amounts of assets.

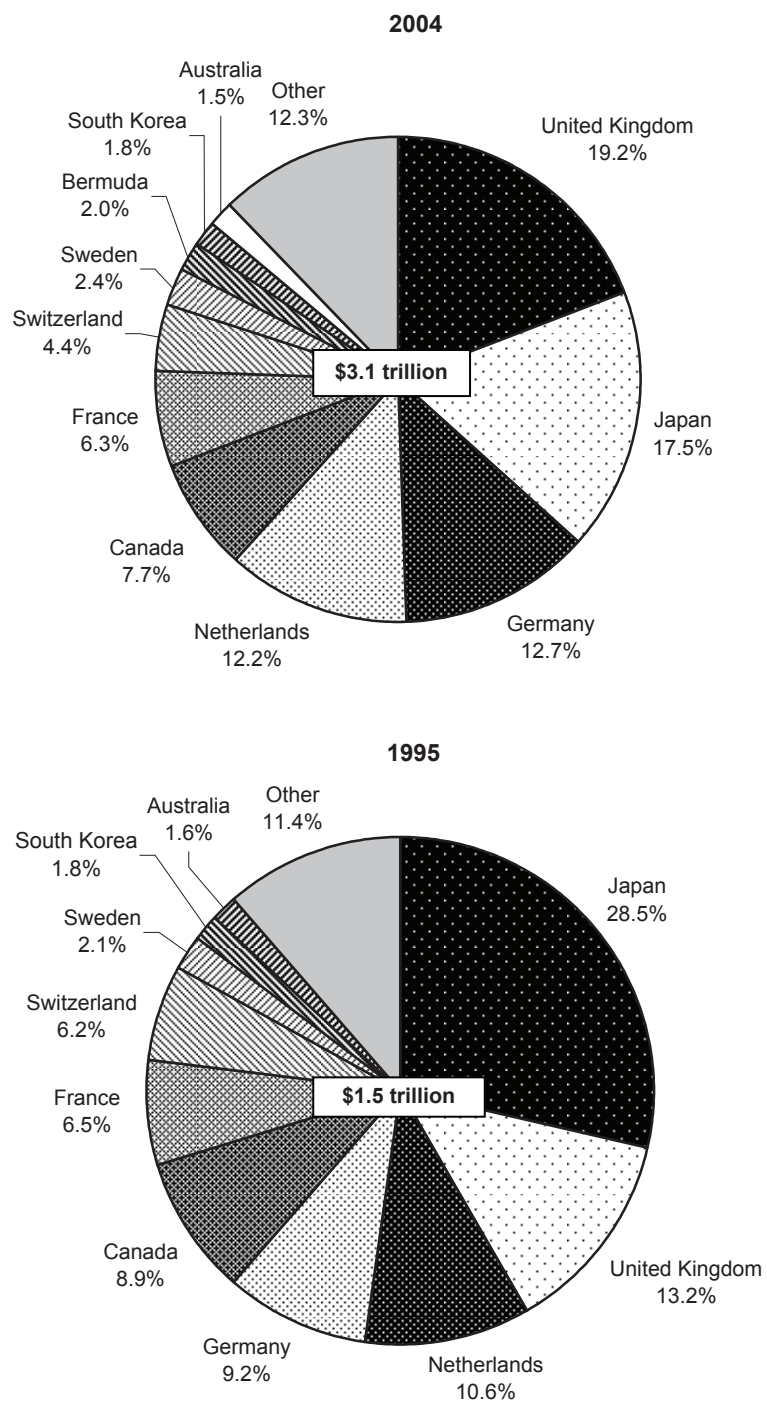
Although U.K.-controlled domestic corporations accounted for the largest part of the total FCDC receipts and assets for 2004, the U.K. was not responsible for the largest number of returns filed for FCDCs. Canadian-controlled domestic corporations filed the most returns, 9,780. U.K.-controlled domestic corporations were second with 5,048 returns; Japanese-controlled domestic corporations were third with 4,608; and German-controlled domestic corporations were fourth with 4,113.

For 2004, U.K.-controlled domestic corporations reported the largest amount of U.S. tax liability (\$7.2 billion). Japanese-controlled corporations, with \$4.7 billion of tax liability, followed. For U.K.-controlled corporations, tax liabilities were 1.2 percent of the \$587 billion of receipts. Tax liabilities were somewhat lower at 0.9 percent of the \$534 billion of receipts for Japanese-controlled corporations. Many factors, including differences in industrial distributions and age distributions (discussed later in this article), may have caused the resulting differences

Foreign-Controlled Domestic Corporations, 2004

Figure E

Foreign-Controlled Domestic Corporations: Distribution of Total Receipts by Country of Foreign Owner, Tax Years 1995 and 2004



NOTE: All amounts are in current dollars.

Foreign-Controlled Domestic Corporations, 2004

between countries in calculating tax as a percentage of receipts.

Combined Country and Industry Characteristics

There were some similarities, but also important differences, among the primary industrial activities of the corporations with owners from the top seven countries mentioned in the previous section.⁹ For the United Kingdom, manufacturing was the predominant industrial sector, with 65.8 percent of the \$587 billion of receipts. More specifically, petroleum and coal products manufacturers produced the most receipts, accounting for 47.6 percent of the total.

Japanese-controlled corporations were concentrated in two industrial sectors, which produced most of the \$534 billion of receipts: wholesale trade (50.5 percent of the total) and manufacturing (39.2 percent). More specifically, wholesale trade of durable goods was the leading industry, producing 44.3 percent of the total receipts. Japan was the only one of the seven countries in which capital-intensive manufacturing was not the leading industrial sector in producing receipts.

Like the United Kingdom, German-controlled corporations were primarily concentrated in manufacturing, with 56.9 percent of the \$388 billion of receipts for that country. More specifically, transportation equipment manufacturers produced the most receipts, accounting for 31.9 percent of the total. Wholesale trade (15.1 percent) and finance and insurance (12.1 percent) were the other predominant industrial sectors.

For the Netherlands, manufacturing was again the largest industrial sector, with 45.2 percent of the total receipts (\$372 billion). This sector was followed by finance and insurance (18.1 percent) and retail trade (16.6 percent). Within manufacturing, petroleum and coal products were the leading industry (29.6 percent of total receipts). For the finance and insurance sector, insurance carriers reported the most receipts, 16.6 percent of the total. Within retail trade, food, beverage, and liquor stores were the leading industry, with 14.3 percent of total receipts.

Canadian-controlled corporations were primarily concentrated in manufacturing, with 37.4 percent of the \$236 billion of receipts for that country. This

sector was followed by wholesale trade (16.8 percent) and finance and insurance (13.4 percent). No major group in any sector accounted for 10 percent or more of the total receipts.

France had three of the same leading industrial sectors as did Canada, with manufacturers producing 45.5 percent of the \$193 billion of receipts for that country. This was followed by finance and insurance (18.7 percent) and wholesale trade (14.7 percent). More specifically, petroleum and coal products manufacturing produced the most receipts (13.2 percent of the total), followed by insurance carriers (12.8 percent).

In turn, Switzerland had the same three leading industrial sectors as France. Manufacturing was the predominant sector in the United States for Swiss owners, with 45.1 percent of the \$135 billion of receipts, followed by finance and insurance with 33.2 percent and wholesale trade with 12.2 percent. More specifically, chemical manufacturing was the leading industry, accounting for 23.5 percent of the total. Other important industries were insurance carriers (17.4 percent), companies that handled securities and commodity contracts and other financial investments (15.3 percent), and food manufacturers (11.8 percent).

Age Characteristics

Table 3 presents data for two groups of FCDCs based on the age of the corporations. "New" corporations are those with years of incorporation of 2002 and after reported on their income tax returns. "Old" corporations are those incorporated in or prior to 2001, or with unknown (i.e., unreported) dates of incorporation.¹⁰

The year of incorporation may be somewhat unreliable as an indicator of the true age of corporations. For example, a consolidated return may include companies that fall into both the new and old categories. However, the return (including all of the financial information contained in it) was classified into just one of the categories based on the year of incorporation of the parent company. Another example is a reorganization of an existing old corporation into a new corporation that results in it reporting a recent year of incorporation, even though it is an "old"

⁹ FCDC data classified by both country and industry are based on unpublished Statistics of Income tabulations.

¹⁰ Dates of incorporation are reported on Form 1120, page 1, question C. Forms 1120L, 1120-PC, 1120-REIT, and 1120-RIC also contain this question in different locations on those forms.

business. An additional limitation is that the year of incorporation is difficult to verify during statistical processing because there are no other items to which it can be compared on a tax return form, and recourse to other sources is not always practical. Thus, it is subject to greater levels of taxpayer reporting and data entry errors.

For 2004, there were 11,360 FCDCs incorporated in 2002 or later. Wholesalers accounted for the greatest portion of these “new” corporations with 3,613 companies, followed by real estate with 1,818 companies and manufacturing with 1,590 companies.

Over 80 percent of the foreign-controlled domestic corporations were incorporated prior to 2002, i.e., considered to be “old” corporations. These corporations tended to be larger than the new corporations, accounting for 96 percent of the FCDC assets and 95 percent of the receipts.

Old corporations were generally more profitable than the newer corporations. For 2004, old corporations reported \$93.4 billion of net *profits* on \$2.9 trillion of receipts, while the new corporations reported \$2.6 billion of net *losses* on \$0.2 trillion of receipts. Thus, net profits or losses (i.e., net income less deficit) as a percentage of total receipts were 3.2 percent (positive) for old corporations, versus -1.7 percent (negative) for new corporations.

As a result of reporting most of the profits, old corporations also accounted for most of U.S. taxable income (95.7 percent) and U.S. tax liabilities (95.6 percent) of all FCDCs. The old corporations had \$28.6 billion of tax liabilities after credits, equaling 1.0 percent of their total receipts. The new corporations had \$1.3 billion of tax liabilities after credits, equaling 0.9 percent of their total receipts.

Receipts, Deductions, and Profits

Total receipts comprises all of the income “actually” received by corporations. (Corporate “constructive” income for tax purposes is discussed below.) These receipts include business receipts, as well as investment and incidental income. Business receipts are gross receipts from sales and operations and frequently make up most of a corporation’s receipts.

Investment income includes interest, dividends, and gains on the sale or exchange of both capital and noncapital assets. Interest, in turn, includes both taxable interest from all sources and nontaxable interest on State and local government obligations.

A domestic corporation, whether controlled by a foreign person or not, could have business activities in foreign countries, as well as in the United States. The estimates for total receipts shown in this article include business activities in the United States, as well as certain foreign activities as reported on tax returns of domestic corporations. Total receipts include the receipts of foreign branch operations of U.S. companies. Also included in these receipts are dividends remitted to U.S. corporations by their foreign subsidiaries.

The receipts and deductions of foreign-controlled domestic corporations that are shown in this article do not include amounts generated by their foreign parent or other related foreign companies. However, FCDCs could have had business transactions with their related foreign companies, and FCDC receipts and deductions stemming from these transactions are included in the statistics.¹¹

An FCDC that transacts business with a related foreign company must determine “transfer prices” for those transactions. These transactions include the sale and purchase of tangible goods, fees for services, interest payments on debts, leasing expenses, and royalties. How transfer prices are determined for these transactions may affect the amount of profits (i.e., net income or deficit), taxable income, and taxes reported on the U.S. income tax return of an FCDC. Section 482 of the Internal Revenue Code, and the related regulations, provide guidance in determining transfer prices. In general, the objective is to use “arm’s length prices,” which means prices that would be used for transactions between independent enterprises and determined by market forces.

Nearly 90 percent of the \$3.1 trillion of total receipts reported by domestic corporations controlled by a foreign person consisted of “business receipts” (i.e., receipts from sales and operations). These same companies reported \$3.0 trillion of total deductions.

¹¹ For the most recent detailed information on transactions between “foreign-owned domestic corporations” and their related foreign persons, see Jauquet, William P., “Transactions Between Large Foreign-Owned Domestic Corporations and Related Foreign Persons, 2002,” *Statistics of Income Bulletin*, Winter 2005-2006, Volume 25, Number 3. The data contained in that article are not completely comparable to the data contained in this article, since they cover different time periods and are for U.S. corporations that were owned, 25 percent or more, by a foreign person. By contrast, the foreign ownership level used for the FCDC statistics shown in this article was 50 percent or more. Additionally, returns included in the “foreign-owned” study showed total receipts of \$500 million or more and reported transactions with related foreign persons on Form 5472, *Information Return of a 25-Percent Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business*. Neither of these conditions was a requirement for inclusion in the FCDC study.

Foreign-Controlled Domestic Corporations, 2004

Cost of goods sold was 66 percent of that total. (See “business receipts” and “cost of goods sold” in the Explanation of Selected Terms section.) Complete income statement statistics of FCDCs are shown in Tables 24 and 25 of *Statistics of Income—2004, Corporation Income Tax Returns*.

It is noteworthy to look at the “gross profit” of FCDCs. Gross profit is the difference between business receipts and cost of goods sold. Two important industrial sectors for FCDCs, manufacturing and wholesale trade, accounted for most of the reported amounts of business receipts and cost of goods sold. In manufacturing, all FCDCs reported \$.77 of cost of goods sold for every dollar of business receipts, while the amount was \$.71 for all other corporations classified in this sector. Thus, FCDCs had smaller gross profits than other corporations, \$.23 compared to \$.29 for every dollar of business receipts. In wholesale trade, all FCDCs reported \$.83 of cost of goods sold for every dollar of business receipts, while the amount was just less at \$.82 for all other corporations classified in this sector. FCDCs had marginally smaller gross profits than other corporations, \$.17 compared to \$.18 for every dollar of business receipts.

Total receipts less total deductions for FCDCs equaled \$86.8 billion for 2004. By comparison, net income (less deficit) amounted to \$90.8 billion. The statistics for total receipts less total deductions include all income actually received by corporations, while the statistics for net income (less deficit) focus on taxable sources of corporate income, including “constructive” taxable income. Thus, unlike total receipts less total deductions, net income (less deficit) includes two items of constructive taxable income from related foreign corporations, and excludes nontaxable interest on State and local government obligations.¹² The two items of constructive taxable income from related foreign corporations are includable income from foreign corporations owned by U.S. shareholders and foreign dividend gross-

up. (See “constructive taxable income from related foreign corporations” in the Explanation of Selected Terms section.) For 2004, FCDCs reported \$5.1 billion of constructive taxable income, and received \$1.1 billion of nontaxable interest on State and local government obligations.

Net income (less deficit) for foreign-controlled domestic corporations increased substantially from the \$32.0 billion for 2003, to \$90.8 billion for 2004. In context, net income (less deficit) reported on all corporation income tax returns also increased between 2003 and 2004, from \$0.8 trillion to \$1.1 trillion.

The \$90.8 billion of total FCDC net income (less deficit) were the result of 29,233 corporations reporting \$138.0 billion of positive net income and 28,702 companies reporting \$47.2 billion of deficits.¹³ Thus, one out of every two (50.5 percent) domestic corporations with foreign owners reported a positive net income for 2004. In comparison, 56.1 percent of all corporations filing U.S. income tax returns for the same year reported a positive net income.

The percentage of FCDCs reporting positive net income varied greatly among the different industrial groups. At the industrial sector level, the portion reporting positive net income ranged from a low of 9.0 percent for educational services, to a high of 86.5 percent for arts, entertainment, and recreation. For the more predominant sectors of FCDCs, the percentages of profitable companies were 56.3 percent for manufacturing and 56.2 percent for wholesale trade.

The \$47.2 billion of deficits for 2004 could be carried back or forward to other tax years, under prescribed rules, to reduce the taxable income of those years (see “net operating loss deduction” in the Explanation of Selected Terms section). When a company carried back a deficit to a previous tax year, it could file either Form 1120X, *Amended U.S. Corporation Income Tax Return*, or Form 1139, *Corporation Application for Tentative Refund*. Net operating losses carried back to Tax Year 2004 from 2005 and

¹² In general, the computation of net income (less deficit) can be shown as follows:

Begin With: Total Receipts

(Includes Business Receipts)

Less: Total Deductions

(Includes Cost of Goods Sold)

Equals: Total Receipts Less Total Deductions

Plus: Constructive Taxable Income from Related Foreign Corporations

(Includes Includable Income from Controlled Foreign Corporations and Foreign Dividend Gross-up)

Less: Tax-exempt Interest on State and Local Government Obligations (Included in Total Receipts, above)

Equals: Net Income (Less Deficit)

¹³ The 28,702 companies reporting a deficit may include a small number of “break-even” companies, i.e., those whose receipts and deductions were equal.

beyond, reported on Forms 1120X and 1139, are not included in the statistics shown in this article. However, net operating losses carried forward to Tax Year 2004 from prior years are included in the statistics and discussed in the next section.

Taxable Income and Taxes

For most corporations, taxable income (i.e., “income subject to tax”) is generally equal to positive net income less statutory special deductions.¹⁴ Statutory special deductions include deductions for net operating loss (NOL) carryovers from prior years and the special deductions for dividends and other corporate attributes allowed by the Internal Revenue Code. For 2004, the difference between the \$138.0 billion of positive net income and the \$104.7 billion of taxable income was, for the most part, the result of statutory special deductions. The net operating loss deduction was \$27.4 billion and accounted for 81.3 percent of the \$33.7 billion of total statutory special deductions. In calculating taxable income for 2004, FCDCs reduced their positive net incomes by 19.8 percent using NOLs carried over from prior years.

For 2004, foreign-controlled domestic corporations reported \$104.7 billion of taxable income. This was the base on which \$36.5 billion of income tax were computed. The \$37.1 billion of total income tax before credits reported by FCDCs consisted primarily of the income tax, plus the alternative minimum tax and certain other taxes. The alternative minimum tax was \$0.6 billion, and the remaining taxes comprised a very small part of the total.

Tax credits totaling \$7.1 billion reduced the U.S. income tax liability of foreign-controlled domestic corporations to \$29.9 billion for 2004. The largest credits claimed were \$5.4 billion of foreign tax credits, \$1.2 billion of general business credits, and \$0.4 billion of prior-year minimum tax credits. The \$29.9 billion of total U.S. income tax after credits represent the tax liability as originally reported by taxpayers. However, this amount may differ from the actual income tax collected and the final income tax liability of corporations for Tax Year 2004. The originally-reported tax liability does not take into

account either of the following possible changes: (1) amended returns filed by the corporations, or (2) adjustments made by IRS as a result of tax examination or enforcement activities. Among other reasons, corporations could file amended returns to use carry-back provisions for net operating losses and unused foreign tax and general business credits.

The percentage of FCDCs reporting tax liabilities (i.e., total income tax after credits) for 2004 was 34.1 percent, up from 32.8 percent reported for the previous year. The amount of tax liability reported by FCDCs increased to \$29.9 billion for 2004 from \$19.1 billion for 2003, a 56.5-percent increase.

The “Largest” Foreign-Controlled Domestic Corporations

This article defines the largest companies as those with at least \$250 million of total assets, or \$50 million of business receipts, or both. Within the finance and insurance, and management of companies (holding companies) industrial sectors, total receipts were used in place of business receipts for selecting the largest companies.

Both size of assets and size of receipts were used to select the largest companies in order to ensure adequate coverage of all industries. As previously discussed, financial structure varies across industries. For instance, companies classified in wholesale trade generally report large amounts of receipts compared to their end-of-year assets. By comparison, credit intermediation corporations generally report large amounts of assets compared to their receipts. If either assets or receipts were used exclusively to select the largest companies, then the largest companies in one of these industrial groups would have been under-represented in comparison to the other group.

Table 4 shows that there were 17,922 large domestic corporations for 2004. (See the discussion on returns excluded from Table 4, below.) Of this total, foreign persons controlled 3,524 corporations, or 19.7 percent.

The 3,524 large foreign-controlled domestic corporations comprised just 6.1 percent of the number of income tax returns filed by FCDCs. However,

¹⁴ There were certain exceptions to the relationship of positive net income minus statutory special deductions equaling taxable income. First, in some cases, the statutory special deductions for dividends received and for dividends paid on certain preferred stock of public utilities exceeded net income. Second, the tax bases of S corporations and life insurance companies were not defined as net income less statutory special deductions. Rather, these types of corporations computed taxable income using special provisions of the Internal Revenue Code. Also, regulated investment companies and real estate investment trusts generally passed their net income on to be taxed at the shareholder level; but any taxable amounts not distributed were included in income subject to tax.

Foreign-Controlled Domestic Corporations, 2004

these large companies accounted for the majority of the key FCDC financial items, reporting 95.9 percent of the total assets, 94.4 percent of the total receipts, 92.7 percent of the taxable income, and 91.7 percent of the total income tax after credits, of all FCDCs.

There were 14,398 large domestic corporations that did not have controlling foreign owners for 2004. Similar to FCDCs, these large companies also accounted for a small portion of the total number of income tax returns filed by domestic corporations without foreign owners, but did comprise a significant portion of the key financial items (total assets, total receipts, etc.) of this group of returns.

The largest companies generally report profits that are greater than those of the rest of the companies. For 2004, the largest FCDCs reported a net *profit* of \$93.2 billion, while the smaller FCDCs reported a net *loss* of \$2.3 billion.

Table 4 shows data for the largest FCDCs segregated by industrial sectors. This table also contains data for large domestic corporations that were not foreign-controlled. These “other large domestic corporations” (ODCs) were not foreign-controlled or owned (i.e., they were either owned by domestic persons, or no separate foreign person owned 25 percent or more of the corporation’s stock). This definition of other large domestic corporations is used throughout this article, including the data shown in Figures F through H. Thus, domestic corporations with a foreign person who owned between 25 percent and 49 percent of the corporation’s stock are not included in either of the two groups shown in Figures F through H, and Table 4. These corporations are identified from Schedule K of Form 1120 during Statistics of Income processing. However, they are neither FCDCs nor ODCs, as defined.

Data for domestic corporations that filed Forms 1120-REIT (real estate investment trusts), 1120-RIC (regulated investment companies), and 1120S (S corporations) are excluded from the comparisons between large FCDCs and other large domestic corporations shown in Figures F through H, and Table 4. (However, returns filed on these forms are included in the data of other figures and tables contained in this article, as appropriate.) While corporations filing these income tax returns report their incomes, they generally have little or no tax liabilities. Through separate special provisions of the Internal Revenue Code applicable to each of these types of corporations, the incomes of these

corporations are generally taxed at the shareholder level. The Explanation of Selected Terms section discusses in greater detail the nature of real estate investment trusts (REITs), regulated investment companies (RICs), and S corporations.

Industry Characteristics

The industrial makeup of the largest foreign-controlled domestic companies is somewhat different from that of other domestic corporations. For 2004, 37.3 percent of the largest FCDCs were classified as manufacturers, while manufacturers made up just 21.8 percent of the largest domestic companies that were not foreign-controlled. Similarly, wholesalers were a larger share of the FCDCs (28.5 percent) than of the other large domestic corporations (14.0 percent). Conversely, 14.0 percent of the largest ODCs were classified in finance and insurance, while this sector made up just 7.8 percent of the largest FCDCs. Retailers accounted for 11.7 percent of the largest domestic companies that were not foreign-controlled, while only 3.5 percent of the largest FCDCs were similarly classified. See Figure F for other differences in the industrial makeup of these two groups of corporations.

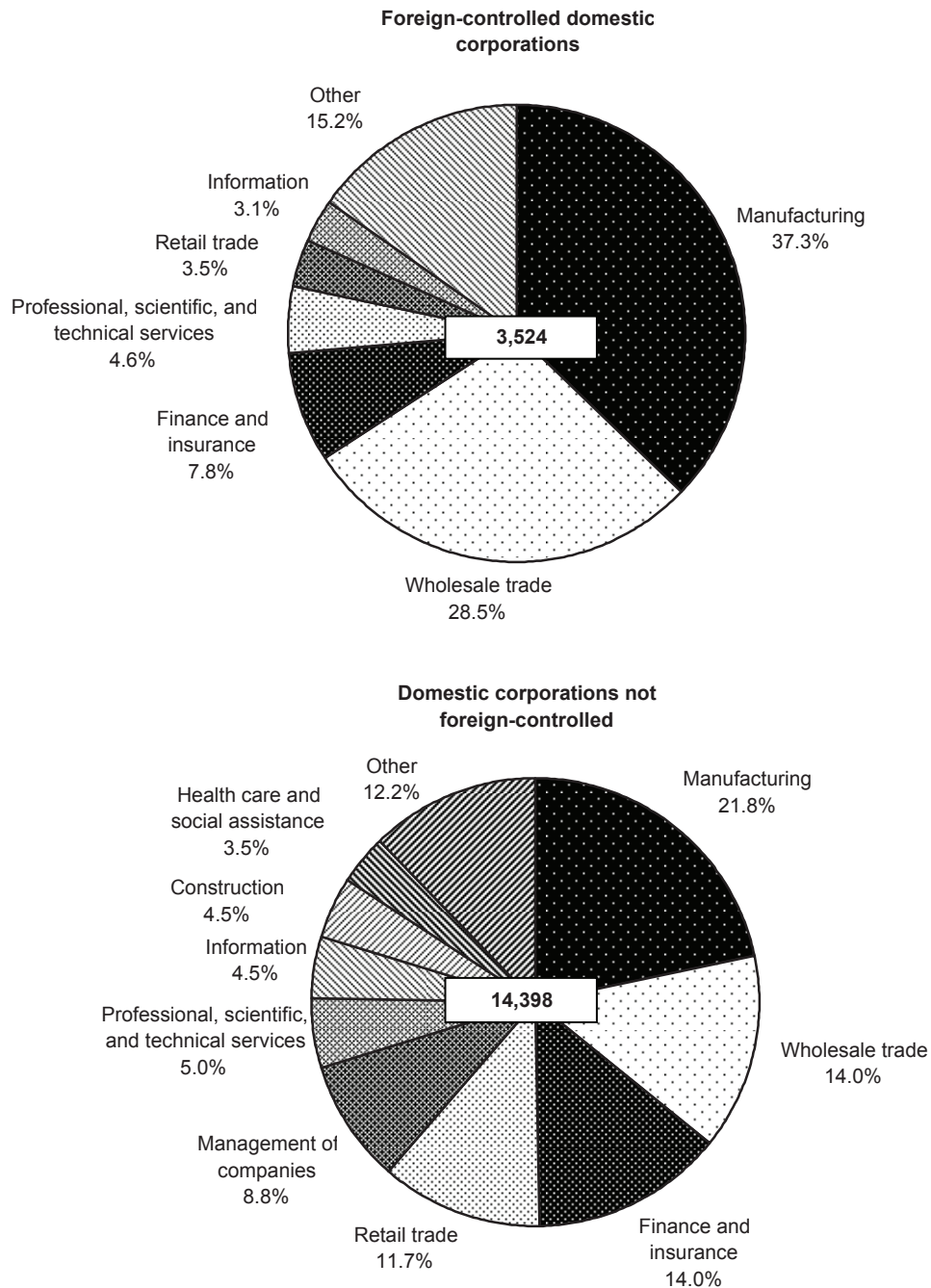
FCDCs accounted for 33.2 percent of large wholesalers, 29.5 percent of large manufacturers, 28.4 percent of large real estate and rental/leasing companies, and 26.4 percent of large mining companies. By contrast, just 9.2 percent of large construction companies, 6.8 percent of large retailers, 5.3 percent of large management (holding) companies, and 3.0 percent of large health care and social assistance corporations were FCDCs.

Table 4 presents industrial sector-level data for the largest domestic corporations, both foreign- and nonforeign-controlled. Column 43 of this table shows the percentage of returns that reported profits (i.e., positive net income). While 69.4 percent of large FCDCs reported profits, 73.6 percent of other large domestic corporations were similarly profitable. Of the 17 different industrial sectors shown in the table (because of disclosure considerations, percentages have been suppressed for two FCDC sectors), other domestic corporations (ODCs) had higher percentages of profitable companies in 13 sectors. Within each group of corporations, the percentage of corporations that reported a profit varied substantially across the industrial sectors. For this reason, it is important to compare the two types of corporations

Foreign-Controlled Domestic Corporations, 2004

Figure F

Distribution of Returns by Industry for "Large" Foreign-Controlled and Other Domestic Corporations, Tax Year 2004



NOTES: "Large" corporations are those with total assets of \$250,000,000 or more, and/or with business receipts of \$50,000,000 or more. (Total receipts are used in lieu of business receipts for the finance and insurance, and management of companies sectors.) Data exclude Forms 1120-REIT (real estate investment trusts), 1120-RIC (regulated investment companies), and 1120S (S corporations). Data also exclude returns in which the foreign ownership level is between 25 percent and 49 percent.

Foreign-Controlled Domestic Corporations, 2004

for a specific industry, rather than for all industries. This will be discussed later in this article, specifically looking at the two key industrial sectors for FCDCs: manufacturing and wholesale trade.

Column 57 of Table 4 shows the ratio of net income (less deficit) to total receipts. Overall, net income (less deficit) as a percentage of receipts for large FCDCs (3.2 percent) was considerably smaller than for ODCs (5.3 percent). Within each group of corporations, the ratio of profits to receipts varied across the industrial sectors. Other domestic corporations had higher ratios of net income (less deficit) to receipts than FCDCs in 15 out of 19 industrial sectors.

Net profits (i.e., net income (less deficit)) is one of the key factors that affect the amount of retained earnings of corporations. Columns 12-14 of Table 4 show corporate total, appropriated, and unappropriated retained earnings, respectively. The amounts of retained earnings were reported in the end-of-year balance sheets of the corporations' books of account. They represent earnings and profits of the corporations retained from normal and discontinued operations of previous years, as well as "extraordinary" gains and losses, and prior-period adjustments. The amounts are also after reductions for dividends and distributions made to stockholders. (For a more extensive discussion of retained earnings, see *Statistics of Income—2004, Corporation Income Tax Returns*.) Appropriated retained earnings were earnings set aside for specific purposes, such as reserves for plant expansion or bond retirements, and not available for distribution to stockholders. For 2004, the largest FCDCs reported a *negative* \$62.4 billion of total retained earnings, while other large domestic corporations reported \$3.0 trillion of *positive* retained earnings. Retained earnings are a component of net worth and thus affect the ratio of net income (less deficit) to net worth, which is shown in column 56 of Table 4.

The ratio of taxable income (i.e., "income subject to tax") to total receipts is shown in column 61 of Table 4. This ratio, unlike the ratio of net income (less deficit) to total receipts discussed earlier, excludes deficits and includes the amount of statutory special deductions reported on tax returns.

FCDCs generally had lower ratios of taxable income to receipts than those of other domestic corporations, 3.4 percent for FCDCs versus 5.7 percent for ODCs for all industries. For each group of large corporations, the ratio of taxable income to receipts varied among the different industrial sectors. Of the 17 different industrial sectors shown in the table (data for two FCDC sectors have been suppressed), ODCs had higher taxable income as a percentage of receipts in 15 sectors.

Table 4 also includes the ratio of total U.S. income tax after credits to total receipts (column 64). The total income tax after credits reported by both FCDCs (\$27.5 billion) and ODCs (\$178.3 billion) represents the tax liability of these companies as reported on their originally-filed U.S. income tax returns (column 42).

In using total income tax after credits as a percentage of total receipts, it should also be noted that a small portion of total income tax after credits (for example, the tax recapture of prior-year investment credits) does not relate to the current-year total receipts reported by corporations. However, this is not considered to be a major limitation in using the percentage because the regular income tax and the alternative minimum tax represented about 99 percent or more of the total income tax for both FCDCs and ODCs.

The ratio of tax to receipts shown in column 64 of Table 4 takes into account only the U.S. tax liabilities of the corporations. Additional data would be required to examine the worldwide tax liabilities of the corporations, which are beyond the scope of this article.¹⁵

Before looking at total income tax after credits for specific industries, it is useful to examine the amount of tax liability as a percentage of the total receipts for all large domestic corporations. Figure G presents such data classified by 12 categories of this percentage. For 2004, large FCDCs reported \$27.5 billion of total income tax after credits, 1.0 percent of their total receipts. Column 3 of Figure G shows that 1 out of every 3 FCDCs had no tax liabilities, that over 7 out of 10 of the companies had tax liabilities of less than 1.0 percent of their

¹⁵ One focus of this article is U.S. total income tax after credits. The reader might choose to focus instead on total worldwide taxes, which may be approximated by adding the foreign tax credits claimed by corporations to the U.S. tax liabilities (i.e., total income tax after credits) of these corporations. There are limitations in using this procedure, and the foreign tax credit only approximates the foreign tax liabilities of the corporations. Table 4 shows amounts of foreign tax credits in addition to U.S. total income tax after credits. For the most recent statistics covering corporate foreign tax credits in depth, see Luttrell, Scott, "Corporate Foreign Tax Credit, 2002," *Statistics of Income Bulletin*, Fall 2006, Volume 26, Number 2. In addition, foreign tax credit data are included on the IRS Internet site at www.irs.gov, under Tax Stats.

Foreign-Controlled Domestic Corporations, 2004

Figure G

"Large" Domestic Corporations: Selected Items, by Control Status and Total Income Tax After Credits as a Percentage of Total Receipts, Tax Year 2004

[Money amounts are in millions of dollars]

Control status and percentage of total income tax after credits divided by total receipts	Returns			Total assets	Total receipts	Net income (less deficit)	Income subject to tax	Total income tax after credits
	Number	Percentage of total	Cumulative percentage					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
"LARGE" FOREIGN-CONTROLLED DOMESTIC CORPORATIONS								
Total.....	3,524	100.0	N/A	7,646,849	2,886,034	93,171	97,047	27,460
Percentage of total income tax after credits divided by total receipts:								
Zero total receipts.....	5	0.1	0.1	2,108	0	-1	0	0
Zero percent.....	1,184	33.6	33.7	1,319,196	737,017	-29,396	123	0
Greater than zero and under 0.5 percent.....	1,012	28.7	62.4	2,916,877	848,241	22,601	5,820	1,442
0.5 percent under 1.0 percent.....	319	9.1	71.5	1,135,516	558,411	23,944	19,485	4,339
1.0 percent under 1.5 percent.....	218	6.2	77.7	324,193	137,583	7,137	6,589	1,697
1.5 percent under 2.0 percent.....	167	4.7	82.4	330,904	152,576	8,918	7,998	2,541
2.0 percent under 3.0 percent.....	221	6.3	88.7	398,987	222,497	18,338	17,262	5,087
3.0 percent under 4.0 percent.....	115	3.3	92.0	471,910	109,829	13,837	13,582	3,735
4.0 percent under 5.0 percent.....	64	1.8	93.8	98,048	35,559	5,210	4,916	1,600
5.0 percent under 7.5 percent.....	93	2.6	96.4	420,801	50,072	9,674	9,232	2,990
7.5 percent under 10.0 percent.....	53	1.5	97.9	155,327	20,564	6,099	5,389	1,760
10.0 percent or more.....	72	2.0	100.0	72,981	13,684	6,809	6,651	2,268
"LARGE" DOMESTIC CORPORATIONS NOT FOREIGN CONTROLLED								
Total.....	14,398	100.0	N/A	37,797,358	12,095,567	635,221	694,388	178,349
Percentage of total income tax after credits divided by total receipts:								
Zero total receipts.....	5	[1]	[1]	5,017	0	-1	0	0
Zero percent.....	4,077	28.3	28.3	3,401,671	1,792,189	-116,902	454	0
Greater than zero and under 0.5 percent.....	3,956	27.5	55.8	8,099,881	3,351,118	85,736	62,463	5,240
0.5 percent under 1.0 percent.....	1,259	8.7	64.5	4,645,573	1,584,812	60,473	47,986	11,871
1.0 percent under 1.5 percent.....	852	5.9	70.4	1,897,627	1,008,337	65,874	62,182	12,747
1.5 percent under 2.0 percent.....	644	4.5	74.9	3,882,977	1,352,167	111,080	107,301	23,436
2.0 percent under 3.0 percent.....	842	5.8	80.7	5,098,699	1,221,534	111,082	107,870	29,730
3.0 percent under 4.0 percent.....	556	3.9	84.6	1,841,399	699,013	81,247	79,567	24,538
4.0 percent under 5.0 percent.....	412	2.9	87.5	2,204,509	360,287	57,116	53,890	16,412
5.0 percent under 7.5 percent.....	807	5.6	93.1	4,627,985	508,700	102,645	97,097	29,476
7.5 percent under 10.0 percent.....	526	3.7	96.8	1,173,303	125,930	33,500	33,097	10,757
10.0 percent or more.....	463	3.2	100.0	918,717	91,479	43,372	42,482	14,141

N/A—Not applicable.

[1] Less than 0.05 percent.

NOTES: "Large" corporations are those with total assets of \$250,000,000 or more, and/or with business receipts of \$50,000,000 or more (total receipts are used in lieu of business receipts for the finance and insurance, and management of companies sectors). Data exclude Forms 1120-REIT (real estate investment trusts), 1120-RIC (regulated investment companies), and 1120S (S corporations). Data also exclude returns in which the foreign ownership level is between 25 percent and 49 percent. Detail may not add to totals because of rounding.

receipts, and that nearly 9 out of 10 companies had tax liabilities of less than 3.0 percent of their receipts. By comparison, large domestic corporations not foreign-controlled reported \$178.3 billion of total income tax after credits, 1.5 percent of their total receipts. For these companies, less than 3 out of 10 had no tax liabilities, less than two-thirds had tax liabilities of less than 1.0 percent of their receipts, and 8 out of 10 had tax liabilities of less than 3.0 percent of their receipts.

FCDCs claimed smaller amounts of credits than ODCs in relative terms. For 2004, large FCDCs claimed \$7.0 billion of credits, equaling 20.3 percent of their income tax liabilities before credits. Other large domestic corporations claimed \$67.1 billion of credits for the same tax year, equaling 27.4 percent of their income tax liabilities before credits. The largest credit claimed by each group of corporations was the foreign tax credit, \$5.3 billion by large FCDCs and \$51.1 billion by other large domestic corporations.

Foreign-Controlled Domestic Corporations, 2004

Overall, while FCDCs reported tax liabilities after credits of 1.0 percent of receipts, other domestic corporations reported tax liabilities equal to 1.5 percent of receipts. Of the 17 different industrial sectors shown in Table 4 (data for two FCDC sectors have been suppressed), ODCs had higher tax to receipts ratios in 15 sectors.

Table 4 highlights once again the differences in financial characteristics of different industries. For instance, looking at large FCDCs, finance and insurance companies have a substantially higher ratio of net income (less deficit) to receipts (4.7 percent) than do wholesalers (2.3 percent); see column 57. However, when total assets are used as the denominator in place of total receipts (column 55), the difference is reversed (the largest FCDCs in finance and insurance have a 0.4 percentage and those in wholesale trade have a 3.8 percentage). Because the distribution of industrial activities based on principal businesses is not the same for the largest FCDCs as it is for ODCs, this, again, illustrates the importance of comparing the two groups of corporations on an industrial basis. This article will now look at two specific industrial sectors that are important to FCDCs: manufacturing and wholesale trade.

Manufacturing was a significant industrial sector for large FCDCs, accounting for nearly one-half of the total receipts of the group of corporations. Large ODC manufacturers had higher percentages than those of large FCDC manufacturers in each of the four calculations previously discussed. Specifically, the percentage of ODCs in this industrial sector that reported positive profits was higher, but somewhat similar to that for the FCDCs, 67.4 percent and 64.8 percent, respectively (see column 43 of Table 4). Looking at the actual amounts of those positive profits and also accounting for losses reported by the remaining companies, the percentage of net income (less deficit) to total receipts was significantly higher for ODCs, 5.5 percent, than it was for FCDCs, 3.5 percent (see Figure H and column 57 of Table 4). Similarly, large manufacturing ODCs reported taxable incomes of 5.8 percent of their receipts, while the percentage for FCDCs was smaller at 3.6 percent (see column 61 of Table 4). The ratios of total income tax after credits to total receipts for ODCs and FCDCs were 1.1 percent and 1.0 percent, respectively (see column 64 of Table 4). The similarity of these tax-to-receipts ratios is partially explained by the difference in the amounts of credits that the two

groups of corporations reported. ODCs reported larger credits than did the FCDCs, thereby reducing their post-credit tax liabilities by a larger portion. ODCs reported credits equaling 48.9 percent of their precredit income tax liabilities. For FCDCs, the percentage was substantially less, at 25.8 percent. For both groups of corporations, foreign tax credits accounted for most of the total credits.

Wholesale trade was also a significant industrial sector for large FCDCs, accounting for 20.5 percent of the total receipts of the group of corporations. The percentage of ODCs in this industrial sector that reported positive profits was higher, but again similar to that for the FCDCs, 80.1 percent and 79.7 percent, respectively. Looking at the actual amounts of those positive profits and also accounting for losses reported by the remaining companies, the percentage of net income (less deficit) to total receipts was higher for ODCs (3.5 percent) than it was for FCDCs (2.3 percent). Large wholesale ODCs reported taxable incomes of 3.4 percent of their receipts, while the percentage was 2.4 percent for FCDCs. The final ratio of total income tax after credits to total receipts shows the ODC percentage being somewhat higher than the FCDC percentage, at 1.0 percent and 0.8 percent, respectively. These last percentages are once again impacted by the amount of credits claimed by both groups of corporations. ODCs reported much larger credits than did the FCDCs, thereby reducing their postcredit tax liabilities by a larger portion. ODCs reported credits equaling 19.1 percent of their precredit income tax liabilities. For FCDCs, the percentage was much smaller, at just 6.9 percent. For both groups of corporations, foreign tax credits accounted for the largest share of total credits.

Summary

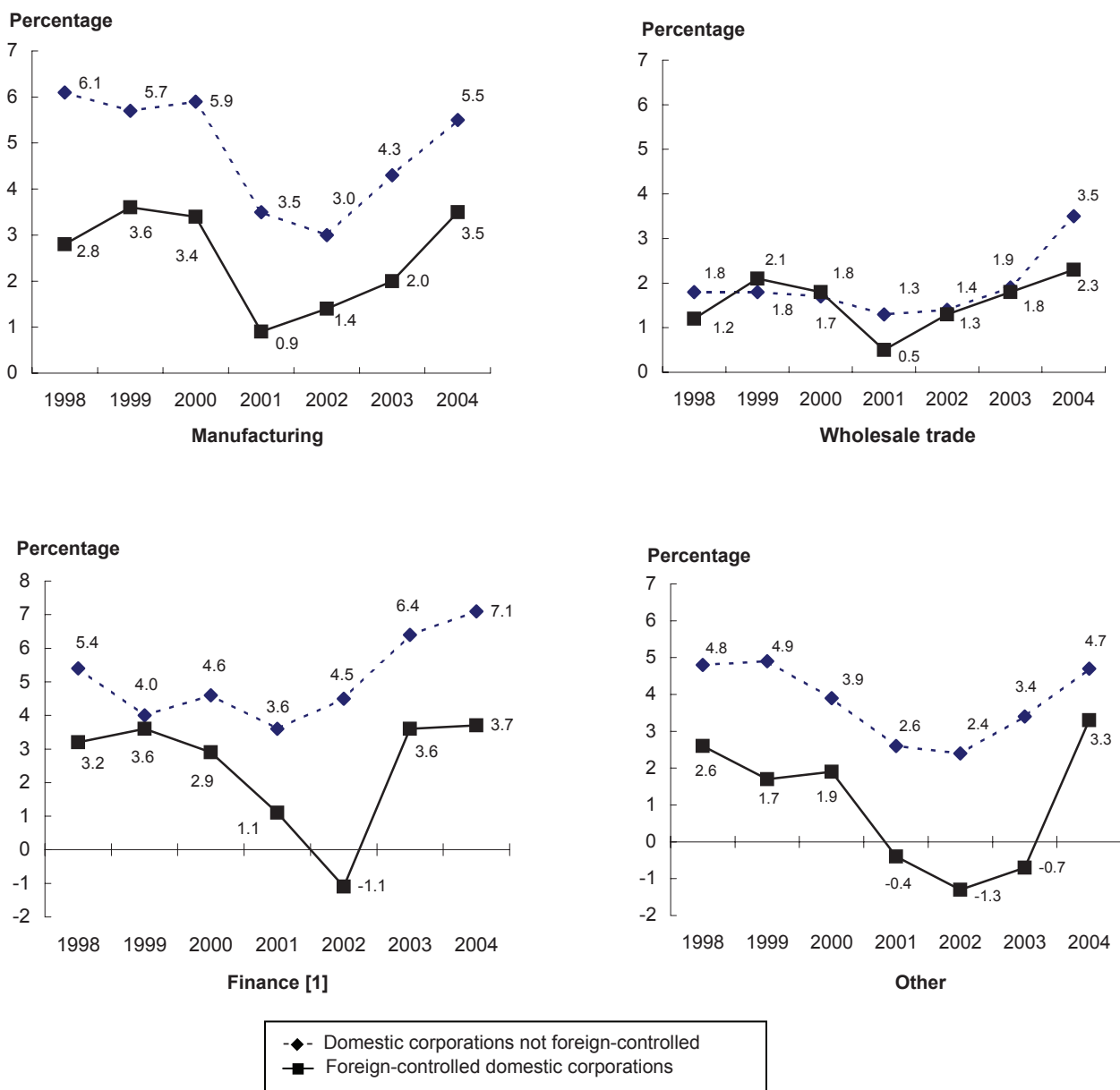
Foreign investment and activity in the United States through FCDCs grew for Tax Year 2004. FCDCs reported \$3.1 trillion of total receipts for that year, a 19.0-percent increase over the 2003 level. Total receipts reported on all U.S. corporation income tax returns increased by 9.8 percent from the previous year. As a result, the share of total corporate receipts accounted for by FCDCs increased from 12.4 percent to 13.5 percent.

FCDC assets grew for 2004, as did the assets for all corporations. FCDC assets totaled \$8.0 trillion for 2004, a 29.2-percent increase from the previous year. By comparison, all corporations reported a to-

Foreign-Controlled Domestic Corporations, 2004

Figure H

"Large" Domestic Corporations: Net Income (Less Deficit) as a Percentage of Total Receipts, by Control Status and Industry, Tax Years 1998-2004



[1] Includes returns classified in the "finance and insurance" and "real estate and rental and leasing" industrial sectors of the North American Industry Classification System.

NOTES: "Large" corporations are those with total assets of \$250,000,000 or more, and/or with business receipts of \$50,000,000 or more. (Total receipts are used in lieu of business receipts for the finance and insurance, and management of companies sectors.) Data exclude Forms 1120-REIT (real estate investment trusts), 1120-RIC (regulated investment companies), and 1120S (S corporations). Data also exclude returns in which the foreign ownership level is between 25 percent and 49 percent.

Foreign-Controlled Domestic Corporations, 2004

tal of \$60.1 trillion of assets for 2004, a 12.1-percent increase over the previous year. FCDCs accounted for 13.3 percent of total corporate assets for 2004, up from 11.5 percent for the previous year.

The number of returns filed by FCDCs decreased by 1.7 percent for 2004, to 57,935. FCDCs accounted for only 1.0 percent of all corporation income tax returns filed for that year. This percentage is much smaller than the percentages of receipts and assets that FCDCs produced.

Two of the 19 industrial sectors, manufacturing and wholesale trade, generated over 69 percent of the \$3.1 trillion of total FCDC receipts. Manufacturers produced \$1.5 trillion of receipts, while wholesalers accounted for an additional \$0.7 trillion.

From a country perspective, domestic corporations controlled by persons in the United Kingdom reported total receipts of \$0.6 trillion, 19.2 percent of the FCDC total. In addition, Japan (17.5 percent), Germany (12.7 percent), the Netherlands (12.2 percent), Canada (7.7 percent), France (6.3 percent), and Switzerland (4.4 percent) accounted for significant portions of receipts.

Corporate profits were substantially larger than those of the previous year. The collective net income (less deficit) reported by foreign-controlled domestic corporations increased from \$32.0 billion for 2003 to \$90.8 billion for 2004. To place the performance of FCDCs in context, total corporate profits also increased from \$780.0 billion for 2003 to \$1,111.7 billion for 2004.

The U.S. tax liability of FCDCs (i.e., total income tax after credits) moved in the same direction as did profits, increasing from \$19.1 billion for 2003 to \$29.9 billion for 2004, or by 56.5 percent. To place this in perspective, the 2004 U.S. tax liabilities of all corporations were 26.4 percent more than the previous year.

Of the 57,935 foreign-controlled domestic corporations, the 3,524 “largest” companies accounted for most of the total amounts of key financial items (e.g., 95.9 percent of the total assets, 94.4 percent of the total receipts, 92.7 percent of the taxable income, and 91.7 percent of the total income tax after credits).

In comparing the 3,524 large foreign-controlled domestic corporations to the 14,398 other large do-

mestic companies on the basis of industry, FCDCs had lower percentages than ODCs in most sectors using each of the following four criteria: (1) percentage of corporations that reported profits, (2) percentage of net income (less deficit) to total receipts, (3) percentage of taxable income to total receipts, and (4) percentage of total income tax after credits to total receipts.

While this article has been able to compare several key ratios related to the profits and taxes reported by foreign-controlled domestic corporations and other domestic corporations on the same bases of size and industry, additional research is needed to explain the differences in those ratios.¹⁶

Explanation of Selected Terms

The following are brief explanations of some of the terms used in this article. For more extensive definitions, see *Statistics of Income—2004, Corporation Income Tax Returns*.

Alternative Minimum Tax.—This tax was designed to ensure that a taxpayer with substantial economic income would not avoid significant tax liability through a legitimate use of exclusions, deductions, and credits. In effect, it provided a second tax system that curtailed or eliminated many of the means of reducing taxes allowed in the regular tax system and taxed the resulting alternative taxable income at a reduced rate. The AMT is included in the amounts reported for both total income tax before (and after) credits.

Balance Sheets.—The balance sheet data presented in this article were the amounts reported by the taxpayer as of the end of the taxpayer’s accounting year. Taxpayers were instructed to provide data that agreed with their books of account but were given very few other guidelines. Since balance sheet data were from the taxpayer’s books, they were generally governed by general accounting principles rather than the special rules of tax accounting. A number of steps were taken during statistical processing to reduce the variability due to taxpayer reporting practices. Misreported amounts were transferred to their proper accounts. Missing balance sheets were either supplied from reference books or statistically imputed based on other data and the company’s char-

¹⁶ See “Tax Administration: Comparison of the Reported Tax Liabilities of Foreign- and U.S.-Controlled Corporations, 1996-2000,” U.S. General Accounting Office, GAO-04-358, February 2004. Also, see Grubert, Harry, “Another Look at the Low Taxable Income of Foreign-Controlled Companies in the United States,” U.S. Department of the Treasury, Office of Tax Analysis, Paper 74, 1997; and Mataloni, Raymond J., Jr., “An Examination of the Low Rates of Return of Foreign-Owned U.S. Companies,” U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, March 2000.

Foreign-Controlled Domestic Corporations, 2004

acteristics. Some balance sheets were suppressed for final returns of corporations going out of existence and for most part-year returns (because the same company's end-of-year data could have been subject to inclusion from its full-year return).

Business Receipts.—These receipts were, in general, the gross operating receipts of the corporation reduced by the cost of returned goods and allowances. They represented all of a corporation's receipts except investment and incidental income. Business receipts also exclude gains from the sale of assets. Some corporations reported sales and excise taxes as part of their gross receipts from sales (and deducted these taxes as part of "cost of goods sold" or as "taxes paid"); others reported their receipts after adjustment for these taxes. Business receipts include rents reported by real estate operators and other corporations for which rent made up a significant portion of income. The latter corporations included manufacturers who rented their products, lessors of public utility facilities, and companies engaged in rental services, such as lodging places and the rental of automobiles. Business receipts include such banking items as fees, commissions, and credit card income. Interest, the principal operating income of banking and financial institutions, was excluded from business receipts; rather, it was included in the separate statistics for interest received. Also, premium income of most insurance companies was included in business receipts. Security dealers included profits from security trades in business receipts.

Constructive Ownership Rules.—The constructive ownership rules of Internal Revenue Code (IRC) section 318 apply in determining if a U.S. corporation is foreign-owned. However, if a corporation is owned by two or more "unrelated" foreign persons, neither of which owned 50 percent or more of the corporation, then that corporation was excluded from the FCDC statistics even though, together, these persons may have met the 50-percent-or-more ownership criterion. See also, Foreign Person, defined below.

Constructive Taxable Income from Related Foreign Corporations.—This item is the sum of includable income from Controlled Foreign Corporations (CFCs) and foreign dividend gross-up. IRC sections 951-964 ("Subpart F") created an exception to the general rule that the earnings and profits of CFCs

were subject to U.S. taxation only when the income was actually distributed to U.S. shareholders.¹⁷ Under Subpart F, some types of foreign income are required to be included in the income of the U.S. shareholders, although not actually distributed. This includable income comprises passive investment income, income from sources thought especially easy to shift between tax jurisdictions, and income from sources contrary to public policy. Foreign dividend gross-up is constructive taxable income to corporations that claim a foreign tax credit. A U.S. corporation could claim a foreign tax credit for a share of the foreign taxes actually paid by its related foreign corporations. The share of foreign taxes was treated as deemed paid by the U.S. corporation. In order to receive credit against U.S. tax, the foreign taxes deemed paid need to be included in the corporation's worldwide income. The dividend gross-up, which is the equivalent amount of the foreign taxes deemed paid by the U.S. corporation, is included as income of the U.S. corporation.

Cost of Goods Sold.—This item generally consisted of the costs incurred by corporations in producing the goods or providing the services that generated the business receipts. Included were costs of materials used in manufacturing; costs of goods purchased for resale; direct labor; and a share of overhead expenses, such as rent, utilities, supplies, maintenance, and repairs. For statistical processing purposes, however, certain items (such as advertising, amortization, bad debts, compensation of officers, depletion, depreciation, interest paid, taxes, and contributions to charitable organizations, employee benefit programs, and pension plans) reported by taxpayers in cost of goods sold schedules were transferred to their respective and separate deduction categories.

Current and Noncurrent Assets.—In this article, current assets plus noncurrent assets equal total assets. Table 4 of this article includes separate data for current assets and noncurrent assets. Current assets include cash, notes and accounts receivable (less the allowance for bad debts), inventories, investments in Government obligations, tax-exempt securities, and other current assets, such as short-term prepaid expenses and nontrade receivables. Noncurrent assets include loans to stockholders, mortgage and real es-

¹⁷ For the most recent statistics covering CFCs, see Masters, Mike and Oh, Catterson, "Controlled Foreign Corporations, 2002," *Statistics of Income Bulletin*, Spring 2006, Volume 25, Number 4. In addition, CFC data are included on the IRS Internet site at www.irs.gov, under Tax Stats.

Foreign-Controlled Domestic Corporations, 2004

tate loans, other investments, depreciable assets (less accumulated depreciation), depletable assets (less accumulated depletion), land, intangible assets (less accumulated amortization), and other assets, including those not identified on the tax return as either current or long-term.

Current and Noncurrent Liabilities.—In this article, current liabilities include accounts payable; mortgages, notes, and bonds payable in less than 1 year; and other current liabilities, such as accrued taxes, payrolls, and other expenses. Noncurrent liabilities include loans from stockholders; mortgages, notes, and bonds payable in 1 year or more; and other liabilities, including those not identified on the tax return as either current or long-term.

Foreign Person.—A foreign person (or entity) includes: (1) a foreign citizen or nonresident alien, (2) an individual who is a citizen of a U.S. possession (but who is not a U.S. citizen or resident), (3) a foreign corporation, (4) a foreign partnership, (5) a foreign estate or trust within the meaning of IRC section 7701(a)(31), and (6) a foreign government (or one of its agencies or instrumentalities) to the extent that it is engaged in the conduct of a commercial activity as described in IRC section 892.

Foreign Tax Credit.—Although the United States taxes the worldwide income of U.S. persons (including corporations), foreign source income is often taxed as well by the country where the income is earned. The foreign tax credit provisions were enacted to mitigate the potential impact of the double taxation of foreign-source income. U.S. persons are allowed a credit against U.S. income tax for income taxes paid (or accrued) to foreign countries or U.S. possessions, subject to a limitation that prevented corporations from using foreign tax credits to reduce U.S. tax liability on U.S.-sourced income. A corporation that claimed the foreign tax credit could not also claim a business deduction for the same foreign taxes paid. The foreign tax credit was not allowed for taxes paid to certain foreign countries whose governments were not recognized by the United States, with which the United States severed or did not conduct diplomatic relations, or which provided support for international terrorism.

Income Subject to Tax.—For most corporations, income subject to tax, i.e., taxable income, consisted of (positive) net income minus certain statutory special deductions. However, there were special provisions in the Internal Revenue Code for determining

the taxable income of S corporations and insurance companies.

Income Tax.—This item was the amount of a corporation's tax liability calculated at the regular corporate tax rates. It is included in the amounts reported for both total income tax before (and after) credits.

Interest.—This item is taxable interest, a component of total receipts. It includes interest on U.S. Government obligations, loans, notes, mortgages, corporate bonds, bank deposits, and dividends from savings and loans and mutual savings banks. This item does not include interest received from certain government obligations not subject to U.S. income tax, including those issued by States, local governments, the District of Columbia, and U.S. possessions.

Net Income (or Deficit).—This is a company's net profit or loss from taxable sources of income reduced by deductions allowed by the Internal Revenue Code. It reflects not only actual receipts but "constructive" receipts as well (i.e., includable income from Controlled Foreign Corporations and the foreign dividend "gross-up"). Tax-exempt interest on State and local government obligations is excluded from this item but included in "total receipts." The deductions include ordinary and necessary business deductions, but do not include statutory special deductions. The statistics for (positive) net income are generally larger than those for "income subject to tax" because the latter is reduced by the amount of statutory special deductions, including the net operating loss deduction. In this article, for a group of returns, this item may be referred to as either "profits" (i.e., net income exceeds deficits) or "losses" (deficits exceed net income). On Form 1120, net income (or deficit) was reported on page 1, line 28, entitled "Taxable income before net operating loss deduction and special deductions."

Net Operating Loss Deduction (NOLD).—A statutory "net operating loss" (NOL) for a given tax year could be carried back, in general, 2 years to reduce the taxable income of those years, and any amount of the NOL not offset against income during that time could be carried forward to offset income for a period not exceeding 20 years. A "net operating loss" is calculated using the laws and IRS regulations in effect for a given tax year, and is the excess of allowable deductions over taxable income, with certain adjustments. The amount of the deduction included in the statistics of this article, however, consists only

of losses from prior years carried forward and actually used to reduce taxable income for the current (2004) tax year. Losses incurred after Tax Year 2004 and carried back to that year at a later date were not reported on the tax returns used for this article. Net operating losses on which the 2004 deduction was based include: (1) the excess of ordinary and necessary business expenses over income for previous loss years, and (2) statutory special deductions claimed in a loss year for dividends received and for dividends paid on certain preferred stock of public utilities (or any excess of such deductions over net income).

Net Worth.—This item represented the stockholders' equity in the corporation, i.e., total assets less the claims of creditors. It is the net sum of capital stock, additional paid-in capital, appropriated retained earnings, and unappropriated retained earnings (including adjustments to shareholders' equity), minus the cost of treasury stock. Adjustments to shareholders' equity could be either positive or negative, and included unrealized gains and losses on securities held "available for sale." Treasury stock is common or preferred stock originally issued by the corporation that has been reacquired and held at the end of the accounting period by the issuing corporation.

Number of Returns.—The data contained in this article include the number of returns filed for Tax Year 2004. For simplicity, the number of returns is sometimes referred to in this article as the number of corporations. However, the actual number of corporations may be larger than the number of returns because most domestic corporations could elect to file consolidated income tax returns. These returns were filed by common parent corporations and contained combined financial data of two or more affiliated domestic corporations meeting certain stock ownership requirements. Each consolidated return was treated for statistical purposes as a single unit.

Real Estate Investment Trusts.—Domestic corporations, trusts, and associations that meet certain ownership, purpose, income, and diversification requirements may elect to be taxed as a real estate investment trust (REIT). Foreign-controlled domestic corporations can be REITs. However, REITs played a much larger role for ODCs than for FCDCs.¹⁸ REITs generally invest in real estate and mortgages. A beneficial ownership of the trust is es-

tablished through transferable shares or transferable certificates of beneficial interest. Among the income requirements, at least 95 percent of the total gross income of a REIT must come from dividends; interest; rents from real property; and gains from the sale of stock, securities, and real property; etc. Additionally, at least 75 percent of total gross income must be derived from rents from real property; interest on mortgages on real property; gains from sales of real property and mortgages; and dividends and gains from the sale of transferable shares in other REITs; etc. The tax liability of REITs is generally very low. This is because, through a statutory special deduction for dividends paid, REITs are not taxed on amounts distributed to shareholders. In general, REITs must distribute to their shareholders at least 90 percent of their taxable incomes. Such distributions are taxed to the shareholders (i.e., beneficiaries).

Regulated Investment Companies.—A regulated investment company (RIC) is a domestic corporation registered with the Securities and Exchange Commission as a management company, business development company, unit investment trust, common trust fund, or a similar fund. Typically, it is a mutual fund. Foreign-controlled domestic corporations can be RICs. However, RICs played a much larger role for ODCs than for FCDCs.¹⁸ A RIC must meet certain Internal Revenue Code requirements, including deriving at least 90 percent of its gross income from dividends, interest, payments related to securities loans, and gains from the sale of stock or securities, foreign currencies, or other income related to its business of investing in such stock, securities, or currencies. The tax liability of RICs is generally very low. This is because through a statutory special deduction for dividends paid, RICs are not taxed on amounts distributed to shareholders. In general, RICs must distribute to their shareholders at least 90 percent of their taxable incomes. Such distributions are taxed at the shareholder level.

S Corporations.—An S corporation has elected to be taxed through its shareholders under Internal Revenue Code section 1362. The IRC contains restrictive criteria that a company must meet in order to qualify as an S corporation, which includes the number and types of shareholders. These companies are involved in numerous industrial activities. They

¹⁸ Shown in Appendix A of this article are Tax Year 2004 data for all REITs, RICs, and S corporations, regardless of size, filed by foreign-controlled domestic corporations (FCDCs) and by other domestic corporations (ODCs).

Foreign-Controlled Domestic Corporations, 2004

report corporate income and deductions from their conduct of trades and businesses, but generally allocate any income or loss to their shareholders to be taxed only at the individual level. S corporations comprise a very large part of the corporate population. However, foreign-controlled domestic corporations cannot elect to be treated as S corporations.¹⁸

Statutory Special Deductions.—In general, net income less statutory special deductions equals income subject to tax. This item is the sum of: (1) deductions for net operating loss carryovers from prior years, and (2) special deductions for dividends and other corporate attributes allowed by the Internal Revenue Code, which includes: (a) dividends received deductions, (b) deductions for dividends paid on certain stock of public utilities, (c) deductions for dividends paid by regulated investment companies and real estate investment trusts, (d) Internal Revenue Code section 857(b)(2)(E) deductions reported by real estate investment trusts, and (e) Code section 806(a) small life insurance company deductions. These deductions were in addition to ordinary and necessary business deductions.

Total Assets.—This item represented those assets reported in the end-of-year balance sheets of the corporations' books of account. Total assets were net amounts after reduction by accumulated depreciation, accumulated amortization, accumulated depletion, and the reserve for bad debts.

Total Income Tax Before and After Credits.—For 2004, total income tax of FCDCs was primarily comprised of the income tax imposed on corporate income subject to tax (98.4 percent of the total tax). The alternative minimum tax accounted for 1.6 percent of the total. A small number of corporation income tax returns without net income reported amounts of income tax. The income tax, in these cases, resulted from special provisions of the Internal Revenue Code applicable to life insurance operations. Additionally, some taxes included in total income tax were not imposed directly on a corporation's income subject to tax, such as the recapture taxes. Thus, a small number of corporations without net income and income tax may have reported such taxes on their income tax returns. These taxes were included in the statistics for total income tax. Also included in total income tax were personal holding company taxes and the taxes on undistributed net capital gains of regulated investment companies.

Total income tax included an adjustment that could be either positive or negative. This adjustment was used for write-in amounts on the tax computation schedule (e.g., Schedule J of Form 1120), as well as for differences in total tax reported on the tax computation schedule and reported on the tax and payments section of the tax return (e.g., Page 1 of Form 1120). For 2004, the credits used to reduce the total income tax of FCDCs primarily included the foreign tax credit (76.0 percent of the \$7.1 billion of total credits), the general business credit (16.7 percent), and the prior-year minimum tax credit (6.2 percent), as well as small amounts of the U.S. possessions tax credit, the nonconventional source fuel credit, and the qualified zone academy bond credit.

Total Receipts.—This item includes all of the income actually (as opposed to constructively) received by a corporation and reported on its income tax return. It includes gross taxable receipts, before the deduction of cost of goods sold and ordinary and necessary business expenses. It also includes tax-exempt interest received on State and local government obligations. A domestic corporation (i.e., one incorporated in the United States), whether controlled by a foreign person or not, could have business activities in a foreign country, as well as in the United States. Thus, total receipts may include those from foreign branch operations of the U.S. company. Also, the total receipts of a domestic corporation conducting business abroad through foreign subsidiaries may include dividends remitted from those subsidiaries. However, total receipts exclude certain taxable income from related foreign corporations that is only constructively received by the domestic corporation. Long-term capital gains of regulated investment companies, as well as both short-term and long-term capital gains of S corporations, are also excluded.

Total Receipts Less Total Deductions.—This item differs from the "net income (less deficit)" shown in the statistics in that it includes nontaxable interest received on State and local government obligations, and excludes constructive taxable income from related foreign corporations.

Data Sources and Limitations

Time Period Covered

Data for Tax Year 2004 are based on returns with accounting periods that ended between July 2004

Foreign-Controlled Domestic Corporations, 2004

and June 2005. These accounting periods were 12 months in length, or less for part-year accounting periods. As a result of the 12-month span for ending accounting periods, the statistics shown in this article include accounting periods that began and ended within a 23-month span. For Tax Year 2004, that span was from August 2003 through June 2005. Nevertheless, most of the income and expense data are, in fact, associated with Calendar Year 2004. Of the 57,935 FCDC returns filed for Tax Year 2004, 38,113 had accounting periods that ended in December 2004, 66 percent of the total. These returns accounted for 76 percent of both the receipts and deductions reported by all FCDCs, as well as 83 percent of the FCDC assets.

The sampling frame for the 2004 statistics consisted, in general, of tax returns with accounting periods that ended between July 2004 and June 2005, and that posted to the IRS Business Master File between July 2004 and June 2006. A 24-month sampling period was needed for several reasons. First, some corporations had noncalendar year accounting periods ending as late as June 2005. Second, while corporation returns were usually required to be filed within 2 1/2 months after the close of the accounting period, many requested filing extensions of 6 months. Third, normal administrative processing time lags required that the sampling process remain open until June 2006.

Returns Covered

The number of returns shown in this article represents returns of “active” corporations, i.e., those that reported any income or deduction items. While any corporation in existence during any portion of the taxable year was required to file an income tax return (even though it may have been inactive, not having any income or deductions), the great majority of returns filed with the Internal Revenue Service were for active corporations. Nonprofit corporations, exempt farmers’ cooperatives, and certain other incorporated organizations did not file corporation income tax returns and are not included in the statistics shown in this article. Part-year returns, those filed for accounting periods of less than

12 months, were included in the number of returns and other data shown in this article. Continuing corporations changing their accounting periods, new corporations in existence less than 12 months, merging corporations, and liquidating corporations filed such returns. To avoid double counting, data from the balance sheets of part-year returns were not included in the statistics, except for those from initial returns of newly incorporated businesses.

Sample

This article presents statistical estimates based on a stratified sample of more than 10,600 unaudited tax returns selected from over 57,900 returns of active domestic corporations controlled by a foreign person filed for Tax Year 2004. The statistics for FCDCs are based on samples of corporation income tax returns filed primarily on Form 1120, *U.S. Corporation Income Tax Return*. In addition, the statistics for all FCDC include data from the small numbers of other domestic corporation income tax returns filed on Forms 1120L, *U.S. Life Insurance Company Income Tax Return*, 1120-RIC, *U.S. Income Tax Return for Regulated Investment Companies*, 1120-REIT, *U.S. Income Tax Return for Real Estate Investment Trusts*, and 1120-PC, *U.S. Property and Casualty Insurance Company Income Tax Return*. For Tax Year 2004, FCDCs filed only 43 Forms 1120L, 108 Forms 1120-RIC, 51 Forms 1120-REIT, and 57 Forms 1120-PC.¹⁹ As previously mentioned, FCDCs could not file Forms 1120-A, 1120-F, and 1120S. The statistics for the largest FCDCs shown in Figures F through H, and in Table 4, exclude Forms 1120-RIC and 1120-REIT.

Form 1120 sampled returns were stratified based on the size of total assets and the size of “proceeds” (which was used as a measure of income and was the larger of the absolute value of net income or deficit or the absolute value of “cash flow,” i.e., net income plus depreciation plus depletion). Forms 1120L, 1120-RIC, 1120-REIT, and 1120-PC were sampled based solely on the size of total assets.

For 2004, the sampling rates for Forms 1120 alone (the majority of returns included in the sample) ranged from less than 1 percent to 100 percent. In

¹⁹ The counts of 43 Forms 1120L and 57 Forms 1120-PC do not include returns of life insurance companies and property/casualty insurance companies, respectively, that were filed as part of consolidated returns under IRC section 1504(c). Under this section, a nonlife insurance parent company could include a domestic life insurance subsidiary in a consolidated return. For 2004, there were 102 section 1504(c) returns of foreign-controlled domestic corporations. Of this number, 48 returns had a property/casualty insurance company as the largest subsidiary, 8 returns had a life insurance company as the largest subsidiary, and the remainder (46) had a noninsurance company as the largest subsidiary.

Foreign-Controlled Domestic Corporations, 2004

general, Form 1120 returns with assets of \$10 million or more, or with “proceeds” of \$2.5 million or more, were selected for the Statistics of Income study at the 100-percent sampling rate. Thus, most if not all of the “largest” FCDCs (and other domestic corporations as well) were selected at the 100-percent rate. Therefore, sampling error is not considered to be a major concern for the large-corporation data shown in this article. For additional information on the sampling rates, see *Statistics of Income—2004, Corporation Income Tax Returns*.

Because the data presented are estimates based on samples, they are subject to sampling error. To properly use these data, the magnitude of the sampling error should be known. Coefficients of variation (CVs) are used to measure that magnitude. Figure I shows CVs for selected financial data of selected industrial sectors and selected countries of the foreign owners. For a general discussion of sampling procedures and CVs, see the Appendix (“SOI Sampling Methodology and Data Limitations”) located near the back of this issue of the *Statistics of Income Bulletin*.

Nonsampling Limitations

Nonsampling errors can be categorized as coverage errors, nonresponse errors, processing errors, or response errors. These errors can be the result of the inability to obtain information about all returns in the sample, differing interpretations of tax concepts or instructions by the taxpayer, inability of a corporation to provide accurate information at the time of filing (data are collected before auditing), inability to obtain all tax schedules and attachments, errors in recording or coding the data, errors in collecting or cleaning the data, errors made in estimating for missing data, and failure to represent all population units.

Returns were selected for this study based on taxpayers’ responses to two questions that appeared on the various types of Form 1120. The first question asked whether one “foreign person” owned, directly or indirectly, 25 percent or more of the filing corporation’s voting stock or of the total value of all the corporation’s stock, at any time during the tax year. If this question was answered “Yes,” then a second question asked for the percentage owned.²⁰ If the first question was answered “Yes,” and the

Figure I

Foreign-Controlled Domestic Corporations: Coefficients of Variation for Selected Items, by Selected Industrial Sectors and Selected Countries of Foreign Owners, Tax Year 2004

Selected industrial sector or country	Coefficients of variation (percentages)						
	Number of returns	Total assets	Total receipts	Net income	Deficit	Income subject to tax	Total income tax after credits
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total.....	4.23	0.02	0.11	0.15	0.85	0.16	0.18
Selected industrial sectors:							
Manufacturing.....	10.28	0.03	0.09	0.13	0.73	0.12	0.15
Wholesale trade.....	8.04	0.22	0.39	0.53	1.95	0.55	0.54
Information.....	20.24	0.06	0.74	0.53	4.87	0.83	0.74
Finance and insurance.....	16.00	0.01	0.23	0.16	1.13	0.16	0.13
Real estate and rental and leasing.....	8.89	0.68	1.32	3.03	1.16	4.20	4.09
Professional, scientific, and technical services.....	15.80	0.45	1.68	2.09	2.99	2.31	2.44
Management of companies (holding companies).....	23.42	0.03	0.07	0.41	1.92	0.33	0.36
Selected countries of foreign owners:							
Bermuda.....	8.32	0.06	0.20	0.33	0.81	0.56	0.58
Canada.....	11.65	0.11	0.59	0.78	2.06	1.14	1.12
France.....	22.24	0.04	0.23	0.26	2.43	0.37	0.41
Germany.....	15.20	0.04	0.20	0.70	1.04	1.09	1.20
Japan.....	10.20	0.11	0.22	0.38	1.12	0.37	0.39
Netherlands.....	25.66	0.03	0.15	0.18	1.55	0.18	0.19
Sweden.....	26.25	0.14	0.23	0.42	6.10	0.33	0.48
Switzerland.....	15.00	0.05	0.47	0.51	1.68	0.45	0.47
United Kingdom.....	15.25	0.02	0.24	0.22	4.47	0.18	0.23

Foreign-Controlled Domestic Corporations, 2004

second question was answered with a percentage between 50 and 100, then the return was included in the FCDC statistics. Taxpayers sometimes incorrectly answered these questions or did not answer them at all.²¹ However, prior to tabulation, corporations with large amounts of assets or receipts, and with changes in foreign ownership status between 2003 and 2004, were researched, and the answers to the questions were verified. These large corporations had a dominating effect on the estimates for balance sheet, income statement, and tax items.

Each return used for the statistics had an industry code reported, or was assigned one during administrative or statistical processing. The North American Industry Classification System (NAICS) was used as a classifier of the returns. The industry code represented the principal business activity (i.e., the activity which accounted for the largest portion of the total receipts) of the corporation filing the return. However, a given return may summarize the activity of a company engaged in several businesses or may have been a consolidated return filed for an affiliated group of corporations that conducted different business activities. To the extent that some consolidated (and nonconsolidated) returns covered corporations

that were engaged in many types of business activities, the data in this article are not entirely related to the industrial activity under which they are shown.

There is an additional limitation related to data presented by industrial classification. Companies that sell similar products may not be classified in the same industry. For instance, those FCDCs that were primarily U.S. distributors of products made in foreign countries by their parent or other related companies were classified as wholesalers. However, other domestic corporations that were also distributors may have been included in consolidated returns covering both the manufacture and distribution of similar products and classified as manufacturers.

Each return was assigned a foreign country code during statistical processing that identified the owner's country. For individuals, it was the owner's country of residence. For all others, it was the country in which the foreign entity was incorporated, organized, created, or administered. To the extent that a holding company or other affiliated entity was part of a chain between a U.S. subsidiary company and the ultimate foreign parent, the country data may be related to the holding company and, thus, not be related to the foreign country of the ultimate parent.

²⁰ On Form 1120, Page 3, Schedule K, the actual questions were: "(7) At any time during the tax year, did one foreign person own, directly or indirectly, at least 25 percent of: (a) the total voting power of all classes of stock of the corporation entitled to vote, or (b) the total value of all classes of stock of the corporation?" and "(7a) If 'Yes,' enter percentage owned." There was an additional question used for the country distribution of these statistics, which was: "(7b) If 'Yes,' enter owner's country."

²¹ The FCDC statistics include data from returns in which the first question (see footnote 20) was answered "Yes," and the second question covering percentage owned was not answered. There were 1,797 returns for Tax Year 2004 that were included in the FCDC data, although the exact foreign ownership percentage was not specified. These returns reported \$52.8 billion of assets and \$36.0 billion of receipts.

Foreign-Controlled Domestic Corporations, 2004

Appendix A

REITs, RICs, and S Corporations Filed by Foreign-Controlled Domestic Corporations (FCDCs) and Other Domestic Corporations (ODCs), Tax Year 2004

[Money amounts are in millions of dollars]

Type of corporation and item	FCDCs	ODCs
Real Estate Investment Trusts		
Number of returns	51	1,072
Total assets	33,429	1,078,895
Total receipts	2,048	78,627
Net income (less deficit)	950	46,359
Income subject to tax	0	33
Total income tax after credits	9	37
Regulated Investment Companies		
Number of returns	108	10,788
Total assets	81,329	9,090,093
Total receipts	1,858	218,807
Net income (less deficit)	1,375	135,644
Income subject to tax	0	3
Total income tax after credits	0	3
S Corporations		
Number of returns	0	3,518,334
Total assets	0	2,437,711
Total receipts	0	4,737,162
Total net income (less deficit)	0	275,399
Income subject to tax	0	957
Total income tax after credits	0	391

Foreign-Controlled Domestic Corporations, 2004

Table 1. Foreign-Controlled Domestic Corporations as a Percentage of All Corporations: Selected Items for Selected Tax Years 1971-2004

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

Item	1971	1990	1995	2000	2001	2002	2003	2004
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ALL CORPORATIONS								
Number of returns, total.....	1,733,332	3,716,650	4,474,167	5,045,274	5,135,591	5,266,607	5,401,237	5,557,965
Number with net income.....	1,063,940	1,910,670	2,455,492	2,819,153	2,822,302	2,800,517	2,932,115	3,116,468
Total assets.....	2,889,221	18,190,058	26,013,689	47,026,872	49,154,424	50,413,502	53,644,785	60,117,759
Total receipts.....	1,906,008	11,409,520	14,539,050	20,605,808	20,272,958	19,749,426	20,689,574	22,711,864
Business receipts.....	1,763,760	9,860,442	12,785,798	17,636,551	17,504,289	17,297,125	18,264,394	19,975,876
Interest received [1].....	65,596	942,238	993,173	1,576,101	1,499,683	1,233,298	1,132,675	1,337,626
Total deductions.....	1,824,063	11,032,575	13,821,278	19,691,592	19,682,983	19,198,882	19,940,595	21,636,156
Cost of goods sold.....	1,241,282	6,610,770	8,206,073	11,135,288	11,041,533	10,607,404	11,318,645	12,497,905
Interest paid.....	64,697	825,372	744,765	1,271,679	1,203,046	912,752	818,017	938,790
Total receipts less total deductions.....	81,945	376,945	717,773	914,216	589,975	550,544	748,980	1,075,708
Net income (less deficit).....	79,700	370,633	714,193	927,526	603,623	563,657	779,989	1,111,693
Net income.....	96,688	552,527	880,653	1,336,620	1,112,481	1,053,126	1,175,609	1,455,797
Deficit.....	-16,988	-181,894	-166,460	-409,094	-508,858	-489,470	-395,620	-344,104
Income subject to tax.....	83,165	366,353	564,733	760,404	635,257	600,554	699,337	857,392
Total income tax before credits.....	37,510	128,186	198,787	266,282	220,874	209,691	243,823	299,555
Income tax.....	37,143	119,434	193,564	262,233	218,676	207,056	241,275	296,200
Total income tax after credits.....	30,220	96,403	156,393	204,044	166,712	153,613	177,517	224,435
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS								
Number of returns, total.....	5,154	44,113	60,157	60,609	60,618	61,615	58,945	57,935
Number with net income.....	2,575	17,360	26,397	26,519	24,898	26,617	27,269	29,233
Total assets.....	36,674	1,652,255	2,762,747	6,071,994	6,499,997	6,382,309	6,170,122	7,971,399
Total receipts.....	39,181	1,060,295	1,536,705	2,612,072	2,482,900	2,510,781	2,569,302	3,056,503
Business receipts.....	38,043	950,083	1,372,489	2,253,215	2,144,066	2,249,184	2,329,930	2,733,472
Interest received [1].....	420	67,315	96,269	180,006	172,093	122,104	102,179	154,954
Total deductions.....	38,050	1,056,921	1,499,219	2,549,986	2,478,642	2,506,266	2,542,193	2,969,718
Cost of goods sold.....	28,804	709,052	1,000,691	1,584,513	1,501,678	1,548,698	1,652,622	1,964,224
Interest paid.....	733	77,562	92,417	186,835	177,677	119,001	109,453	129,530
Total receipts less total deductions.....	1,132	3,374	37,486	62,085	4,258	4,515	27,109	86,785
Net income (less deficit).....	1,111	3,966	38,455	66,312	8,303	7,838	31,952	90,846
Net income.....	1,496	29,410	64,339	118,598	94,331	82,660	92,846	138,010
Deficit.....	-384	-25,444	-25,884	-52,287	-86,028	-74,822	-60,895	-47,165
Income subject to tax.....	1,344	23,704	43,111	97,515	76,069	64,593	73,521	104,740
Total income tax before credits.....	650	8,719	15,834	34,650	26,827	22,727	25,971	37,058
Income tax.....	631	8,008	14,956	33,950	26,390	22,447	25,607	36,451
Total income tax after credits.....	610	7,438	13,157	28,073	21,774	17,819	19,121	29,932
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS AS A PERCENTAGE OF ALL CORPORATIONS								
Number of returns, total.....	0.30	1.19	1.34	1.20	1.18	1.17	1.09	1.04
Number with net income.....	0.24	0.91	1.08	0.94	0.88	0.95	0.93	0.94
Total assets.....	1.27	9.08	10.62	12.91	13.22	12.66	11.50	13.26
Total receipts.....	2.06	9.29	10.57	12.68	12.25	12.71	12.42	13.46
Business receipts.....	2.16	9.64	10.73	12.78	12.25	13.00	12.76	13.68
Interest received [1].....	0.64	7.14	9.69	11.42	11.48	9.90	9.02	11.58
Total deductions.....	2.09	9.58	10.85	12.95	12.59	13.05	12.75	13.73
Cost of goods sold.....	2.32	10.73	12.19	14.23	13.60	14.60	14.60	15.72
Interest paid.....	1.13	9.40	12.41	14.69	14.77	13.04	13.38	13.80
Total receipts less total deductions.....	1.38	0.90	5.22	6.79	0.72	0.82	3.62	8.07
Net income (less deficit).....	1.39	1.07	5.38	7.15	1.38	1.39	4.10	8.17
Net income.....	1.55	5.32	7.31	8.87	8.48	7.85	7.90	9.48
Deficit.....	2.26	13.99	15.55	12.78	16.91	15.29	15.39	13.71
Income subject to tax.....	1.62	6.47	7.63	12.82	11.97	10.76	10.51	12.22
Total income tax before credits.....	1.73	6.80	7.97	13.01	12.15	10.84	10.65	12.37
Income tax.....	1.70	6.70	7.73	12.95	12.07	10.84	10.61	12.31
Total income tax after credits.....	2.02	7.72	8.41	13.76	13.06	11.60	10.77	13.34

[1] Excludes nontaxable interest received on State and local government obligations.

NOTES: Detail may not add to totals because of rounding. All amounts are in current dollars. Tax law and tax form changes affect the year-to-year comparability of the data; see *Statistics of Income—Corporation Income Tax Returns*, selected years, for discussions of changes affecting the comparability of the data over time.

Foreign-Controlled Domestic Corporations, 2004

Table 2. Foreign-Controlled Domestic Corporations: Selected Items, by Major Industry, Tax Year 2004

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

Major industry	Number of returns			Total assets	Net worth	Total receipts	Business receipts	Total deductions
	Total	With net income	With total income tax after credits					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All industries.....	57,935	29,233	19,735	7,971,399	1,788,959	3,056,503	2,733,472	2,969,718
Agriculture, forestry, fishing, and hunting.....	844	281	137	6,863	2,557	10,734	10,230	10,684
Agricultural production.....	608	212	83	5,657	2,414	10,027	9,566	9,888
Forestry and logging.....	72	d	d	634	126	324	313	353
Support activities and fishing, hunting, and trapping.....	165	d	d	573	17	383	352	443
Mining.....	560	135	114	95,417	58,443	38,452	34,006	35,744
Utilities.....	53	26	23	83,792	22,153	29,973	28,170	30,010
Construction.....	1,624	736	238	34,706	9,556	41,674	39,064	40,187
Construction of buildings.....	205	144	121	15,862	4,063	24,883	23,995	23,963
Heavy and civil engineering construction.....	1,131	400	74	15,447	4,510	12,474	10,838	11,882
Specialty trade contractors.....	288	192	44	3,397	982	4,317	4,231	4,342
Manufacturing.....	6,833	3,850	2,390	2,157,362	547,811	1,463,787	1,384,051	1,417,566
Food manufacturing.....	830	708	88	49,146	13,401	47,019	45,743	46,528
Beverage and tobacco product manufacturing.....	66	47	46	32,966	4,982	25,190	24,167	23,713
Textile mills and textile product mills.....	129	62	59	2,834	1,107	3,470	3,323	3,482
Apparel manufacturing.....	129	73	73	1,613	659	2,193	2,152	2,162
Leather and allied product manufacturing.....	3	d	d	72	22	132	125	123
Wood product manufacturing.....	148	131	114	3,454	1,127	4,478	4,420	4,445
Paper manufacturing.....	91	53	50	20,263	6,848	20,243	19,303	20,665
Printing and related support activities.....	49	25	25	10,130	1,890	10,464	10,122	10,191
Petroleum and coal products manufacturing.....	38	30	29	813,029	144,228	460,792	445,930	438,671
Chemical manufacturing.....	485	279	242	311,412	98,194	191,418	173,380	179,062
Plastics and rubber products manufacturing.....	718	203	134	42,914	11,009	47,872	46,130	47,297
Nonmetallic mineral product manufacturing.....	144	113	109	74,897	26,844	45,939	43,921	44,371
Primary metal manufacturing.....	137	93	87	31,524	9,907	42,409	41,300	39,502
Fabricated metal product manufacturing.....	431	271	194	36,814	13,539	32,775	31,776	31,603
Machinery manufacturing.....	612	325	308	119,818	34,141	85,798	81,315	84,496
Computer and electronic product manufacturing.....	1,374	739	270	103,946	37,301	88,017	83,917	89,354
Electrical equipment, appliance, and component manufacturing.....	214	107	84	23,255	10,573	24,874	23,800	23,716
Transportation equipment manufacturing.....	536	244	176	446,460	119,869	298,467	273,050	297,463
Furniture and related product manufacturing.....	106	11	11	1,727	1,053	2,925	2,834	2,761
Miscellaneous manufacturing.....	595	d	d	31,089	11,117	29,313	27,343	27,961
Wholesale and retail trade [2].....	18,763	9,995	7,033	492,007	130,756	810,722	787,745	796,191
Wholesale trade.....	15,766	8,857	6,352	391,937	111,792	655,431	636,408	642,282
Wholesale trade, durable goods.....	10,813	6,182	4,372	274,552	74,190	473,480	461,715	466,795
Wholesale trade, nondurable goods.....	4,654	d	d	117,186	37,553	181,492	174,235	175,037
Wholesale electronic markets and agents and brokers..	300	d	d	200	49	459	459	450
Retail trade.....	2,996	1,138	681	100,054	18,963	155,275	151,321	153,890
Motor vehicle dealers and parts dealers.....	97	24	22	3,446	1,107	7,272	7,105	7,140
Furniture and home furnishings stores.....	163	24	22	4,160	630	4,155	4,063	4,099
Electronics and appliance stores.....	429	300	167	3,278	319	3,786	3,695	3,740
Building material and garden equipment and supplies dealers.....	110	53	53	420	154	1,061	1,048	1,043
Food, beverage and liquor stores.....	47	11	11	48,853	4,599	93,367	91,490	92,961
Health and personal care stores.....	159	8	8	8,883	3,274	12,150	12,019	12,017
Gasoline stations.....	337	62	61	2,497	1,086	7,928	7,844	7,856
Clothing and clothing accessories stores.....	242	60	56	7,215	2,929	9,640	8,909	9,225
Sporting goods, hobby, book, and music stores.....	457	136	136	659	-184	1,242	1,215	1,307
General merchandise stores.....	258	d	d	5,633	3,652	2,782	2,628	2,681
Miscellaneous store retailers.....	151	d	d	9,981	-124	7,535	7,251	7,452
Nonstore retailers.....	547	416	102	5,030	1,521	4,357	4,055	4,367

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2004

Table 2. Foreign-Controlled Domestic Corporations: Selected Items, by Major Industry, Tax Year 2004—Continued

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

Major industry	Number of returns			Total assets	Net worth	Total receipts	Business receipts	Total deductions
	Total	With net income	With total income tax after credits					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Transportation and warehousing.....	2,058	1,040	752	46,704	15,604	43,995	42,084	43,917
Air, rail, and water transportation.....	454	158	141	17,056	5,524	11,123	10,487	10,818
Truck transportation.....	27	21	21	1,240	496	1,776	1,754	1,770
Transit and ground passenger transportation.....	290	d	d	3,239	1,731	2,437	2,420	2,569
Pipeline transportation.....	9	d	d	3,238	1,351	1,099	935	1,103
Other transportation and support activities.....	949	533	280	16,909	5,438	24,333	23,467	24,543
Warehousing and storage.....	329	321	303	5,022	1,065	3,228	3,020	3,114
Information.....	1,637	724	609	550,879	320,384	91,865	75,577	94,786
Publishing industries.....	803	307	232	60,746	13,135	27,257	23,530	27,324
Motion picture and sound recording industries.....	146	72	52	282,938	161,385	30,729	21,140	29,132
Broadcasting (except Internet).....	38	17	16	4,075	2,296	914	831	1,079
Internet publishing and broadcasting.....	32	d	d	15,546	5,460	7,546	7,095	6,745
Telecommunications.....	425	314	296	180,318	136,703	21,253	19,459	22,846
Internet service providers, Web search portals, and data processing services.....	111	9	7	1,746	-595	1,035	943	4,474
Other information services.....	82	d	d	5,510	2,000	3,131	2,580	3,187
Finance and insurance.....	2,108	1,320	763	3,293,604	453,376	305,364	179,221	289,282
Credit intermediation.....	308	188	185	228,832	20,669	15,039	6,657	12,978
Depository credit intermediation.....	75	34	34	68,157	5,982	2,968	611	2,461
Nondepository credit intermediation.....	233	154	151	160,674	14,687	12,070	6,046	10,517
Securities, commodity contracts, and other financial investments and related activities.....	592	443	336	1,761,932	92,528	84,569	27,252	79,580
Insurance carriers and related activities.....	631	437	152	1,149,797	233,285	200,428	145,287	193,932
Funds, trusts, and other financial vehicles.....	576	253	89	153,044	106,895	5,328	25	2,791
Real estate and rental and leasing.....	11,514	5,396	3,853	110,115	30,019	24,203	17,310	25,545
Real estate.....	11,245	5,199	3,703	57,453	23,537	10,164	5,884	8,436
Rental and leasing services.....	264	d	d	52,425	6,390	13,843	11,320	16,937
Lessors of nonfinancial intangible assets (except copyrighted works).....	5	d	d	237	93	196	105	172
Professional, scientific, and technical services.....	6,219	3,420	2,106	99,714	45,783	54,655	50,425	54,226
Management of companies (holding companies).....	2,257	607	527	884,643	104,685	63,764	15,800	55,603
Administrative and support and waste management and remediation services.....	1,351	600	471	36,434	12,793	31,538	29,579	31,414
Administrative and support services.....	1,330	584	457	25,612	8,273	26,515	24,965	26,410
Waste management and remediation services.....	21	16	14	10,822	4,520	5,023	4,613	5,004
Educational services.....	111	10	9	1,548	622	929	884	949
Health care and social assistance.....	53	13	13	15,467	8,861	10,615	10,225	10,278
Offices of health practitioners and outpatient care centers.....	4	d	d	11,106	7,386	6,732	6,647	6,535
Miscellaneous health care and social assistance.....	41	d	d	1,222	566	901	860	910
Hospitals, nursing, and residential care facilities.....	8	d	d	3,139	908	2,982	2,719	2,833
Arts, entertainment, and recreation.....	445	385	353	4,366	1,459	2,806	2,261	2,634
Amusement, gambling, and recreation industries.....	413	373	342	3,222	1,200	1,561	1,321	1,467
Other arts, entertainment, and recreation.....	32	12	11	1,144	259	1,245	940	1,166
Accommodation and food services.....	938	553	249	53,902	22,847	27,577	23,156	27,050
Accommodation.....	552	431	146	36,375	18,606	9,380	6,576	8,784
Food services and drinking places.....	387	122	103	17,528	4,241	18,196	16,580	18,266
Other services.....	565	140	96	3,873	1,249	3,853	3,684	3,651
Repair and maintenance.....	302	116	87	1,331	303	2,309	2,290	2,266
Personal and laundry services.....	d	d	d	d	d	d	d	d
Religious, grantmaking, civic, professional, and similar organizations.....	d	d	d	d	d	d	d	d

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2004

Table 2. Foreign-Controlled Domestic Corporations: Selected Items, by Major Industry, Tax Year 2004—Continued

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

Major industry	Cost of goods sold	Total receipts less total deductions	Net income (less deficit)	Net income	Deficit	Income subject to tax	Total income tax	
							Before credits	After credits
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
All industries.....	1,964,224	86,785	90,846	138,010	-47,165	104,740	37,058	29,932
Agriculture, forestry, fishing, and hunting.....	8,642	50	52	317	-265	237	82	79
Agricultural production.....	8,117	139	140	302	-162	229	80	76
Forestry and logging.....	286	-29	-29	d	d	d	d	d
Support activities and fishing, hunting, and trapping.....	239	-60	-60	d	d	d	d	d
Mining.....	18,190	2,708	2,827	4,086	-1,259	2,397	934	392
Utilities.....	16,146	-37	-41	793	-834	65	56	55
Construction.....	32,974	1,487	1,501	2,138	-637	1,542	547	539
Construction of buildings.....	21,417	920	916	985	-69	904	317	315
Heavy and civil engineering construction.....	8,583	592	607	1,023	-416	546	198	196
Specialty trade contractors.....	2,975	-25	-23	129	-152	92	32	28
Manufacturing.....	1,065,183	46,221	48,930	63,059	-14,129	52,795	18,642	13,905
Food manufacturing.....	29,139	491	500	1,386	-886	1,127	397	385
Beverage and tobacco product manufacturing.....	12,569	1,476	1,500	1,625	-125	1,499	525	468
Textile mills and textile product mills.....	2,519	-12	-12	159	-170	104	36	33
Apparel manufacturing.....	1,510	32	43	96	-52	93	31	27
Leather and allied product manufacturing.....	72	8	8	d	d	d	d	d
Wood product manufacturing.....	3,478	33	33	115	-82	64	22	21
Paper manufacturing.....	15,346	-422	-437	676	-1,113	241	86	77
Printing and related support activities.....	7,073	273	273	360	-87	279	97	83
Petroleum and coal products manufacturing.....	400,406	22,122	22,771	22,828	-57	22,035	7,762	5,117
Chemical manufacturing.....	93,010	12,356	13,997	15,776	-1,779	14,536	5,094	3,926
Plastics and rubber products manufacturing.....	33,650	575	619	1,168	-549	399	154	135
Nonmetallic mineral product manufacturing.....	29,163	1,568	1,587	2,079	-492	1,888	677	643
Primary metal manufacturing.....	32,872	2,906	2,906	3,164	-258	2,115	769	504
Fabricated metal product manufacturing.....	22,576	1,171	1,176	1,430	-254	1,024	359	338
Machinery manufacturing.....	59,177	1,303	1,411	2,341	-930	1,223	444	315
Computer and electronic product manufacturing.....	62,264	-1,337	-1,306	1,493	-2,799	861	305	267
Electrical equipment, appliance, and component manufacturing.....	16,478	1,158	1,282	1,697	-416	1,132	403	239
Transportation equipment manufacturing.....	223,803	1,004	1,052	4,499	-3,448	2,804	991	888
Furniture and related product manufacturing.....	2,017	164	164	217	-53	212	74	73
Miscellaneous manufacturing.....	18,059	1,352	1,365	d	d	d	d	d
Wholesale and retail trade [2].....	634,528	14,531	14,748	21,602	-6,854	17,830	6,225	5,821
Wholesale trade.....	525,218	13,149	13,371	18,924	-5,553	15,927	5,552	5,185
Wholesale trade, durable goods.....	385,589	6,686	6,872	10,890	-4,018	9,149	3,186	2,949
Wholesale trade, nondurable goods.....	139,629	6,455	6,491	d	d	d	d	d
Wholesale electronic markets and agents and brokers..	0	9	9	d	d	d	d	d
Retail trade.....	109,295	1,385	1,380	2,678	-1,298	1,903	672	636
Motor vehicle dealers and parts dealers.....	6,219	132	132	162	-30	157	55	55
Furniture and home furnishings stores.....	2,276	56	56	121	-66	118	41	41
Electronics and appliance stores.....	2,275	46	46	202	-155	48	18	18
Building material and garden equipment and supplies dealers.....	816	17	17	34	-17	28	9	9
Food, beverage and liquor stores.....	69,355	406	405	746	-341	709	248	223
Health and personal care stores.....	7,692	133	133	234	-102	194	68	66
Gasoline stations.....	6,534	72	72	75	-3	68	24	21
Clothing and clothing accessories stores.....	4,431	415	410	648	-238	382	137	136
Sporting goods, hobby, book, and music stores.....	868	-65	-65	17	-83	7	2	2
General merchandise stores.....	1,327	101	100	d	d	d	d	d
Miscellaneous store retailers.....	4,921	83	83	d	d	d	d	d
Nonstore retailers.....	2,581	-10	-10	159	-169	136	47	45

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2004

Table 2. Foreign-Controlled Domestic Corporations: Selected Items, by Major Industry, Tax Year 2004—Continued

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

Major industry	Cost of goods sold	Total receipts less total deductions	Net income (less deficit)	Net income	Deficit	Income subject to tax	Total income tax	
							Before credits	After credits
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Transportation and warehousing.....	15,389	77	64	1,246	-1,181	901	314	284
Air, rail, and water transportation.....	4,303	304	314	469	-155	254	91	69
Truck transportation.....	191	6	6	29	-23	19	7	5
Transit and ground passenger transportation.....	969	-132	-132	d	d	d	d	d
Pipeline transportation.....	805	-4	-28	d	d	d	d	d
Other transportation and support activities.....	8,553	-210	-209	525	-734	483	167	163
Warehousing and storage.....	568	114	114	177	-63	104	35	33
Information.....	29,477	-2,921	-2,223	4,630	-6,853	1,941	710	615
Publishing industries.....	10,073	-66	478	1,245	-766	866	306	257
Motion picture and sound recording industries.....	8,147	1,596	1,655	1,734	-79	35	38	34
Broadcasting (except Internet).....	492	-164	-165	57	-221	48	18	3
Internet publishing and broadcasting.....	1,533	801	801	d	d	d	d	d
Telecommunications.....	8,315	-1,593	-1,503	605	-2,108	80	28	25
Internet service providers, Web search portals, and data processing services.....	383	-3,438	-3,438	19	-3,457	17	6	2
Other information services.....	533	-57	-52	d	d	d	d	d
Finance and insurance.....	89,874	16,081	16,211	20,910	-4,698	11,883	4,218	3,693
Credit intermediation.....	108	2,060	2,053	2,156	-103	1,320	460	437
Depository credit intermediation.....	0	507	504	544	-39	509	177	175
Nondepository credit intermediation.....	108	1,553	1,548	1,612	-64	812	283	261
Securities, commodity contracts, and other financial investments and related activities.....	283	4,988	5,042	5,799	-757	3,576	1,276	1,067
Insurance carriers and related activities.....	89,483	6,496	6,581	10,150	-3,570	6,556	2,321	2,085
Funds, trusts, and other financial vehicles.....	[1]	2,536	2,536	2,804	-268	430	162	104
Real estate and rental and leasing.....	3,661	-1,341	-1,380	3,330	-4,711	1,960	673	650
Real estate.....	864	1,729	1,722	2,610	-888	1,816	613	592
Rental and leasing services.....	2,750	-3,094	-3,126	d	d	d	d	d
Lessors of nonfinancial intangible assets (except copyrighted works).....	47	24	24	d	d	d	d	d
Professional, scientific, and technical services.....	19,567	428	526	3,006	-2,479	1,986	691	573
Management of companies (holding companies).....	50	8,160	8,188	9,178	-990	8,520	3,015	2,605
Administrative and support and waste management and remediation services.....	15,019	124	134	785	-651	383	139	121
Administrative and support services.....	13,409	105	110	592	-482	370	131	114
Waste management and remediation services.....	1,610	19	24	193	-169	13	8	8
Educational services.....	268	-21	-16	27	-43	18	6	3
Health care and social assistance.....	2,959	337	340	486	-146	421	148	141
Offices of health practitioners and outpatient care centers.....	2,618	197	198	d	d	d	d	d
Miscellaneous health care and social assistance.....	332	-9	-6	d	d	d	d	d
Hospitals, nursing, and residential care facilities.....	9	149	149	d	d	d	d	d
Arts, entertainment, and recreation.....	619	173	173	299	-125	205	72	70
Amusement, gambling, and recreation industries.....	334	94	95	159	-64	107	38	38
Other arts, entertainment, and recreation.....	285	78	79	140	-61	98	34	32
Accommodation and food services.....	9,803	527	579	1,767	-1,188	1,336	475	306
Accommodation.....	1,147	596	638	1,294	-656	913	327	198
Food services and drinking places.....	8,655	-69	-59	473	-532	423	148	108
Other services.....	1,875	202	230	351	-121	321	112	80
Repair and maintenance.....	1,530	43	43	119	-76	105	36	36
Personal and laundry services.....	d	d	d	d	d	d	d	d
Religious, grantmaking, civic, professional, and similar organizations.....	d	d	d	d	d	d	d	d

d Not shown to avoid disclosure of information about specific corporations. However, data are included in the appropriate totals.

[1] Absolute value is less than \$500,000.

[2] Includes "Wholesale and retail trade not allocable," which is not shown separately.

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

Foreign-Controlled Domestic Corporations, 2004

Table 3. Foreign-Controlled Domestic Corporations: Selected Items, by Age of Corporations and Selected Countries of Foreign Owners, Tax Year 2004

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

Age of corporations and selected countries of foreign owners	Number of returns			Total assets	Net worth	Total receipts	Business receipts	Total deductions
	Total	With net income	With total income tax after credits					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All foreign-controlled domestic corporations.....	57,935	29,233	19,735	7,971,399	1,788,959	3,056,503	2,733,472	2,969,718
AGE OF CORPORATIONS								
Old corporations:								
Number or amount.....	46,575	25,080	16,527	7,641,227	1,690,753	2,901,380	2,589,410	2,811,774
Percentage of all corporations.....	80.4	85.8	83.7	95.9	94.5	94.9	94.7	94.7
New corporations:								
Number or amount.....	11,360	4,153	3,208	330,171	98,205	155,124	144,063	157,944
Percentage of all corporations.....	19.6	14.2	16.3	4.1	5.5	5.1	5.3	5.3
SELECTED COUNTRIES OF FOREIGN OWNERS								
Selected countries, total.....	52,227	26,192	18,089	7,923,722	1,775,625	3,020,491	2,700,043	2,934,561
Percentage of all countries.....	90.1	89.6	91.7	99.4	99.3	98.8	98.8	98.8
Selected countries:								
Australia.....	555	303	264	330,663	164,632	46,877	37,210	43,885
Austria.....	240	203	131	7,195	2,615	8,956	8,758	8,671
Belgium.....	360	140	105	75,587	10,445	35,350	32,224	34,168
Bermuda.....	218	115	105	155,376	41,197	61,545	54,178	64,041
Brazil.....	985	563	553	9,232	1,541	5,492	4,878	5,256
British Virgin Islands [1].....	3,149	1,049	619	19,273	4,347	16,976	15,749	17,284
Canada.....	9,780	4,294	2,903	579,820	152,081	235,946	210,495	229,525
Cayman Islands.....	807	254	212	72,513	38,731	19,926	16,131	19,257
China.....	1,196	823	669	3,960	1,192	7,645	7,521	7,462
China (Taiwan).....	1,587	914	560	15,461	4,629	23,013	22,521	22,582
Colombia.....	791	549	248	511	52	679	646	730
Denmark.....	498	314	80	13,367	3,710	14,365	13,962	14,157
Finland.....	86	38	34	17,078	6,684	19,697	18,551	19,653
France.....	2,306	688	406	725,093	200,574	192,638	160,683	182,683
Germany.....	4,113	1,987	1,713	1,136,251	247,688	388,313	338,349	386,468
Hong Kong.....	1,194	756	655	6,115	2,011	5,598	5,155	5,471
India.....	1,180	695	478	2,109	453	4,223	4,160	4,214
Ireland.....	437	99	62	26,277	3,696	17,605	16,318	17,417
Israel.....	928	610	349	33,508	6,154	11,078	9,918	10,945
Italy.....	1,235	478	429	27,555	9,149	18,879	18,254	18,554
Japan.....	4,608	2,606	1,934	567,896	173,135	534,321	508,877	521,188
Liechtenstein.....	196	89	43	3,404	1,468	6,640	6,368	6,537
Luxembourg.....	395	192	144	37,947	13,054	21,591	20,532	21,505
Mexico.....	1,717	1,027	506	20,393	7,970	18,074	17,068	17,182
Netherlands.....	1,522	909	735	966,601	182,061	372,360	328,578	357,476
Netherlands Antilles.....	339	188	156	8,225	3,034	6,315	5,816	6,291
Norway.....	183	70	50	7,581	2,370	10,285	10,007	10,241
Pakistan.....	542	3	3	251	42	304	299	306
Panama.....	757	333	259	8,444	1,727	3,560	3,257	3,296
Philippines.....	654	610	274	606	84	519	481	527
Puerto Rico.....	102	5	5	40,651	10,871	1,236	237	1,153
Saudi Arabia.....	38	32	3	3,199	1,451	7,649	6,936	7,140
Singapore.....	254	85	51	11,580	5,193	8,059	7,727	8,043
South Africa, Republic of.....	89	80	79	4,967	775	5,803	5,764	5,983
South Korea, Republic of.....	1,302	361	312	22,178	3,948	53,799	52,857	53,567
Spain.....	290	155	123	14,309	3,976	6,410	5,860	6,293
Sweden.....	271	186	179	87,884	3,993	72,790	64,877	69,104
Switzerland.....	1,347	788	514	717,123	54,106	135,313	108,607	130,013
United Kingdom.....	5,048	3,040	1,687	2,125,154	400,479	586,667	517,266	563,424
Venezuela.....	928	561	457	18,385	4,307	33,995	32,968	32,869

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2004

Table 3. Foreign-Controlled Domestic Corporations: Selected Items, by Age of Corporations and Selected Countries of Foreign Owners, Tax Year 2004—Continued

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

Age of corporations and selected countries of foreign owners	Cost of goods sold	Total receipts less total deductions	Net income (less deficit)	Net income	Deficit	Income subject to tax	Total income tax	
							Before credits	After credits
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
All foreign-controlled domestic corporations.....	1,964,224	86,785	90,846	138,010	-47,165	104,740	37,058	29,932
AGE OF CORPORATIONS								
Old corporations:								
Number or amount.....	1,864,010	89,606	93,443	131,817	-38,374	100,279	35,474	28,602
Percentage of all corporations.....	94.9	103.3	102.9	95.5	81.4	95.7	95.7	95.6
New corporations:								
Number or amount.....	100,213	-2,820	-2,597	6,193	-8,791	4,461	1,584	1,330
Percentage of all corporations.....	5.1	-3.2	-2.9	4.5	18.6	4.3	4.3	4.4
SELECTED COUNTRIES OF FOREIGN OWNERS								
Selected countries, total.....	1,939,698	85,931	89,915	135,972	-46,059	103,246	36,539	29,470
Percentage of all countries.....	98.8	99.0	99.0	98.5	97.7	98.6	98.6	98.5
Selected countries:								
Australia.....	19,241	2,992	3,085	3,990	-904	2,390	871	380
Austria.....	6,192	285	283	389	-106	290	100	89
Belgium.....	23,403	1,182	1,186	1,483	-298	1,238	437	423
Bermuda.....	34,687	-2,495	-2,374	3,311	-5,685	1,422	534	366
Brazil.....	3,745	236	236	455	-219	302	103	102
British Virgin Islands [1].....	11,658	-308	-304	588	-892	348	118	114
Canada.....	146,874	6,421	6,930	11,105	-4,176	6,807	2,405	2,219
Cayman Islands.....	10,178	669	832	1,536	-704	307	128	108
China.....	6,474	183	183	314	-131	287	98	56
China (Taiwan).....	19,801	432	428	659	-231	401	138	121
Colombia.....	421	-51	-51	3	-54	2	1	[2]
Denmark.....	9,149	207	213	499	-286	354	126	99
Finland.....	14,185	44	45	503	-458	423	148	132
France.....	105,850	9,955	10,233	12,344	-2,111	7,783	2,758	2,372
Germany.....	230,362	1,845	1,972	7,809	-5,837	4,876	1,758	1,420
Hong Kong.....	3,823	127	126	340	-213	296	101	95
India.....	2,505	9	9	104	-96	79	25	24
Ireland.....	10,961	188	183	637	-454	603	211	207
Israel.....	7,529	132	121	537	-416	324	112	103
Italy.....	11,011	324	335	907	-572	647	239	201
Japan.....	400,060	13,133	13,339	19,166	-5,827	14,836	5,222	4,690
Liechtenstein.....	5,161	103	100	149	-49	95	34	33
Luxembourg.....	11,671	86	156	818	-662	623	222	166
Mexico.....	11,332	892	889	1,348	-459	1,179	426	181
Netherlands.....	246,190	14,884	15,150	17,355	-2,204	14,278	5,091	4,101
Netherlands Antilles.....	2,141	24	24	229	-205	202	69	69
Norway.....	7,909	44	45	276	-231	167	59	58
Pakistan.....	172	-2	-2	13	-15	1	1	[2]
Panama.....	2,337	264	268	348	-81	236	82	79
Philippines.....	321	-8	-8	32	-39	7	2	2
Puerto Rico.....	80	83	81	124	-43	124	43	43
Saudi Arabia.....	6,492	509	509	527	-18	257	104	104
Singapore.....	5,119	17	17	201	-184	181	63	61
South Africa, Republic of.....	4,564	-179	-179	160	-339	122	42	42
South Korea, Republic of.....	48,227	232	232	806	-573	521	181	180
Spain.....	3,483	117	125	548	-424	437	154	113
Sweden.....	45,970	3,686	5,139	5,591	-452	5,078	1,781	1,141
Switzerland.....	57,741	5,301	5,298	8,238	-2,941	7,044	2,467	2,231
United Kingdom.....	371,576	23,243	23,933	31,364	-7,431	27,562	9,698	7,159
Venezuela.....	31,103	1,125	1,128	1,166	-39	1,117	387	386

[1] Includes a small number of domestic corporations with foreign owners from Saint Christopher, Nevis, and Anguilla.

[2] Less than \$500,000.

NOTES: "New" corporations were those with dates of incorporation between 2002 and 2005; "old" corporations were those with dates of incorporation prior to 2002, or with unknown dates of incorporation. Countries shown in this table are those in which one or more of the following were present: (a) at least 500 returns, (b) at least \$10 billion of total assets, or (c) at least \$5 billion of total receipts. Detail may not add to totals because of rounding.

Foreign-Controlled Domestic Corporations, 2004

Table 4. "Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Industrial Sectors, Tax Year 2004

[Money amounts are in millions of dollars]

Control status and industrial sectors	Number of returns			Assets			
	Total	With net income	With total income tax after credits	Total	Current	Noncurrent	
						Total	Loans to stockholders
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS							
All industries.....	3,524	2,444	2,335	7,646,849	3,641,720	4,005,130	33,454
Agriculture, forestry, fishing, and hunting	17	6	5	3,817	1,764	2,053	0
Mining.....	65	41	38	90,488	16,677	73,811	424
Utilities.....	23	13	13	82,004	9,193	72,811	0
Construction.....	65	46	45	27,869	16,084	11,785	113
Manufacturing.....	1,315	852	803	2,119,286	1,104,123	1,015,163	2,469
Wholesale and retail trade.....	1,125	884	847	450,946	253,748	197,198	1,805
Wholesale trade.....	1,003	799	767	356,814	215,313	141,501	1,334
Retail trade.....	122	85	80	94,132	38,435	55,697	471
Transportation and warehousing.....	89	55	52	42,718	9,256	33,462	15
Information.....	109	54	51	543,419	70,404	473,014	2,250
Finance and insurance.....	276	211	210	3,158,576	1,489,308	1,669,268	18,992
Real estate and rental and leasing.....	63	46	45	70,299	19,287	51,013	6,846
Professional, scientific, and technical services.....	161	96	94	87,320	24,250	63,071	61
Management of companies (holding companies).....	71	48	46	866,248	609,614	256,634	95
Administrative and support and waste management and remediation services.....	57	34	32	33,775	8,027	25,748	70
Educational services.....	5	d	d	1,261	248	1,013	0
Health care and social assistance.....	16	8	8	15,164	3,000	12,164	0
Arts, entertainment, and recreation.....	9	d	d	2,516	765	1,752	70
Accommodation and food services.....	42	26	24	48,452	5,266	43,186	241
Other services.....	15	11	10	2,691	707	1,984	0
DOMESTIC CORPORATIONS NOT FOREIGN-CONTROLLED							
All industries.....	14,398	10,602	10,317	37,797,358	14,381,185	23,416,173	80,522
Agriculture, forestry, fishing, and hunting	97	69	65	25,458	7,888	17,570	20
Mining.....	181	113	122	324,648	67,237	257,411	2,709
Utilities.....	167	102	104	1,304,370	248,914	1,055,456	205
Construction.....	644	525	529	148,849	84,865	63,984	875
Manufacturing.....	3,137	2,115	2,033	6,589,999	2,185,387	4,404,612	51,774
Wholesale and retail trade [3].....	3,701	2,858	2,749	1,650,205	685,540	964,665	5,662
Wholesale trade.....	2,015	1,614	1,558	819,793	320,988	498,806	3,708
Retail trade.....	1,685	1,243	1,191	830,327	364,509	465,817	1,954
Transportation and warehousing.....	401	275	259	431,057	89,764	341,292	2,240
Information.....	654	340	334	2,246,609	473,086	1,773,523	968
Finance and insurance.....	2,015	1,680	1,657	13,085,809	4,264,808	8,821,000	7,729
Real estate and rental and leasing.....	159	93	90	121,160	28,502	92,658	227
Professional, scientific, and technical services.....	727	481	476	274,930	121,409	153,520	187
Management of companies (holding companies).....	1,261	1,185	1,191	10,995,959	5,997,638	4,998,322	6,431
Administrative and support and waste management and remediation services.....	313	213	194	176,138	35,980	140,159	61
Educational services.....	43	28	28	11,454	5,130	6,324	5
Health care and social assistance.....	510	309	282	132,207	35,454	96,753	111
Arts, entertainment, and recreation.....	61	30	30	32,092	7,433	24,659	1,165
Accommodation and food services.....	251	144	134	218,086	33,266	184,820	90
Other services.....	75	40	39	28,330	8,884	19,445	63

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2004

Table 4. "Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Industrial Sectors, Tax Year 2004—Continued

[Money amounts are in millions of dollars]

Control status and industrial sectors	Liabilities			Net worth			
	Current	Noncurrent		Total	Retained earnings		
		Total	Loans from stockholders		Total	Appropriated	Unappropriated
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS							
All industries.....	3,489,951	2,525,546	107,708	1,631,352	-62,362	10,560	-72,922
Agriculture, forestry, fishing, and hunting	1,067	1,185	35	1,565	287	13	274
Mining.....	9,746	24,347	1,453	56,394	-8,463	64	-8,527
Utilities.....	10,088	50,282	2,146	21,634	-2,552	0	-2,552
Construction.....	12,115	7,963	623	7,792	-4,999	5	-5,004
Manufacturing.....	994,153	587,586	46,279	537,548	7,091	717	6,374
Wholesale and retail trade.....	191,587	136,160	7,337	123,199	-6,391	49	-6,441
Wholesale trade.....	161,443	90,983	5,722	104,388	6,095	43	6,052
Retail trade.....	30,144	45,177	1,615	18,811	-12,486	7	-12,493
Transportation and warehousing.....	9,898	18,606	642	14,214	-1,389	7	-1,397
Information.....	65,720	155,641	27,418	322,057	-36,477	0	-36,477
Finance and insurance.....	1,482,604	1,325,273	5,638	350,699	3,915	9,341	-5,426
Real estate and rental and leasing.....	25,905	29,290	8,569	15,104	-4,745	0	-4,745
Professional, scientific, and technical services.....	25,860	19,326	1,808	42,134	-14,305	31	-14,337
Management of companies (holding companies).....	642,185	129,981	2,332	94,083	21,300	325	20,975
Administrative and support and waste management and remediation services.....	8,174	13,404	1,998	12,196	-16,061	0	-16,061
Educational services.....	330	395	23	536	-135	0	-135
Health care and social assistance.....	2,374	3,959	329	8,830	179	0	179
Arts, entertainment, and recreation.....	1,205	435	41	876	265	0	265
Accommodation and food services.....	6,299	20,556	904	21,596	-608	2	-610
Other services.....	640	1,156	132	895	727	6	722
DOMESTIC CORPORATIONS NOT FOREIGN-CONTROLLED							
All industries.....	17,645,981	11,635,671	101,954	8,515,707	3,018,124	122,301	2,895,823
Agriculture, forestry, fishing, and hunting	5,811	13,045	581	6,602	1,167	24	1,142
Mining.....	44,998	145,668	1,535	133,983	43,214	37	43,178
Utilities.....	268,316	695,848	1,025	340,205	16,129	3,587	12,542
Construction.....	46,181	50,787	335	51,881	34,546	4	34,542
Manufacturing.....	2,076,072	2,185,287	25,881	2,328,640	995,570	3,792	991,779
Wholesale and retail trade [3].....	520,091	367,419	6,284	762,695	410,201	2,678	407,524
Wholesale trade.....	226,783	167,429	3,821	425,581	259,883	2,622	257,261
Retail trade.....	293,295	199,943	2,463	337,088	150,315	55	150,260
Transportation and warehousing.....	93,504	226,179	2,854	111,374	40,693	20	40,672
Information.....	441,785	860,299	1,585	944,525	-148,468	177	-148,645
Finance and insurance.....	6,011,291	5,219,184	5,524	1,855,334	994,341	97,116	897,225
Real estate and rental and leasing.....	32,012	49,462	1,634	39,686	5,747	[2]	5,746
Professional, scientific, and technical services.....	97,892	83,786	265	93,252	-33,908	164	-34,072
Management of companies (holding companies).....	7,896,707	1,467,384	51,352	1,631,868	603,872	13,794	590,078
Administrative and support and waste management and remediation services.....	34,421	79,423	40	62,295	15,958	107	15,851
Educational services.....	3,693	1,496	212	6,265	2,250	0	2,250
Health care and social assistance.....	27,155	62,090	477	42,962	565	31	534
Arts, entertainment, and recreation.....	5,873	18,528	1,775	7,691	-1,239	6	-1,245
Accommodation and food services.....	34,732	95,776	573	87,578	36,112	661	35,451
Other services.....	5,447	14,010	22	8,873	1,374	102	1,272

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2004

Table 4. "Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Industrial Sectors, Tax Year 2004—Continued

[Money amounts are in millions of dollars]

Control status and industrial sectors	Receipts						
	Total	Business receipts	Interest [1]	Rents	Royalties	Dividends received from:	
						Domestic corporations	Foreign corporations
	(15)	(16)	(17)	(18)	(19)	(20)	(21)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS							
All industries.....	2,886,034	2,581,517	152,205	14,195	13,526	3,389	4,794
Agriculture, forestry, fishing, and hunting	9,468	9,249	27	5	138	0	4
Mining.....	36,217	32,679	438	32	38	106	79
Utilities.....	29,503	27,759	623	160	0	71	4
Construction.....	38,104	36,028	224	184	30	2	98
Manufacturing.....	1,421,461	1,342,936	18,277	8,876	7,520	418	2,527
Wholesale and retail trade.....	740,473	719,071	4,078	1,255	1,919	590	330
Wholesale trade.....	592,972	575,248	3,685	819	1,681	590	328
Retail trade.....	147,501	143,823	393	436	238	1	2
Transportation and warehousing.....	38,263	36,665	229	145	19	4	66
Information.....	85,308	69,534	8,585	143	2,236	532	324
Finance and insurance.....	296,124	175,953	75,228	1,375	16	1,434	680
Real estate and rental and leasing.....	16,812	13,244	1,029	176	37	131	24
Professional, scientific, and technical services.....	42,387	39,252	463	89	671	36	197
Management of companies (holding companies).....	62,037	15,644	42,066	1,626	210	61	211
Administrative and support and waste management and remediation services.....	29,024	27,387	368	9	41	1	95
Educational services.....	704	669	1	0	26	0	5
Health care and social assistance.....	10,419	10,040	64	12	8	0	4
Arts, entertainment, and recreation.....	1,892	1,488	43	12	18	0	39
Accommodation and food services.....	25,081	21,294	437	96	572	3	41
Other services.....	2,759	2,627	25	0	28	0	63
DOMESTIC CORPORATIONS NOT FOREIGN-CONTROLLED							
All industries.....	12,095,567	10,216,860	1,007,417	78,583	124,273	14,739	52,580
Agriculture, forestry, fishing, and hunting	21,951	21,002	97	57	47	4	132
Mining.....	144,751	134,494	2,074	290	604	214	574
Utilities.....	527,920	487,015	9,271	3,141	120	268	1,490
Construction.....	193,427	185,569	1,186	549	210	40	24
Manufacturing.....	3,950,848	3,584,364	103,166	21,559	76,928	1,841	31,934
Wholesale and retail trade [3].....	2,674,820	2,590,998	14,130	4,523	9,558	769	3,794
Wholesale trade.....	1,091,644	1,056,292	7,128	2,394	3,826	714	2,817
Retail trade.....	1,583,116	1,534,647	7,002	2,129	5,732	54	977
Transportation and warehousing.....	351,675	334,201	3,048	1,322	1,620	43	107
Information.....	774,870	668,578	22,524	11,823	21,905	705	7,189
Finance and insurance.....	2,041,195	1,340,985	485,896	6,562	1,182	8,920	3,755
Real estate and rental and leasing.....	57,314	49,729	1,670	490	235	20	18
Professional, scientific, and technical services.....	207,928	194,406	2,936	419	4,204	27	226
Management of companies (holding companies).....	626,404	145,506	354,491	26,189	413	1,780	2,648
Administrative and support and waste management and remediation services.....	152,552	141,255	2,649	199	1,556	20	304
Educational services.....	12,006	11,524	65	13	98	2	5
Health care and social assistance.....	150,227	144,017	615	429	172	27	49
Arts, entertainment, and recreation.....	20,357	17,597	579	115	136	5	24
Accommodation and food services.....	163,804	143,913	2,831	851	5,152	45	308
Other services.....	23,518	21,705	190	49	134	8	

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2004

Table 4. "Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Industrial Sectors, Tax Year 2004—Continued

[Money amounts are in millions of dollars]

Control status and industrial sectors	Deductions						
	Total	Cost of goods sold	Compensation of officers	Salaries and wages	Interest paid	Taxes paid	Depreciation
	(22)	(23)	(24)	(25)	(26)	(27)	(28)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS							
All industries.....	2,796,911	1,864,878	11,270	179,072	125,847	36,107	99,879
Agriculture, forestry, fishing, and hunting	9,287	8,058	25	234	116	42	202
Mining.....	34,013	17,683	123	1,984	2,057	776	2,741
Utilities.....	29,511	15,943	26	1,221	2,534	916	2,697
Construction.....	36,680	30,619	197	1,743	463	364	418
Manufacturing.....	1,374,328	1,035,551	3,183	62,758	34,377	14,704	52,905
Wholesale and retail trade.....	725,353	582,118	1,594	36,581	6,847	6,443	16,192
Wholesale trade.....	579,656	477,631	1,364	21,945	4,873	4,329	13,377
Retail trade.....	145,698	104,488	230	14,636	1,975	2,114	2,815
Transportation and warehousing.....	38,203	13,093	176	6,394	782	1,135	1,684
Information.....	84,275	26,415	377	10,433	12,368	1,591	5,730
Finance and insurance.....	282,406	88,995	4,343	25,179	43,466	3,871	6,165
Real estate and rental and leasing.....	19,171	2,896	93	2,413	1,747	416	5,873
Professional, scientific, and technical services.....	41,594	15,424	573	9,999	1,309	1,951	928
Management of companies (holding companies).....	53,951	27	283	8,029	17,303	970	2,440
Administrative and support and waste management and remediation services.....	28,755	13,885	114	4,938	1,078	1,163	716
Educational services.....	715	216	19	194	29	28	11
Health care and social assistance.....	10,060	2,887	37	1,762	346	365	333
Arts, entertainment, and recreation.....	1,676	486	18	250	103	34	91
Accommodation and food services.....	24,412	9,256	74	4,592	872	1,285	728
Other services.....	2,520	1,327	16	368	50	54	24
DOMESTIC CORPORATIONS NOT FOREIGN-CONTROLLED							
All industries.....	11,519,247	6,304,034	66,316	1,170,178	703,668	237,269	432,343
Agriculture, forestry, fishing, and hunting	20,934	15,931	149	1,096	565	334	584
Mining.....	135,331	77,898	1,234	6,227	6,146	4,078	8,898
Utilities.....	524,651	291,370	1,487	22,887	35,198	18,347	45,956
Construction.....	180,314	139,547	1,631	8,593	2,293	2,719	2,195
Manufacturing.....	3,785,685	2,583,314	15,007	242,766	133,940	71,918	131,704
Wholesale and retail trade [3].....	2,582,311	1,995,969	8,276	217,613	22,754	34,754	44,265
Wholesale trade.....	1,056,583	890,872	4,434	54,067	9,894	8,908	12,123
Retail trade.....	1,525,671	1,105,048	3,842	163,543	12,859	25,845	32,142
Transportation and warehousing.....	350,660	87,539	1,247	75,409	8,929	13,206	25,409
Information.....	749,058	135,061	5,383	122,429	50,078	20,045	74,993
Finance and insurance.....	1,891,903	752,225	14,138	190,261	259,530	29,477	23,864
Real estate and rental and leasing.....	57,983	8,139	531	10,162	4,124	1,585	14,718
Professional, scientific, and technical services.....	207,251	63,866	3,900	54,566	4,797	6,027	4,946
Management of companies (holding companies).....	524,343	5,318	8,656	91,537	157,740	12,597	35,399
Administrative and support and waste management and remediation services.....	150,657	64,698	836	26,472	4,733	6,351	4,635
Educational services.....	10,983	1,573	211	3,759	141	339	473
Health care and social assistance.....	146,342	18,499	2,093	53,985	3,744	5,898	4,592
Arts, entertainment, and recreation.....	20,382	3,497	238	4,172	1,516	1,402	1,481
Accommodation and food services.....	157,186	50,066	1,164	34,450	6,684	7,413	7,528
Other services.....	23,275	9,524	136	3,794	754	777	702

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2004

Table 4. "Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Industrial Sectors, Tax Year 2004—Continued

[Money amounts are in millions of dollars]

Control status and industrial sectors	Total receipts less total deductions	Constructive taxable income from related foreign corporations	Net income (less deficit)	Net income	Deficit	Statutory special deductions	
						Total	Net operating loss deduction
	(29)	(30)	(31)	(32)	(33)	(34)	(35)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS							
All industries.....	89,123	5,084	93,171	124,436	-31,265	27,748	24,033
Agriculture, forestry, fishing, and hunting	181	2	183	249	-66	36	34
Mining.....	2,204	141	2,325	3,214	-889	1,507	1,417
Utilities.....	-8	0	-11	772	-784	742	677
Construction.....	1,424	19	1,438	1,727	-288	477	467
Manufacturing.....	47,133	2,906	49,847	61,254	-11,407	9,720	8,784
Wholesale and retail trade.....	15,120	243	15,326	19,428	-4,102	3,233	2,711
Wholesale trade.....	13,317	243	13,527	16,998	-3,471	2,546	2,024
Retail trade.....	1,803	0	1,798	2,430	-632	687	687
Transportation and warehousing.....	59	10	45	993	-948	267	264
Information.....	1,032	702	1,731	4,330	-2,599	2,588	2,122
Finance and insurance.....	13,718	446	13,851	17,785	-3,934	6,540	5,266
Real estate and rental and leasing.....	-2,359	13	-2,390	1,345	-3,735	762	657
Professional, scientific, and technical services.....	792	136	889	2,077	-1,189	646	609
Management of companies (holding companies).....	8,086	366	8,101	8,262	-162	422	261
Administrative and support and waste management and remediation services.....	268	6	272	637	-365	362	361
Educational services.....	-10	5	-6	d	d	d	d
Health care and social assistance.....	358	4	362	479	-117	64	62
Arts, entertainment, and recreation.....	216	0	216	d	d	d	d
Accommodation and food services.....	669	54	723	1,353	-630	282	280
Other services.....	238	30	268	287	-19	17	16
DOMESTIC CORPORATIONS NOT FOREIGN-CONTROLLED							
All industries.....	576,320	77,394	635,221	766,361	-131,139	72,908	51,387
Agriculture, forestry, fishing, and hunting	1,018	76	1,092	1,362	-270	253	123
Mining.....	9,420	404	9,789	11,746	-1,958	1,862	1,644
Utilities.....	3,269	1,165	3,935	16,747	-12,812	4,516	3,555
Construction.....	13,113	12	13,105	13,953	-848	465	428
Manufacturing.....	165,163	53,807	216,257	253,760	-37,503	23,310	17,520
Wholesale and retail trade [3].....	92,509	5,088	96,522	102,250	-5,729	6,108	4,808
Wholesale trade.....	35,061	3,569	37,952	40,526	-2,574	3,633	2,937
Retail trade.....	57,445	1,519	58,566	61,721	-3,154	2,475	1,871
Transportation and warehousing.....	1,015	760	1,683	11,997	-10,314	671	519
Information.....	25,812	3,999	28,985	59,495	-30,510	13,127	9,442
Finance and insurance.....	149,291	6,275	148,817	157,787	-8,970	13,650	6,930
Real estate and rental and leasing.....	-669	74	-665	2,798	-3,463	576	552
Professional, scientific, and technical services.....	677	639	1,184	9,854	-8,670	2,156	2,135
Management of companies (holding companies).....	102,061	4,370	100,570	101,453	-884	3,326	951
Administrative and support and waste management and remediation services.....	1,896	227	2,009	5,262	-3,253	1,190	1,159
Educational services.....	1,022	4	1,001	1,160	-160	57	55
Health care and social assistance.....	3,885	109	3,784	6,739	-2,956	892	871
Arts, entertainment, and recreation.....	-25	12	-21	635	-656	73	70
Accommodation and food services.....	6,618	367	6,937	8,552	-1,615	617	573
Other services.....	242	6	239	809	-570	58	52

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2004

Table 4. "Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Industrial Sectors, Tax Year 2004—Continued

[Money amounts are in millions of dollars]

Control status and industrial sectors	Income subject to tax	Total income tax before credits	Income tax	Alternative minimum tax	Total credits	Foreign tax credit	Total income tax after credits
	(36)	(37)	(38)	(39)	(40)	(41)	(42)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS							
All industries.....	97,047	34,455	33,896	549	6,995	5,324	27,460
Agriculture, forestry, fishing, and hunting	215	75	75	0	4	1	72
Mining.....	1,789	717	626	91	524	524	193
Utilities.....	48	50	16	31	0	0	50
Construction.....	1,258	449	440	8	8	6	441
Manufacturing.....	51,594	18,232	18,040	190	4,708	3,744	13,524
Wholesale and retail trade.....	16,221	5,706	5,658	47	388	221	5,319
Wholesale trade.....	14,478	5,086	5,050	35	353	211	4,733
Retail trade.....	1,743	620	609	12	35	10	585
Transportation and warehousing.....	726	257	253	4	26	9	230
Information.....	1,752	644	611	33	77	49	568
Finance and insurance.....	11,312	4,012	3,934	83	518	370	3,494
Real estate and rental and leasing.....	583	217	203	14	18	5	200
Professional, scientific, and technical services.....	1,435	508	500	7	109	82	399
Management of companies (holding companies).....	7,922	2,805	2,772	23	392	166	2,413
Administrative and support and waste management and remediation services.....	275	102	96	6	14	1	88
Educational services.....	d	d	d	d	d	d	d
Health care and social assistance.....	418	147	146	1	7	1	140
Arts, entertainment, and recreation.....	d	d	d	d	d	d	d
Accommodation and food services.....	1,070	382	374	7	167	111	215
Other services.....	270	95	95	0	32	31	63
DOMESTIC CORPORATIONS NOT FOREIGN-CONTROLLED							
All industries.....	694,388	245,495	243,046	2,646	67,145	51,085	178,349
Agriculture, forestry, fishing, and hunting	1,110	388	387	2	10	5	379
Mining.....	9,885	3,571	3,458	112	968	789	2,603
Utilities.....	12,762	4,596	4,485	91	718	28	3,878
Construction.....	13,491	4,723	4,712	7	122	11	4,601
Manufacturing.....	230,842	81,346	80,750	558	39,762	33,668	41,584
Wholesale and retail trade [3].....	96,260	33,900	33,911	237	3,453	2,746	30,446
Wholesale trade.....	36,950	12,999	12,902	103	2,482	2,004	10,517
Retail trade.....	59,307	20,900	21,008	134	972	742	19,928
Transportation and warehousing.....	11,335	3,972	3,962	10	324	183	3,648
Information.....	46,444	16,407	16,249	153	3,575	2,663	12,832
Finance and insurance.....	143,902	51,604	50,275	1,354	9,546	5,258	42,059
Real estate and rental and leasing.....	2,223	801	776	24	21	6	780
Professional, scientific, and technical services.....	7,710	2,729	2,690	38	454	360	2,275
Management of companies (holding companies).....	98,137	34,335	34,306	25	6,747	4,475	27,588
Administrative and support and waste management and remediation services.....	4,076	1,435	1,422	13	388	240	1,047
Educational services.....	1,103	386	386	1	4	3	383
Health care and social assistance.....	5,855	2,058	2,046	12	52	15	2,005
Arts, entertainment, and recreation.....	562	200	195	4	57	47	143
Accommodation and food services.....	7,936	2,779	2,772	5	933	584	1,846
Other services.....	753	263	263	1	11	4	252

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2004

Table 4. "Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Industrial Sectors, Tax Year 2004—Continued

[Money amounts are in millions of dollars]

(Money amounts are in millions of dollars)

Control status and industrial sectors	Percentages					
	Number of returns with net income	Number of returns with total income tax after credits	Current liabilities	Noncurrent liabilities	Net worth	Total liabilities divided by net worth
	Divided by total number of returns		Divided by total assets			
	(43)	(44)	(45)	(46)	(47)	
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS						
All industries.....	69.35	66.26	45.64	33.03	21.33	368.74
Agriculture, forestry, fishing, and hunting	35.29	29.41	27.95	31.05	41.00	143.90
Mining.....	63.08	58.46	10.77	26.91	62.32	60.46
Utilities.....	56.52	56.52	12.30	61.32	26.38	279.05
Construction.....	70.77	69.23	43.47	28.57	27.96	257.67
Manufacturing.....	64.79	61.06	46.91	27.73	25.36	294.25
Wholesale and retail trade.....	78.58	75.29	42.49	30.19	27.32	266.03
Wholesale trade.....	79.66	76.47	45.25	25.50	29.26	241.82
Retail trade.....	69.67	65.57	32.02	47.99	19.98	400.41
Transportation and warehousing.....	61.80	58.43	23.17	43.56	33.27	200.53
Information.....	49.54	46.79	12.09	28.64	59.26	68.73
Finance and insurance.....	76.45	76.09	46.94	41.96	11.10	800.65
Real estate and rental and leasing.....	73.02	71.43	36.85	41.66	21.49	365.43
Professional, scientific, and technical services.....	59.63	58.39	29.62	22.13	48.25	107.24
Management of companies (holding companies).....	67.61	64.79	74.13	15.01	10.86	820.73
Administrative and support and waste management and remediation services.....	59.65	56.14	24.20	39.69	36.11	176.93
Educational services.....	d	d	26.17	31.32	42.51	135.26
Health care and social assistance.....	50.00	50.00	15.66	26.11	58.23	71.72
Arts, entertainment, and recreation.....	d	d	47.89	17.29	34.82	187.21
Accommodation and food services.....	61.90	57.14	13.00	42.43	44.57	124.35
Other services.....	73.33	66.67	23.78	42.96	33.26	200.67
DOMESTIC CORPORATIONS NOT FOREIGN-CONTROLLED						
All industries.....	73.64	71.66	46.69	30.78	22.53	343.85
Agriculture, forestry, fishing, and hunting	71.13	67.01	22.83	51.24	25.93	285.61
Mining.....	62.43	67.40	13.86	44.87	41.27	142.31
Utilities.....	61.08	62.28	20.57	53.35	26.08	283.41
Construction.....	81.52	82.14	31.03	34.12	34.85	186.90
Manufacturing.....	67.42	64.81	31.50	33.16	35.34	183.00
Wholesale and retail trade [3].....	77.22	74.28	31.52	22.27	46.22	116.36
Wholesale trade.....	80.10	77.32	27.66	20.42	51.91	92.63
Retail trade.....	73.77	70.68	35.32	24.08	40.60	146.32
Transportation and warehousing.....	68.58	64.59	21.69	52.47	25.84	287.04
Information.....	51.99	51.07	19.66	38.29	42.04	137.86
Finance and insurance.....	83.37	82.23	45.94	39.88	14.18	605.31
Real estate and rental and leasing.....	58.49	56.60	26.42	40.82	32.76	205.30
Professional, scientific, and technical services.....	66.16	65.47	35.61	30.48	33.92	194.82
Management of companies (holding companies).....	93.97	94.45	71.81	13.34	14.84	573.83
Administrative and support and waste management and remediation services.....	68.05	61.98	19.54	45.09	35.37	182.75
Educational services.....	65.12	65.12	32.24	13.06	54.70	82.83
Health care and social assistance.....	60.59	55.29	20.54	46.96	32.50	207.73
Arts, entertainment, and recreation.....	49.18	49.18	18.30	57.73	23.97	317.27
Accommodation and food services.....	57.37	53.39	15.93	43.92	40.16	149.02
Other services.....	53.33	52.00	19.23	49.45	31.32	219.28

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2004

Table 4. "Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Industrial Sectors, Tax Year 2004—Continued

[Money amounts are in millions of dollars]

Control status and industrial sectors	Percentages—Continued					
	Total receipts divided by total assets	Cost of goods sold divided by business receipts	Interest paid divided by total receipts	Total receipts less total deductions divided by		
				Total assets	Net worth	Total receipts
	(49)	(50)	(51)	(52)	(53)	(54)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS						
All industries.....	37.74	72.24	4.36	1.17	5.46	3.09
Agriculture, forestry, fishing, and hunting	248.05	87.12	1.23	4.74	11.57	1.91
Mining.....	40.02	54.11	5.68	2.44	3.91	6.09
Utilities.....	35.98	57.43	8.59	-0.01	-0.04	-0.03
Construction.....	136.73	84.99	1.22	5.11	18.28	3.74
Manufacturing.....	67.07	77.11	2.42	2.22	8.77	3.32
Wholesale and retail trade.....	164.20	80.95	0.92	3.35	12.27	2.04
Wholesale trade.....	166.19	83.03	0.82	3.73	12.76	2.25
Retail trade.....	156.70	72.65	1.34	1.92	9.58	1.22
Transportation and warehousing.....	89.57	35.71	2.04	0.14	0.42	0.15
Information.....	15.70	37.99	14.50	0.19	0.32	1.21
Finance and insurance.....	9.38	50.58	14.68	0.43	3.91	4.63
Real estate and rental and leasing.....	23.91	21.87	10.39	-3.36	-15.62	-14.03
Professional, scientific, and technical services.....	48.54	39.29	3.09	0.91	1.88	1.87
Management of companies (holding companies).....	7.16	0.17	27.89	0.93	8.59	13.03
Administrative and support and waste management and remediation services.....	85.93	50.70	3.71	0.79	2.20	0.92
Educational services.....	55.83	32.29	4.12	-0.79	-1.87	-1.42
Health care and social assistance.....	68.71	28.75	3.32	2.36	4.05	3.44
Arts, entertainment, and recreation.....	75.20	32.66	5.44	8.59	24.66	11.42
Accommodation and food services.....	51.76	43.47	3.48	1.38	3.10	2.67
Other services.....	102.53	50.51	1.81	8.84	26.59	8.63
DOMESTIC CORPORATIONS NOT FOREIGN-CONTROLLED						
All industries.....	32.00	61.70	5.82	1.52	6.77	4.76
Agriculture, forestry, fishing, and hunting	86.22	75.85	2.57	4.00	15.42	4.64
Mining.....	44.59	57.92	4.25	2.90	7.03	6.51
Utilities.....	40.47	59.83	6.67	0.25	0.96	0.62
Construction.....	129.95	75.20	1.19	8.81	25.28	6.78
Manufacturing.....	59.95	72.07	3.39	2.51	7.09	4.18
Wholesale and retail trade [3].....	162.09	77.03	0.85	5.61	12.13	3.46
Wholesale trade.....	133.16	84.34	0.91	4.28	8.24	3.21
Retail trade.....	190.66	72.01	0.81	6.92	17.04	3.63
Transportation and warehousing.....	81.58	26.19	2.54	0.24	0.91	0.29
Information.....	34.49	20.20	6.46	1.15	2.73	3.33
Finance and insurance.....	15.60	56.09	12.71	1.14	8.05	7.31
Real estate and rental and leasing.....	47.30	16.37	7.20	-0.55	-1.69	-1.17
Professional, scientific, and technical services.....	75.63	32.85	2.31	0.25	0.73	0.33
Management of companies (holding companies).....	5.70	3.65	25.18	0.93	6.25	16.29
Administrative and support and waste management and remediation services.....	86.61	45.80	3.10	1.08	3.04	1.24
Educational services.....	104.82	13.65	1.17	8.92	16.31	8.51
Health care and social assistance.....	113.63	12.85	2.49	2.94	9.04	2.59
Arts, entertainment, and recreation.....	63.43	19.87	7.45	-0.08	-0.33	-0.12
Accommodation and food services.....	75.11	34.79	4.08	3.03	7.56	4.04
Other services.....	83.01	43.88	3.21	0.85	2.73	1.03

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2004

Table 4. "Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Industrial Sectors, Tax Year 2004—Continued

[Money amounts are in millions of dollars]

(Money amounts are in millions of dollars)

Control status and industrial sectors	Percentages—Continued			
	Net income (less deficit) divided by			Net operating loss deduction divided by net income
	Total assets	Net worth	Total receipts	
	(55)	(56)	(57)	
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS				
All industries.....	1.22	5.71	3.23	19.31
Agriculture, forestry, fishing, and hunting	4.79	11.69	1.93	13.65
Mining.....	2.57	4.12	6.42	44.09
Utilities.....	-0.01	-0.05	-0.04	87.69
Construction.....	5.16	18.45	3.77	27.04
Manufacturing.....	2.35	9.27	3.51	14.34
Wholesale and retail trade.....	3.40	12.44	2.07	13.95
Wholesale trade.....	3.79	12.96	2.28	11.91
Retail trade.....	1.91	9.56	1.22	28.27
Transportation and warehousing.....	0.11	0.32	0.12	26.59
Information.....	0.32	0.54	2.03	49.01
Finance and insurance.....	0.44	3.95	4.68	29.61
Real estate and rental and leasing.....	-3.40	-15.82	-14.22	48.85
Professional, scientific, and technical services.....	1.02	2.11	2.10	29.32
Management of companies (holding companies).....	0.94	8.61	13.06	3.16
Administrative and support and waste management and remediation services.....	0.81	2.23	0.94	56.67
Educational services.....	-0.48	-1.12	-0.85	d
Health care and social assistance.....	2.39	4.10	3.47	12.94
Arts, entertainment, and recreation.....	8.59	24.66	11.42	d
Accommodation and food services.....	1.49	3.35	2.88	20.69
Other services.....	9.96	29.94	9.71	5.57
DOMESTIC CORPORATIONS NOT FOREIGN-CONTROLLED				
All industries.....	1.68	7.46	5.25	6.71
Agriculture, forestry, fishing, and hunting	4.29	16.54	4.97	9.03
Mining.....	3.02	7.31	6.76	14.00
Utilities.....	0.30	1.16	0.75	21.23
Construction.....	8.80	25.26	6.78	3.07
Manufacturing.....	3.28	9.29	5.47	6.90
Wholesale and retail trade [3].....	5.85	12.66	3.61	4.70
Wholesale trade.....	4.63	8.92	3.48	7.25
Retail trade.....	7.05	17.37	3.70	3.03
Transportation and warehousing.....	0.39	1.51	0.48	4.33
Information.....	1.29	3.07	3.74	15.87
Finance and insurance.....	1.14	8.02	7.29	4.39
Real estate and rental and leasing.....	-0.55	-1.68	-1.16	19.73
Professional, scientific, and technical services.....	0.43	1.27	0.57	21.67
Management of companies (holding companies).....	0.91	6.16	16.06	0.94
Administrative and support and waste management and remediation services.....	1.14	3.22	1.32	22.03
Educational services.....	8.74	15.98	8.34	4.74
Health care and social assistance.....	2.86	8.81	2.52	12.92
Arts, entertainment, and recreation.....	-0.07	-0.27	-0.10	11.02
Accommodation and food services.....	3.18	7.92	4.23	6.70
Other services.....	0.84	2.69	1.02	6.43

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2004

Table 4. "Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Industrial Sectors, Tax Year 2004—Continued

[Money amounts are in millions of dollars]

Control status and industrial sectors	Percentages—Continued					
	Income subject to tax divided by			Total income tax after credits divided by		
	Total assets	Net worth	Total receipts	Total assets	Net worth	Total receipts
	(59)	(60)	(61)	(62)	(63)	(64)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS						
All industries.....	1.27	5.95	3.36	0.36	1.68	0.95
Agriculture, forestry, fishing, and hunting	5.63	13.74	2.27	1.89	4.60	0.76
Mining.....	1.98	3.17	4.94	0.21	0.34	0.53
Utilities.....	0.06	0.22	0.16	0.06	0.23	0.17
Construction.....	4.51	16.14	3.30	1.58	5.66	1.16
Manufacturing.....	2.43	9.60	3.63	0.64	2.52	0.95
Wholesale and retail trade.....	3.60	13.17	2.19	1.18	4.32	0.72
Wholesale trade.....	4.06	13.87	2.44	1.33	4.53	0.80
Retail trade.....	1.85	9.27	1.18	0.62	3.11	0.40
Transportation and warehousing.....	1.70	5.11	1.90	0.54	1.62	0.60
Information.....	0.32	0.54	2.05	0.10	0.18	0.67
Finance and insurance.....	0.36	3.23	3.82	0.11	1.00	1.18
Real estate and rental and leasing.....	0.83	3.86	3.47	0.28	1.32	1.19
Professional, scientific, and technical services.....	1.64	3.41	3.39	0.46	0.95	0.94
Management of companies (holding companies).....	0.91	8.42	12.77	0.28	2.56	3.89
Administrative and support and waste management and remediation services.....	0.81	2.25	0.95	0.26	0.72	0.30
Educational services.....	d	d	d	d	d	d
Health care and social assistance.....	2.76	4.73	4.01	0.92	1.59	1.34
Arts, entertainment, and recreation.....	d	d	d	d	d	d
Accommodation and food services.....	2.21	4.95	4.27	0.44	1.00	0.86
Other services.....	10.03	30.17	9.79	2.34	7.04	2.28
DOMESTIC CORPORATIONS NOT FOREIGN-CONTROLLED						
All industries.....	1.84	8.15	5.74	0.47	2.09	1.47
Agriculture, forestry, fishing, and hunting	4.36	16.81	5.06	1.49	5.74	1.73
Mining.....	3.04	7.38	6.83	0.80	1.94	1.80
Utilities.....	0.98	3.75	2.42	0.30	1.14	0.73
Construction.....	9.06	26.00	6.97	3.09	8.87	2.38
Manufacturing.....	3.50	9.91	5.84	0.63	1.79	1.05
Wholesale and retail trade [3].....	5.83	12.62	3.60	1.84	3.99	1.14
Wholesale trade.....	4.51	8.68	3.38	1.28	2.47	0.96
Retail trade.....	7.14	17.59	3.75	2.40	5.91	1.26
Transportation and warehousing.....	2.63	10.18	3.22	0.85	3.28	1.04
Information.....	2.07	4.92	5.99	0.57	1.36	1.66
Finance and insurance.....	1.10	7.76	7.05	0.32	2.27	2.06
Real estate and rental and leasing.....	1.83	5.60	3.88	0.64	1.97	1.36
Professional, scientific, and technical services.....	2.80	8.27	3.71	0.83	2.44	1.09
Management of companies (holding companies).....	0.89	6.01	15.67	0.25	1.69	4.40
Administrative and support and waste management and remediation services.....	2.31	6.54	2.67	0.59	1.68	0.69
Educational services.....	9.63	17.61	9.19	3.34	6.11	3.19
Health care and social assistance.....	4.43	13.63	3.90	1.52	4.67	1.33
Arts, entertainment, and recreation.....	1.75	7.31	2.76	0.45	1.86	0.70
Accommodation and food services.....	3.64	9.06	4.84	0.85	2.11	1.13
Other services.....	2.66	8.49	3.20	0.89	2.84	1.07

d Not shown to avoid disclosure of information about specific corporations. However, data are included in the appropriate totals.

[1] Excludes nontaxable interest received on State and local government obligations, which totaled \$18.5 billion for large domestic corporations not foreign-controlled, and \$1.0 billion for large foreign-controlled domestic corporations.

[2] Less than \$500,000.

[3] Includes "Wholesale and retail trade not allocable," which is not shown separately.

NOTES: "Large" corporations are those with total assets of \$250,000,000 or more, and/or with business receipts of \$50,000,000 or more (total receipts were used in lieu of business receipts for the finance and insurance, and management of companies sectors). Data exclude Forms 1120-REIT (real estate investment trusts), 1120-RIC (regulated investment companies), and 1120S (S corporations). Data also exclude returns in which the foreign ownership level is between 25 percent and 49 percent. Percentages shown in table were calculated using rounded data. Detail may not add to totals because of rounding.

What's New in Federal Excise Taxation, Fiscal Years 1992-2006

by Melissa Laine

Federal receipts from excise taxation reached a level of \$76.1 billion for Fiscal Year (FY) 2006 (Figure A). The FY 2006 receipts represented a 1.2-percent increase from FY 2005 and a 35.9-percent increase since FY 1996.^{1,2} Excise taxes accounted for 3 percent of total receipts for the U.S. Government in FY 2006.³ This article will explore some of the changes in tax law that occurred between FY 1993 and 2006 in the areas of retail and manufacturers' excise taxes.

An excise tax is a tax paid on the purchase of a particular good or the occurrence of a particular event. Excise taxes may be broken out into broad categories such as: retail excise taxes, manufacturing excise taxes, taxes on facilities and services, environmental excise taxes, taxes on private foundations, and others. Retail excise taxes are imposed when purchases are made of a certain good by the consumer or seller of the good. An example of a retail excise tax is tax paid on compressed natural gas and dyed diesel fuel used in trains. Manufacturing excise taxes, imposed on manufacturers, producers, or importers of taxable products, include taxes paid on gas guzzlers, which are vehicles that do not meet certain fuel economy standards. Environmental excise taxes exist on ozone-depleting chemicals and products containing these chemicals. Finally, taxes are imposed on private foundations' net investment income and certain prohibited activities.

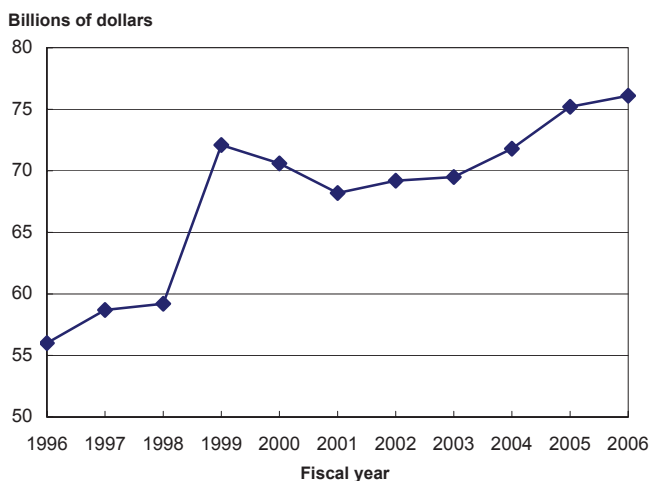
The majority of excise tax liability is reported on Form 720, *Quarterly Federal Excise Tax Return*. Some types of excise taxes have separate forms, such as the heavy highway vehicle use tax (Form 290), gas guzzler tax (Form 6197), and excise tax on greenmail (Form 8725).

Some excise taxes are earmarked to a Federal fund that is used for a specific purpose related to the nature of the tax. For example, excise tax levied on coal is deposited into the Black Lung Disability Trust

Melissa Laine is an economist with the Special Studies Statistical Data Section. This article was prepared under the direction of Martha Eller Gangi, Chief.

Figure A

Total Excise Tax Collections, Fiscal Years 1996-2006



Fund which benefits miners suffering from black lung disease. Money collected from taxable tires is placed in the Highway Account of the Highway Trust Fund, which is a source of revenue for interstate highways and other Federal highway programs. When excise taxes are not placed into a specific fund, they are placed in the General Fund of the Treasury.⁴

Retail Excise Tax: Introduction

Federal retail excise taxes are currently imposed on, but not limited to, the following goods: special motor fuels, compressed natural gas, alcohol fuels, fuels used on inland waterways, and truck, trailer, and semitrailer chassis and bodies, and tractors. As shown in Figure B, total retail excise tax in the last 10 fiscal years reached a low in 2003, before rebounding and steadily climbing in FY 2004-2006. In FY 2006, retail excise taxes collected finally reached a level of \$3.74 billion, slightly larger than the \$3.68 billion reported in FY 1999.

Retail Excise Tax Law Change: Luxury Excise Tax

A recent change in retail excise tax law is the expiration of the luxury tax on passenger vehicles. Modern

¹ IRS, *Statistics of Income Bulletin*, Fall 1997-Winter 2000-2001, Table 20.

² IRS, *Statistics of Income Bulletin*, Spring 2001-Spring 2007, Table 21.

³ U.S. Department of the Treasury, Financial Management Service, *Monthly Treasury Statement of Receipts and Outlays of the United States Government*, FY 2003-2006.

⁴ CCH Incorporated, *U.S. Master Excise Tax Guide*, 5th Edition, 2005.

What's New in Federal Excise Taxation, Fiscal Years 1992-2006

Figure B

Total Retail Excise Taxes, Fiscal Years 1996-2006

Billions of dollars

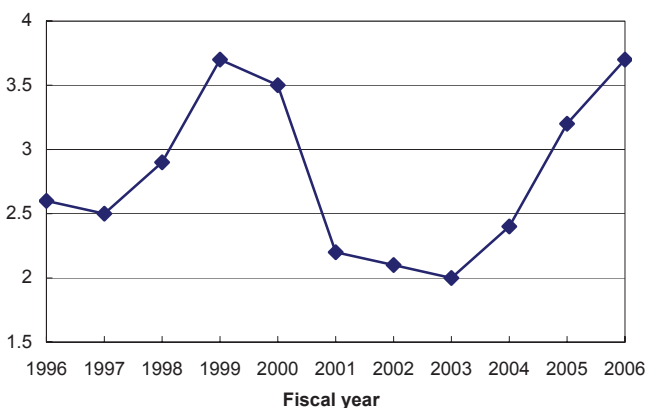


Figure C

Passenger Vehicle Luxury Tax Rates and Thresholds, Tax Years 1991-2002

Tax Year	Tax rate (percent)	Threshold (dollars)
1991.....	10	30,000
1992.....	10	30,000
1993.....	10	30,000
1994.....	10	32,000
1995.....	10	32,000
1996.....	9	34,000
1997.....	8	36,000
1998.....	7	36,000
1999.....	6	36,000
2000.....	5	38,000
2001.....	4	38,000
2002.....	3	40,000

luxury excise taxes, taxes paid on expensive goods and services considered nonessential by the U.S. Government, were first enacted under the Omnibus Budget Reconciliation Act of 1990, which imposed a 10-percent tax on the following items if their first retail sale price exceeds a certain threshold: aircrafts over \$250,000, boats over \$100,000, passenger vehicles over \$30,000, furs over \$10,000, and jewelry over \$10,000.^{5,6} These luxury taxes were reported

on Form 8807, *Certain Manufacturers and Retailers Excise Tax*, now obsolete. The luxury taxes were short-lived, however, and Congress repealed the taxes on aircrafts, boats, furs, and jewelry with the Omnibus Budget Reconciliation Act of 1993, effective on or after January 1, 1993.⁷ The Small Business Job Protection Act of 1996 phased out the luxury tax on passenger vehicles beginning with sales after August 27, 1996, and the tax expired for sales after December 31, 2002.^{4,8}

The passenger vehicle luxury tax was imposed on vehicles that had an unloaded weight of less than 6,000 pounds. The tax was directly paid by the seller of the vehicle who filed IRS Form 790, or used Form 8807, depending on the tax year. Luxury vehicles entering into a long-term lease were also subject to the tax. Limousines were taxable regardless of weight, while taxicabs and other vehicles specifically used for the business of transporting persons or property for hire were exempt. Also excluded were vehicles used for law enforcement, public safety, and public works, including emergency medical service vehicles.

During the life of luxury taxes on passenger vehicles, the sales price threshold was indexed to reflect inflation, in increments of \$2,000, and the tax rate was decreased as part of the phaseout of the tax legislated in the Small Business Job Protection Act of 1996. Figure C provides a summary of the threshold and tax rates for 1991-2002.

While the taxes were in effect on all luxury products in 1991, FY 1992 was the first year for which data are available. Figure D shows how much was collected in excise taxes on the different types of taxable luxury products in 1992. Figure E shows the amount collected from the passenger vehicle tax from 1992 through 2006. In FY 1992, \$276.1 million were collected in passenger vehicle excise taxes, followed by a steady increase in tax collection to the peak in FY 1996 with total taxes of \$532.2 million. Funds collected from FY 1997 through FY 2000 were relatively flat, until FY 2000-2004 which showed a decreasing trend. While the passenger vehicle luxury tax expired after December 31, 2002,

⁵ The term "first retail sale" meant the first sale, for a purpose other than resale, after manufacture, production, or importation.

⁶ Library of Congress, *Omnibus Budget Reconciliation Act of 1990*, 101st Congress, January 23, 1990.

⁷ Library of Congress, *Omnibus Budget Reconciliation Act of 1993*, 103rd Congress, August 10, 1993.

⁸ Library of Congress, *Small Business Job Protection Act of 1996*, 104th Congress, August 20, 1996.

What's New in Federal Excise Taxation, Fiscal Years 1992-2006

Figure D

Luxury Taxes, Fiscal Year 1992

Type of tax	Dollars
Aircraft.....	151,000
Boats.....	12,205,000
Furs.....	735,000
Jewelry.....	15,942,000
Passenger vehicles.....	276,100,000

Figure E

Passenger Vehicle Luxury Taxes, Fiscal Years 1992-2006

Millions of dollars

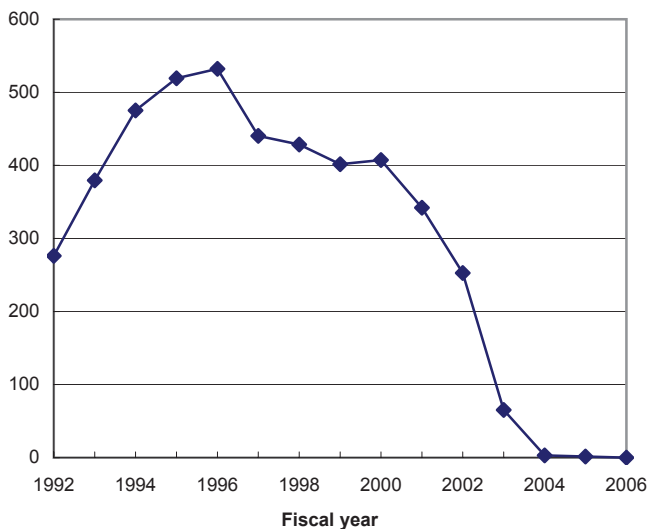
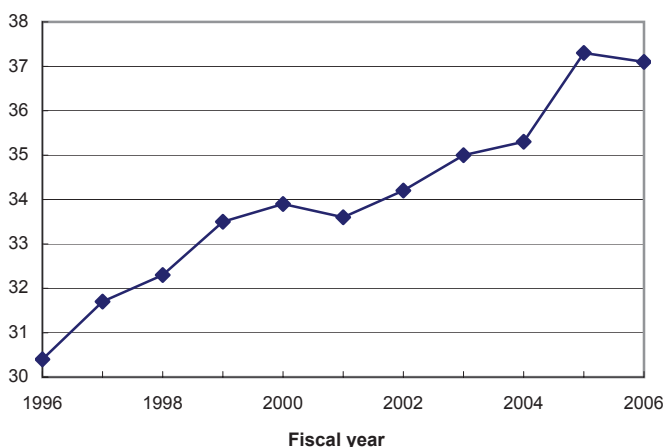


Figure F

Total Manufacturers' Excise Taxes, Fiscal Years 1996-2006

Billions of dollars



tax payments were still made from vehicles that entered into a long-term lease before 2003, and also due to IRS enforcement activities (audits). FY 2006, the most current year reported, showed a collection amount of -\$151,000, meaning there was a greater amount refunded than paid.

Manufacturers' Excise Tax: Introduction

Manufacturers' excise taxes are taxes imposed on manufacturers who produce taxable goods, including, but not limited to: kerosene for commercial and noncommercial uses, aviation gasoline, diesel fuel, coal, certain vaccines, sport fishing equipment, tackle boxes, and bows and arrows. The total amount of manufacturer excise tax collected in FY 2006, \$37.1 billion, is an increase of 22.1 percent over FY 1996 (Figure F).

When examining total manufacturers' excise tax by component, total excise taxes on gasoline comprise 68.9 percent of total manufacturers' excise taxes in FY 2006 and includes tax on gasoline, gasoline used in gasohol, and aviation-grade gasoline, each at different rates of taxation. Manufacturers' excise tax on diesel fuel, with the exception of the use of diesel fuel in trains and intercity buses (excluded from the excise tax since January 1, 2005), comprises 25.8 percent of total manufacturers' excise tax collection in FY 2006.² Finally, kerosene comprises 2.7 percent of total manufacturers' excise tax and includes kerosene, as well as aviation-grade kerosene used in both commercial and noncommercial aviation.²

Manufacturers' Excise Tax Law Change: Fishing Tackle Box Excise Tax

An excise tax law change that took place recently is the decrease in the tax rate that applied to the manufacturers' excise tax on fishing tackle boxes, effective January 1, 2005. Prior to 2005, sport fishing equipment was taxed at a rate of 10 percent and included the following components: fishing rods and poles, fishing reels, artificial bait, fishing lures, line and hooks, and fishing tackle boxes. Revenues from the excise tax on sport fishing equipment are deposited in the Federal Sport Fishing Account of the Aquatic Resources Trust Fund. Monies in the fund are spent to support Federal-State sport fish enhancement and safety programs.⁹

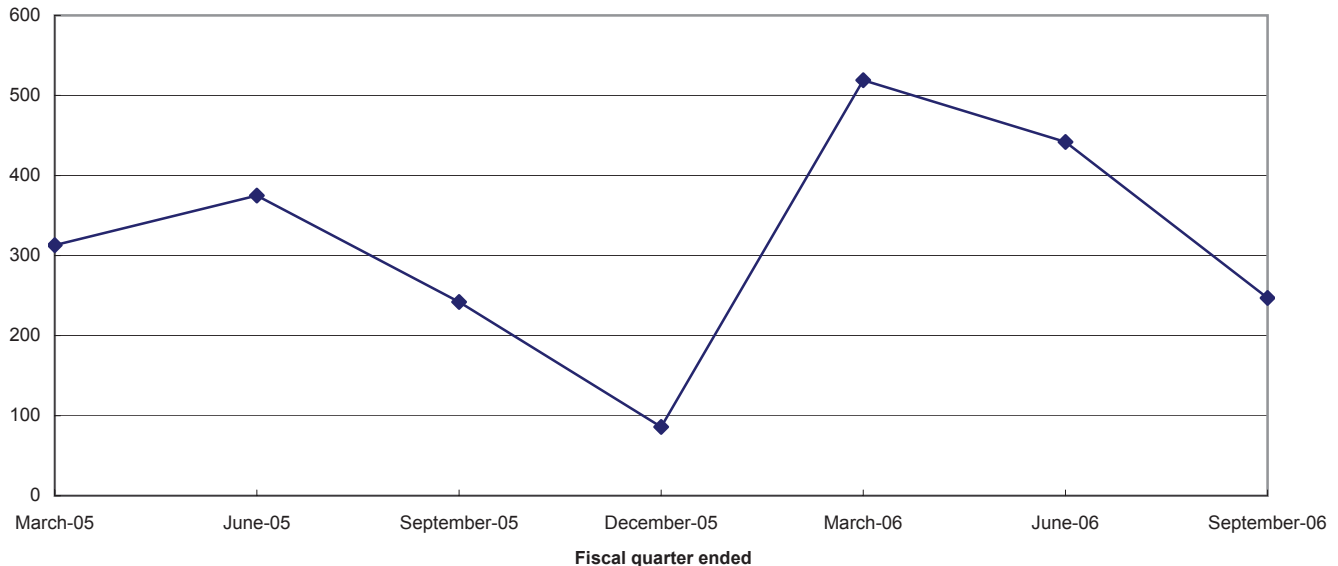
The excise tax on tackle boxes was decreased from 10 percent to 3 percent on January 1, 2005, by

What's New in Federal Excise Taxation, Fiscal Years 1992-2006

Figure G

Fishing Tackle Box Excise Taxes, by Fiscal Quarter, March 2005-September 2006

Thousands of dollars



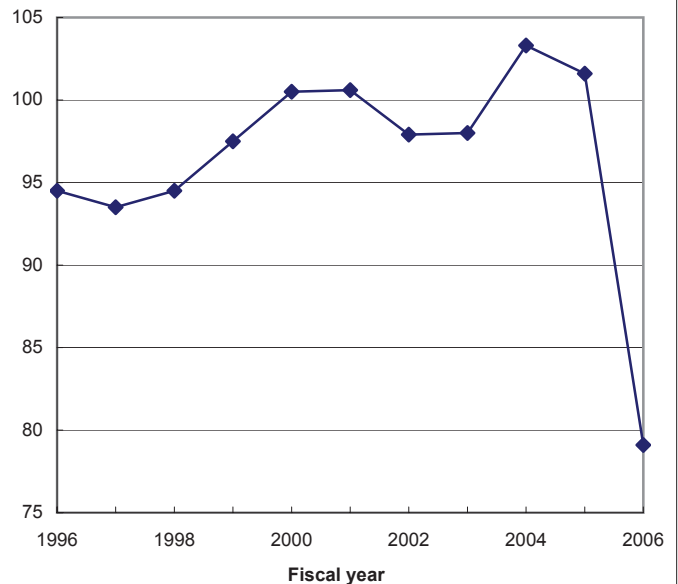
the American Jobs Creation Act of 2004.^{9,10} Excise tax on tackle boxes was not reported separately until after the tax law change, and it now has its own line on Form 720, *Quarterly Federal Excise Tax Return*. The tackle box tax was decreased because close substitutes to tackle boxes, such as toolboxes, were nontaxable items.¹¹ Excise taxes on fishing rods and poles were also reported separately, starting in December 2005.

Fiscal quarters are 3-month periods beginning in October, when the Federal fiscal year begins. The second quarter of FY 2005 (January through March) was the first quarter in which the lower rate on fishing tackle boxes applied, and for which such taxes were reported and tabulated separately from sport fishing equipment. The total excise tax collected on tackle boxes for January-March 2005 was \$313,000 (Figure G). Since the tax rate was reduced, a total of \$2.2 million has been collected from manufacturers of fishing tackle boxes.¹² Collection trends for sport fishing items are shown in Figure H, and reveal a stable rate of collection from FY 1999-FY 2005, before the tackle box tax was reported separately, with a

Figure H

Sport Fishing Excise Taxes, Fiscal Years 1996-2006

Millions of dollars



⁹ Library of Congress, *American Jobs Creation Act of 2004*, 108th Congress, October 7, 2004.

¹⁰ IRS, Publication 510, *Excise Taxes*, 1995-2006.

¹¹ U.S. Congress, Joint Committee on Taxation, *Options to Improve Tax Compliance and Reform Tax Expenditures*, January 27, 2005.

¹² Library of Congress, *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users*, 109th Congress, August 10, 2005.

What's New in Federal Excise Taxation, Fiscal Years 1992-2006

collection range between \$97.5 million and \$103.3 million annually over that period. Beginning in FY 2006, a cap was placed on the collection of sport fishing equipment, at 10 percent, but not to exceed \$10, causing a decrease in tax collections to \$79.1 million in FY 2006.

Summary

Federal excise tax receipts for FY 2006 totaled \$76.1 billion, or 3 percent of total receipts. This article summarizes trends in excise tax collection since 1996 and details changes in excise tax law in two areas, retail and manufacturing. The Omnibus Reconciliation Act of 1993 repealed excise

taxes on luxury items, aircraft, boats, furs, and jewelry, leaving just the tax on luxury vehicles whose first retail sale exceeded \$30,000. Funds were actively collected on luxury vehicles from 1991-2002, and the tax expired effective January 1, 2003.

Tax law changes in the past decade have included revisions to excise tax rates on fishing tackle boxes, due to the availability of similar, nontaxable substitutes. Rates on fishing tackle boxes were decreased from 10 percent to 3 percent effective on January 1, 2005, and the tax on tackle box is now reported as a separate item on Form 720. As of September 2006, excise taxes collected on tackle boxes since January 1, 2005, total \$2.2 million.

Recent Changes in the Estate Tax Exemption Level and Filing Population

by Brian G. Raub

With the enactment of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), Congress significantly altered the framework of the Federal estate tax. Most noteworthy, of course, is the law's eventual repeal of the estate tax. The exemption amount for estates was increased incrementally from \$675,000 for 2001 deaths to \$2 million for deaths in 2006 (Figure A). The exemption amount will increase to \$3.5 million for 2009 deaths. The highest tax rate on estates was decreased gradually, from 55 percent for 2001 deaths to 45 percent for deaths occurring in 2007 through 2009. Barring further Congressional action, the estate tax is repealed for 2010 deaths, only to be reinstated for deaths occurring in 2011 and later with a \$1-million exemption and a top rate of 55 percent. This article presents a brief overview of changes in the annual filing population of estate tax returns between 2001 and 2005.

Estate Tax Law and Filing Patterns

The estate of a decedent who, at death, owns assets valued in excess of the estate tax exemption amount, or filing threshold, must file a Federal estate tax return, Form 706, *U.S. Estate (and Generation-Skipping Transfer) Tax Return*. For estate tax purposes, the value of property included in gross estate is fair market value (FMV), defined as "the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of all relevant facts," according to Federal Tax Regulation 20.2031-1(b). The gross estate consists of all property, whether real or personal, tangible or intangible. Specific items of gross estate include real estate, cash, stocks, bonds, businesses, and decedent-owned life insurance policies, among others. Assets of gross estate are valued at a decedent's date of death, unless the estate's executor or administrator elects to value assets at an alternate valuation date, 6 months from the date of death, described in Internal Revenue Code section 2032. Alternate value may be elected only if the value of the estate, as well as the estate tax, is reduced between the date of death and the alternate date.

Brian G. Raub is an economist with the Special Studies Special Projects Section. This article was prepared under the direction of Barry W. Johnson, Chief.

Figure A

Estate Tax Exemption and Highest Estate Tax Rate for Selected Years of Death

Year of death	Estate tax exemption	Highest estate tax rate (percent)
1999.....	650,000	55
2000.....	675,000	55
2001.....	675,000	55
2002.....	1,000,000	50
2003.....	1,000,000	49
2004.....	1,500,000	48
2005.....	1,500,000	47
2006.....	2,000,000	46
2007.....	2,000,000	45
2008.....	2,000,000	45
2009.....	3,500,000	45

Figure B

Distribution of Years of Death for Estate Tax Returns, Filing Years 2001-2005

Filing Year	Percentage of estate tax return filers who:			
	Died in the same calendar year	Died 1 calendar year prior	Died 2 calendar years prior	Died 3 or more calendar years prior
	(1)	(2)	(3)	(4)
2001.....	15	73	10	2
2002.....	8	79	12	2
2003.....	11	68	17	3
2004.....	9	75	12	3
2005.....	9	68	19	4

Expenses and losses incurred in the administration of the estate, funeral costs, and the decedent's debts are allowed as deductions against the estate for the purpose of calculating the tax liability. A deduction is allowed for the full value of bequests to the surviving spouse, including bequests in which the spouse is given only a life interest, subject to certain restrictions. Bequests to qualified charities are also fully deductible.

Estate tax law is based on the decedent's year of death. The estate tax return is due 9 months from the date of death, although a 6-month extension is commonly allowed. In a small number of cases, longer extensions may be granted. Therefore, several years of death will be represented in the population of estate tax returns filed in a given filing year.

Figure B shows the distribution of years of death in Filing Years 2001-2005. Although there is some

Recent Changes in the Estate Tax Exemption Level and Filing Population

Figure C

Number of Estate Tax Returns Filed and Percentage Taxable, Filing Years 2001-2005, by Size of Gross Estate

Size of gross estate	2001		2002		2003		2004		2005	
	Number	Percentage taxable	Number	Percentage taxable	Number	Percentage taxable	Number	Percentage taxable	Number	Percentage taxable
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Total.....	108,071	47.9	99,603	45.2	73,128	45.5	65,039	48.2	45,070	44.9
Under \$1.0 million.....	45,419	39.8	38,056	35.8	7,086	37.8	2,321	45.4	794	28.8
\$1.0 million < \$1.5 million.....	28,317	53.3	28,047	50.4	29,703	38.6	25,141	40.8	4,796	33.2
\$1.5 million < \$2.0 million.....	12,201	49.4	11,882	48.6	13,327	50.8	13,586	51.9	13,955	37.5
\$2.0 million < \$3.5 million.....	12,695	54.2	12,490	47.7	13,136	51.1	13,936	52.3	14,842	49.3
\$3.5 million < \$5.0 million.....	3,980	54.0	3,823	56.8	4,130	53.3	4,198	51.6	4,445	51.3
\$5.0 million < \$10.0 million.....	3,550	61.0	3,438	61.1	3,732	57.8	3,806	56.9	4,122	55.3
\$10.0 million < \$20.0 million.....	1,282	67.7	1,198	63.0	1,293	63.7	1,315	61.4	1,358	60.5
\$20.0 million or more.....	628	74.7	670	72.2	720	70.0	736	70.7	760	65.5

variation across years, the overall filing pattern is fairly consistent across this time period. As expected, given the 9-month filing window and 6-month extension, only a small percentage of returns were filed during the filing year of the decedent's death. In Filing Years 2001 through 2005, between 68 percent and 80 percent of returns were filed for decedents who died in the prior filing year, with a much smaller percentage filed for decedents who died 2 filing years prior. Only a small fraction of returns filed were for decedents who died 3 or more filing years prior.

Size of Gross Estate

Before EGTRRA became law, the estate tax exemption level had changed in relatively small increments since 1987, and the estate tax return filing population increased consistently.¹ The larger increases to the exemption level created by EGTRRA, however, have had a significant impact on the number of estates filing estate tax returns. Between 2001 and 2005, the number of estate tax returns filed dropped by more than 58 percent, from 108,071 in 2001 to 45,070 in 2005 (Figure C).

The drop in the number of returns filed tracks closely with the changes in the exemption amount and the filing patterns described above. In 2003, the year after the exemption level increased to \$1.0 million, the number of returns filed with a gross estate of less than \$1.0 million dropped to 7,086, an 81-percent decline from 38,056 in 2002. The relatively

few returns with less than \$1.0 million in gross estate filed during 2003 were for deaths occurring before 2002. A similar drop-off can be seen following the increase in the exemption level to \$1.5 million for 2004 deaths; in 2005, only 4,796 returns were filed with a gross estate between \$1.0 million and \$1.5 million, an 81-percent decline from the 25,141 filed in 2004. In contrast, the total number of estate tax returns filed with a gross estate of \$1.5 million or more grew steadily from 2002 through 2005 after a small decline from 2001 to 2002. Of these returns, those with gross estate of \$20.0 million or more increased most rapidly, 21.0 percent, from 628 in 2001 to 760 in 2005. Returns with gross estate between \$10.0 million and \$20.0 million showed the slowest rate of growth, 5.9 percent, from 1,282 in 2001 to 1,358 in 2005.

While the EGTRRA tax law changes have reduced the total number of estate tax returns filed, they have not had a significant effect on the taxability of filed returns. The percentage of returns with tax liability remained relatively consistent from 2001 through 2005, within a range of 44.9 percent to 48.2 percent.

Estate Tax Liability

As shown in Figure D, despite a significant drop in the number of returns filed between Filing Years 2001 and 2005, total estate tax liability reported on Forms 706 experienced a relatively modest decline

¹ For historical estate tax exemption levels and tax rates, see "The Estate Tax: Ninety Years and Counting," *Statistics of Income Bulletin*, Summer 2007, Volume 27, Number 1.

Recent Changes in the Estate Tax Exemption Level and Filing Population

Figure D

Net Estate Tax, Filing Years 2001-2005, by Size of Gross Estate

[Money amounts are in thousands of dollars]

Size of gross estate	2001		2002		2003		2004		2005	
	Net estate tax	Percentage of total	Net estate tax	Percentage of total	Net estate tax	Percentage of total	Net estate tax	Percentage of total	Net estate tax	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Total.....	23,531,334	100.0	21,394,356	100.0	20,793,749	100.0	21,611,904	100.0	21,671,503	100.0
Under \$1.0 million.....	709,562	3.0	545,184	2.5	143,408	0.7	101,868	0.5	12,690	0.1
\$1.0 million < \$1.5 million.....	1,976,545	8.4	1,853,486	8.7	945,542	4.5	718,899	3.3	137,824	0.6
\$1.5 million < \$2.0 million.....	1,829,756	7.8	1,602,772	7.5	1,472,794	7.1	1,463,160	6.8	617,196	2.8
\$2.0 million < \$3.5 million.....	4,028,212	17.1	3,334,850	15.6	3,515,722	16.9	3,740,913	17.3	3,042,889	14.0
\$3.5 million < \$5.0 million.....	2,676,112	11.4	2,387,145	11.2	2,371,558	11.4	2,400,227	11.1	2,283,190	10.5
\$5.0 million < \$10.0 million.....	4,313,146	18.3	3,926,108	18.4	4,222,161	20.3	4,350,019	20.1	4,477,023	20.7
\$10.0 million < \$20.0 million..	3,132,502	13.3	2,802,020	13.1	2,943,694	14.2	3,224,425	14.9	3,275,972	15.1
\$20.0 million or more.....	4,865,498	20.7	4,942,790	23.1	5,178,869	24.9	5,612,394	26.0	7,824,719	36.1

during this period, from \$23.5 billion in 2001 to \$21.7 billion in 2005. This is consistent with the relatively small share of all estate tax liability reported by estates with less than \$1.5 million in gross estate in each filing year. In 2001, prior to effects of EGTRRA, only 11.4 percent of tax liability was attributable to these estates. This percentage declined each filing year, with less than 1.0 percent of estate tax liability reported by estates in this size of gross estate category in 2005.

In contrast, the share of tax liability reported on estate tax returns by estates with \$20.0 million or more in gross estate increased significantly between Filing Years 2001 and 2005. Of estate tax returns filed during 2001, those with estates in this size of gross estate category reported 20.7 percent of total tax liability; by 2005, this share had increased to 36.1 percent.

Asset Composition

Figure E shows the composition of total gross estate reported on estate tax returns from 2001 through 2005. Publicly traded stock made up the biggest single share of total gross estate, comprising between 24.5 percent and 30.9 percent. Investment real estate, cash assets, and tax-exempt bonds also made up large percentages of total gross estate for returns filed each year.

Changes in the asset composition of estates for which estate tax returns were filed during this time period are likely to have been influenced strongly

by two factors—economic conditions and changes in the estate tax exemption. The latter is likely true because the asset composition of estates varies by size of gross estate.² While separating the effects of these two factors is not straightforward, several trends in the data can be observed. For example, the percent of gross estate held in investment real estate increased each filing year between 2003 and 2005, to a high of 14.7 percent in 2005. In contrast, this asset type comprised only 11.5 percent of gross estate in Filing Year 2001. This is consistent with the 53.4-percent rise in home values between the first quarter of 2001 and the fourth quarter of 2005.³ It is also consistent with the decrease in the number of returns in the population with gross estate of less than \$1.0 million after Filing Year 2002, as these returns have historically contained proportionally less of this asset type.

Another significant change in the asset composition of estate tax returns filed between 2001 and 2005 is the increasing percentage of gross estate held in closely held stock. As with investment real estate, the percentage of total gross estate held in closely held businesses increased each filing year from 2003 to 2005, to a high of 6.4 percent in Filing Year 2005. The difference in asset composition by size of gross estate is likely to be a significant factor in this increase. Estates with gross estate of less than \$1.0 million held a much smaller percentage of their estates in closely held stock; as these estates largely dropped out of the estate filing population after 2002,

² See the complete estate tax tables published for Filing Years 2001 through 2005 at <http://www.irs.gov/taxstats/indtaxstats/article/0,,id=96442,00.html>.

³ Change in housing prices was calculated using the Office of Federal Housing Enterprise Oversight (OFHEO) House Price Index. See <http://www.ofheo.gov/HPI.asp>.

Recent Changes in the Estate Tax Exemption Level and Filing Population

Figure E

Asset Composition of Estate Tax Returns, Filing Years 2001-2005

[Money amounts are in thousands of dollars]

Type of asset	2001		2002		2003		2004		2005	
	Amount [1]	Percentage of total gross estate	Amount [1]	Percentage of total gross estate	Amount [1]	Percentage of total gross estate	Amount [1]	Percentage of total gross estate	Amount [1]	Percentage of total gross estate
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Total.....	215,592,994	100.0	211,784,444	100.0	200,267,169	100.0	194,450,290	100.0	184,696,403	100.0
Publicly traded stock.....	66,645,339	30.9	64,286,685	30.4	52,890,376	26.4	47,554,809	24.5	50,994,303	27.6
Investment real estate [2]..	24,871,290	11.5	23,789,428	11.2	25,428,285	12.7	27,424,957	14.1	27,129,330	14.7
Cash assets.....	23,836,169	11.1	23,874,365	11.3	22,644,420	11.3	21,999,689	11.3	17,948,539	9.7
Tax-exempt bonds.....	20,369,501	9.4	19,435,119	9.2	22,329,752	11.1	21,084,097	10.8	18,852,688	10.2
Retirement assets.....	18,384,009	8.5	17,550,971	8.3	14,871,689	7.4	14,510,063	7.5	12,209,499	6.6
Personal residence.....	17,798,020	8.3	18,642,895	8.8	17,682,121	8.8	17,422,486	9.0	15,694,090	8.5
Closely held stock.....	9,710,645	4.5	8,868,279	4.2	10,587,174	5.3	11,745,389	6.0	11,767,826	6.4
Other assets.....	33,978,021	15.8	35,336,702	16.7	33,833,352	16.9	32,708,800	16.8	30,100,128	16.3

[1] For tax purposes.

[2] Includes commercial and undeveloped land, real estate mutual funds, real estate partnerships, farm land, and other real estate.

the proportion of total gross estate held in this asset type was likely to increase.

Data Sources and Limitations

Analysts in the Special Projects Section of SOI's Special Studies Branch, with SOI staff in the Cincinnati Submission Processing Center, conduct the Estate Tax Study, which extracts demographic, financial, and bequest data from a sample of Forms 706, the Federal estate tax return. The Estate Tax Study is conducted on an annual basis, which allows analysis of filing year data on estate taxation. Filing year files can also be combined to produce estimates for specific year-of-death cohorts.

Estate tax returns were sampled while the returns were being processed for administrative purposes, but before any audit examination. Returns were selected on a flow basis, using a stratified random probability sampling method, whereby the sample rates were preset based on the desired sample

size and an estimate of the population. The design had three stratification variables: year of death, age at death, and size of total gross estate plus adjusted taxable gifts. For the 2001-2003 filing years, the year-of-death variable was separated into two categories: 2001 year of death and non-2001 year of death. For the 2004 and 2005 filing years, the year-of-death variable was separated into two categories: 2004 year of death and non-2004 year of death. Age was disaggregated into four categories: under 40, 40 under 50, 50 under 65, and 65 and older (including age unknown). Total gross estate plus adjusted taxable gifts was limited to seven categories: under \$1 million, \$1 million under \$1.5 million, \$1.5 million under \$2.0 million, \$2.0 million under \$3.0 million, \$3.0 million under \$5.0 million, \$5.0 million under \$10.0 million, and \$10.0 million or more. Sampling rates ranged from 1 percent to 100 percent. Returns for over half of the strata were selected at the 100-percent rate.

The Estate Tax: Ninety Years and Counting

by Darien B. Jacobson, Brian G. Raub, and Barry W. Johnson

For the past 90 years and at key points throughout American history, the Federal Government has relied on estate and inheritance taxes as sources of funding. Proponents have frequently advocated that these taxes are effective tools for preventing the concentration of wealth in the hands of a relatively few powerful families, while opponents believe that transfer taxes discourage capital accumulation, curbing national economic growth. This tension, along with fiscal and other considerations, has led to periodic revisions of Federal estate tax laws, affecting both the size of the decedent population subject to the tax and the revenue collected.

The Statistics of Income Division's Estate Tax Studies

The Statistics of Income Division (SOI) and its predecessor organizations have compiled statistics on estates that file Federal estate tax returns since the inception of the tax in 1916. These data have been instrumental in both administering the tax and forming a better understanding of the financial arrangements employed by the nation's wealthiest individuals.

Data from estate tax returns are regularly used to estimate annual revenues and to project future receipts. These data have also been used to support the analysis and debates that occurred in crafting the tax law changes chronicled in this paper. In this context, estate tax data have frequently been used to evaluate the effects of the tax laws on the economic and social behavior of the very wealthy. For example, the effects of estate taxation on the longevity of businesses and farms, as well as the effects of the tax on a decedent's propensity to make charitable bequests, have been important considerations to policymakers when debating changes in estate tax laws.

In addition to using estate tax data directly for tax policy administration, these data have formed the foundation for periodic estimates of personal

wealth held by the living population. These wealth estimates are produced from estate tax data using the estate multiplier technique and are an important tool for studying the U.S. macroeconomy, as well as a valuable supplement to information collected through surveys, which frequently underrepresent the very wealthy.¹ SOI first published estimates of personal wealth derived from estate tax data for 1962, following in the footsteps of scholars like Horst Mendershausen and Robert Lampman, who had published similar estimates for earlier decades using SOI tabulated data. SOI estate tax data have also been used to study the transmission of wealth between generations, and, combined with data from income tax returns filed by decedents prior to death, to derive measures of economic well-being.

Historical Overview

The term "death tax" has been used to describe a variety of different taxes related to the "power to transmit or the transmission or receipt of property by death."² Stamp taxes or duties, are taxes on the recordation of legal documents such as wills. Estate taxes are excise taxes on the privilege of transferring property at death and are usually graduated based on the size of the decedent's entire estate. An inheritance or legacy tax is an excise tax levied on the privilege of receiving property from the decedent. These taxes are usually graduated based on the amount of property received by each beneficiary and on each beneficiary's relationship to the decedent.³

Taxation of property transfers at death can be traced back to ancient Egypt as early as 700 B.C.⁴ Nearly 2,000 years ago, Roman Emperor Caesar Augustus imposed the *Vicesina Hereditatium*, a tax on successions and legacies to all but close relatives.⁵ Taxes imposed at the death of a family member were quite common in feudal Europe, often amounting to a family's annual property rent. By the 18th century, stamp duties and registration fees on wills, inventories, and other documents related to property transfers at death had been adopted by many nations, including that of the newly formed United States of America.

Darien B. Jacobson and Brian G. Raub are economists with the Special Studies Special Projects Section. Barry W. Johnson is Chief of the Special Projects Section.

¹ For more detail on using the estate multiplier technique to estimate wealth, see: Johnson, B. and L. Woodburn (1993), "Estate Multiplier Technique, Recent Improvements for 1989," *Compendium of Federal Estate Tax and Personal Wealth Studies*, 391-400, Statistics of Income Division.

² Silberman, Debra Rahmin, (2003) "A History of the Death Tax—A Source of Revenue or Vehicle for Wealth Redistribution," *Brandeis Graduate Journal*, Vol. 1, Issue 1 www.brandeis.edu/gradjournal, p. 1.

³ Bittker, Boris I, Elias Clark, and Grayson M.P. McCouch (2005) *Federal Estate and Gift Taxation*, 9th Ed., Thompson/ West, St. Paul, MN p. 9.

⁴ Paul, Randolph E. (1954), *Taxation in the United States*, Little, Brown, and Company, Boston, MA.

⁵ Smith, Adam (1913), *An Inquiry into the Nature and Causes of the Wealth of Nations*, E.P. Dutton, New York.

The Estate Tax: Ninety Years and Counting

The Stamp Tax of 1797

In 1797, the U.S. Congress chose a system of stamp duties as a source of revenue in order to raise funds for a Navy to defend the nation's interests in response to an undeclared war with France that had begun in 1794. Federal stamps were required on wills offered for probate, as well as on inventories and letters of administration. Stamps also were required on receipts and discharges from legacies and intestate distributions of property.⁶ Taxes were levied as follows: 10 cents on the inventories of the effects of deceased persons, and 50 cents on the probate of wills and letters of administration. The tax on the receipt of legacies was levied on bequests larger than \$50, from which widows (but not widowers), children, and grandchildren were exempt. Bequests between \$50 and \$100 were taxed 25 cents; those between \$100 and \$500 were taxed 50 cents; and an additional \$1 was added for each subsequent \$500 bequest. In 1802, the crisis ended, and the tax was repealed.⁷

The Revenue Act of 1862

In the years immediately preceding the American Civil War, revenue from tariffs and the sale of public lands provided the bulk of the Federal budget. The advent of the Civil War again forced the Federal Government to seek additional sources of revenue, and a Federal death tax was included in the Revenue Act of 1862 (12 Stat. 432). However, the 1862 tax differed from its predecessor, the stamp tax of 1797, in that the 1862 tax package included a legacy or inheritance tax in addition to a stamp tax on the probate of wills and letters of administration. Originally, the legacy tax only applied to personal property, and tax rates were graduated based on the legatee's relationship to the decedent, not on the value of the bequest or size of the estate. Rates ranged from 0.75 percent on bequests to ancestors, lineal descendants, and siblings to 5 percent on bequests to distant relatives and those not related to the decedent. Estates of less than \$1,000 were exempted, as were bequests to the surviving spouse. Bequests to charities were taxed at the 5-percent rate, despite pleas from many in Congress that the tax should be used to encourage

Figure A

1864 Death Tax Rates

Relationship	Rate on property (percent)	Rate on legacies (percent)
Lineal descendants, ancestors.....	1.0	1.0
Siblings.....	2.0	1.0
Descendants of siblings.....	2.0	2.0
Uncle, aunt, and their descendants.....	4.0	4.0
Great uncle, aunt, and their descendants.....	5.0	5.0
Other relatives, unrelated individuals.....	6.0	6.0
Charities.....	6.0	6.0

such gifts.⁸ The stamp tax was graduated and ranged from 50 cents on estates valued at less than \$2,500 to \$20 on estates valued from \$100,000 to \$150,000, with an additional \$10 assessed on each \$50,000 or fraction thereof over \$150,000.

By 1864, the mounting cost of the Civil War led to the reenactment of the 1862 Act, with some modifications.⁹ These changes included the addition of a succession tax—a tax on bequests of real estate—and an increase in legacy tax rates (Figure A). In addition, the tax was applied to any transfers of real estate made during the decedent's life for less than adequate consideration, except for wedding gifts, thus establishing the nation's first gift tax. Transfers of real estate to charities, were taxed at the highest rates. Bequests to widows, but not widowers, were exempt from the succession tax, as were bequests of less than \$1,000 to minor children. The end of the Civil War, and subsequent discharge of the debts associated with the war, gradually eliminated the need for extra revenue provided by the 1864 Act. Therefore, in 1870, the legacy and succession taxes were repealed.¹⁰ The stamp tax was repealed in 1872.¹¹ Between 1863 and 1871, these taxes had contributed a total of about \$14.8 million to the Federal budget.

The War Revenue Act of 1898

Throughout the last half of the 19th century, the industrial revolution brought about profound changes in the U.S. economy. Industry replaced agriculture as the primary source of wealth and political power

⁶ Stamp Act of 1797, 1 Stat. 527.

⁷ Zaritsky, H. and T. Ripy (1984), *Federal Estate, Gift, and Generation Skipping Taxes: A Legislative History and Description of Current Law*, Report No. 84-156A.

⁸ Office of Tax Analysis (1963), *Legislative History of Death Taxes in the United States*, unpublished manuscript.

⁹ Internal Revenue Law of 1864 §124-150, 13 Stat. 285.

¹⁰ Internal Taxes, Customs Duties Act of 1870 §27, 16 Stat. 269.

¹¹ Internal Revenue Act of 1867, 14 Stat. 169, Customs Duties and Internal Revenue Taxes Act of 1872 §36, 17 Stat. 256.

The Estate Tax: Ninety Years and Counting

Figure B

1898 Legacy Tax Rates

Relationship	Rates by size of estate				
	\$10,000 under \$25,000 (percent)	\$25,000 under \$100,000 (percent)	\$100,000 under \$500,000 (percent)	\$500,000 under \$1 million (percent)	\$1 million or more (percent)
	(1)	(2)	(3)	(4)	(5)
Lineal descendants, ancestors, siblings.....	0.750	1.125	1.500	1.875	2.250
Descendants of siblings.....	1.500	2.250	3.000	3.750	4.500
Uncle, aunt, and their descendants.....	3.000	4.500	6.000	7.500	9.000
Great uncle, aunt, and their descendants.....	4.000	6.000	8.000	10.000	12.000
All others.....	5.000	7.500	10.000	12.500	15.000

NOTE: Estates under \$10,000 were exempt from the tax.

in the United States. Tariffs and real estate taxes had traditionally been the primary sources of Federal revenue, both of which fell disproportionately on farmers, leaving the wealth of industrialists relatively untouched. Many social reformers advocated taxes on the wealthy as a way of forcing the wealthy to pay their fair share, while opponents argued that such taxes would destroy incentives to accumulate wealth and stunt the growth of capital markets.¹²

Against this backdrop, a Federal legacy tax was proposed in 1898 as a means to raise revenue for the Spanish-American War. Unlike the two previous Federal death taxes levied in times of war, the 1898 tax proposal provoked heated debate. Despite strong opposition, the legacy tax was made law.¹³ Although called a legacy tax, it was a duty on the estate itself, not on its beneficiaries, and served as a precursor to the present Federal estate tax. Tax rates ranged from 0.75 percent to 15 percent, depending both on the size of the estate and on the relationship of a legatee to the decedent (Figure B). Only personal property was subject to taxation. A \$10,000 exemption was provided to exclude small estates from the tax; bequests to the surviving spouse also were excluded. In 1901, certain gifts were exempted from tax, including gifts to charitable, religious, literary, and educational organizations and gifts to organizations dedicated to the encouragement of the arts and the prevention of cruelty to children.¹⁴ The end of the Spanish-American War came in 1902, and the tax was repealed later that year.¹⁵ Although short-lived, the tax raised about \$14.1 million.

The Modern Estate Tax

The years immediately following the repeal of the inheritance tax were witness to an unprecedented number of mergers in the manufacturing sector of the economy, fueled by the development of a new form of corporate ownership, the holding company. This resulted in the concentration of wealth in a relatively small number of powerful companies and in the hands of the businessmen who headed them. Along with such wealth came great political power, fueling fears over the rise of an American plutocracy and sparking the growth of the progressive movement. Progressives, including President Theodore Roosevelt, advocated both an inheritance tax and a graduated income tax as tools to address inequalities in wealth.¹⁶ This thinking eventually led to the passage of the 16th Amendment to the Constitution and the enactment of the Federal income tax. It was not until the advent of another war, World War I, that Congress would enact the Federal estate tax.

The Revenue Act of 1916 (39 Stat. 756) created a tax on the transfer of wealth from an estate to its beneficiaries, and thus was levied on the estate, as opposed to an inheritance tax that is levied directly on beneficiaries. It applied to net estates, defined as the total property owned by a decedent, the gross estate, less deductions. An exemption of \$50,000 was allowed for residents; however nonresidents who owned property in the United States received no exemption. Tax rates were graduated from 1 percent on the first \$50,000 to 10 percent on the portion exceeding \$5 million. According to the act, taxes were due

¹² Bittker, Clark and McCouch, p. 4.

¹³ War Revenue Act of 1898, 30 Stat. 448, 464.

¹⁴ War Revenue Reduction Act of 1901, 31 Stat. 956.

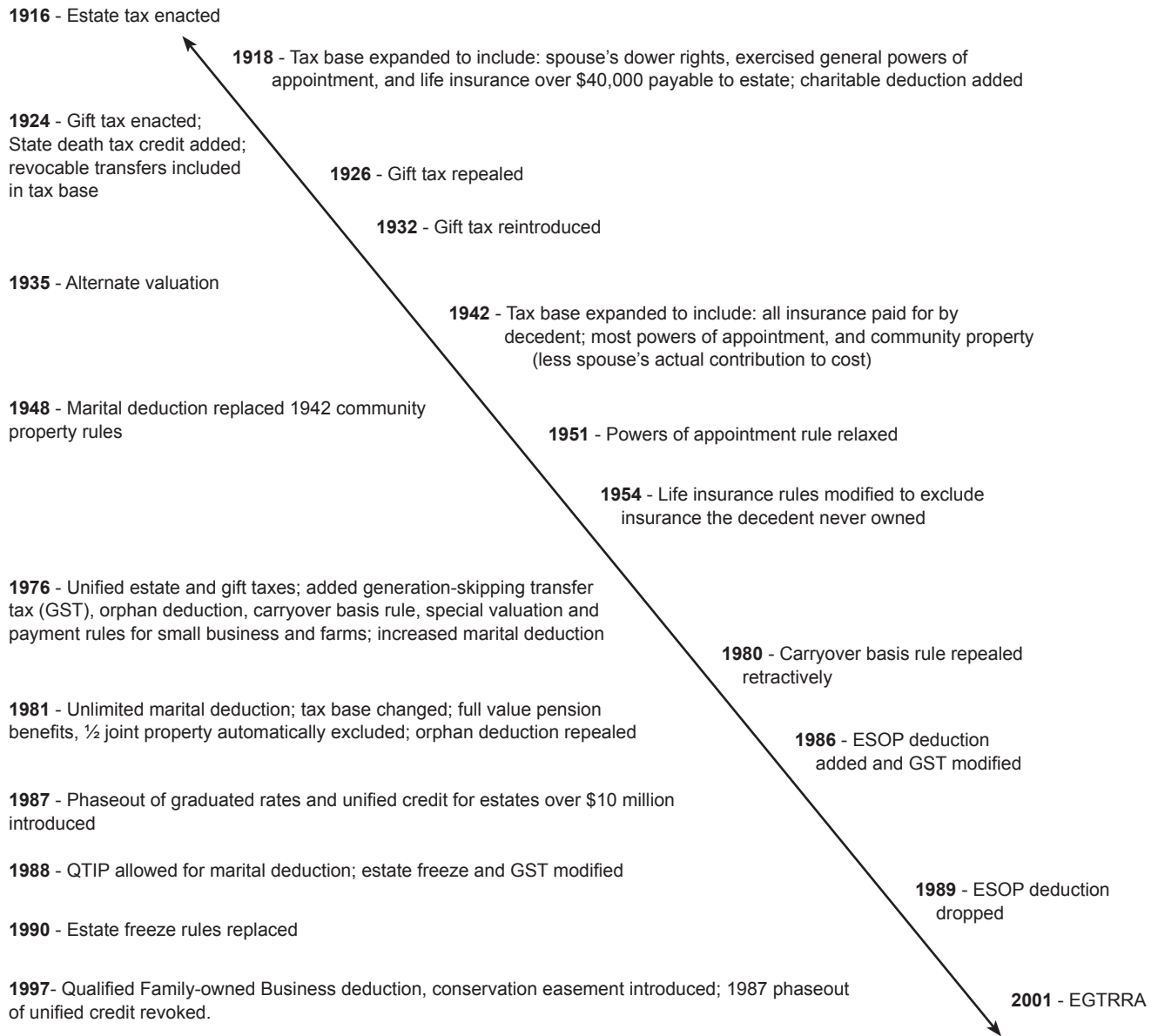
¹⁵ War Revenue Repeal Act of 1902, §7, 32 Stat. 92.

¹⁶ See, for example, Bittker, Clark, and McCouch pp. 3-9.

The Estate Tax: Ninety Years and Counting

Figure C

Significant Estate Tax Law Changes: 1916 to Present



1 year after the decedent's death, and a discount of 5 percent of the amount due was allowed for payments made within 1 year of death. A late payment penalty of 6 percent was assessed unless the delay was deemed "unavoidable."

Over the 9 decades since the inception of the Federal estate tax, the U.S. Congress has enacted important additions to, and revisions of, the estate tax structure (Figure C). There have also been occa-

sional adjustments to the filing thresholds, tax brackets, and marginal tax rates (Figure D). The history of major changes to the estate tax structure can be divided into two main eras: 1916 through 1948 and 1976 to the present.

Significant Tax Law Changes: 1916 through 1948

Following the enactment of the estate tax in 1916, the first major change in structure was the addition

The Estate Tax: Ninety Years and Counting

Figure D

Estate Tax Exemptions and Tax Rates

Year	Exemption (dollars)	Initial rate (percent)	Top rate (percent)	Top bracket (dollars)
	(1)	(2)	(3)	(4)
1916.....	50,000	1.0	10.0	5,000,000
1917.....	50,000	2.0	25.0	10,000,000
1918-1923.....	50,000	1.0	25.0	10,000,000
1924-1925.....	50,000	1.0	40.0	10,000,000
1926-1931.....	100,000	1.0	20.0	10,000,000
1932-1933.....	50,000	1.0	45.0	10,000,000
1934.....	50,000	1.0	60.0	10,000,000
1935-1939.....	40,000	2.0	70.0	50,000,000
1940 [1].....	40,000	2.0	70.0	50,000,000
1941.....	40,000	3.0	77.0	10,000,000
1942-1976.....	60,000	3.0	77.0	10,000,000
1977 [2].....	120,000	18.0	70.0	5,000,000
1978.....	134,000	18.0	70.0	5,000,000
1979.....	147,000	18.0	70.0	5,000,000
1980.....	161,000	18.0	70.0	5,000,000
1981.....	175,000	18.0	70.0	5,000,000
1982.....	225,000	18.0	65.0	4,000,000
1983.....	275,000	18.0	60.0	3,500,000
1984.....	325,000	18.0	55.0	3,000,000
1985.....	400,000	18.0	55.0	3,000,000
1986.....	500,000	18.0	55.0	3,000,000
1987-1997 [3].....	600,000	18.0	55.0	3,000,000
1998.....	625,000	18.0	55.0	3,000,000
1999.....	650,000	18.0	55.0	3,000,000
2000-2001.....	675,000	18.0	55.0	3,000,000
2002.....	1,000,000	18.0	50.0	3,000,000
2003.....	1,000,000	18.0	49.0	3,000,000
2004.....	1,500,000	18.0	48.0	3,000,000
2005.....	1,500,000	18.0	47.0	3,000,000
2006.....	2,000,000	18.0	46.0	3,000,000
2007.....	2,000,000	18.0	45.0	3,000,000

[1] 10-percent surtax was added.

[2] Unified credit replaces exemption.

[3] Graduated rates and unified credits phased out for estates greater than \$10,000,000.

of a tax on inter vivos gifts, a gift tax, which became a permanent feature of the transfer tax system in 1932.¹⁷ This tax was imposed because Congress realized that wealthy individuals could avoid the estate tax by transferring wealth during their lifetimes. Under the 1932 rules, a donor could transfer \$50,000 free of tax during his or her lifetime with a \$5,000 per donee annual exclusion from gift tax.

The Revenue Act of 1935 (49 Stat. 1014) introduced the optional valuation date election. While the value of the gross estate at the date of death determined whether an estate tax return had to be filed, the act allowed an estate to be valued, for tax purposes, 1 year after the decedent's death. With this revision, for example, if the value of a decedent's gross estate dropped significantly after the date of death—a situation faced by estates during the Great Depression of 1929—the executor could choose to value the estate at its reduced value after the date of death. The optional valuation date, today referred to as the alternate valuation date, later was changed to 6 months after the decedent's date of death.

Most outstanding among the pre-1976 changes to estate tax law was the establishment of estate and gift tax marital deductions, introduced by the Revenue Act of 1948 (62 Stat. 110). The estate tax marital deduction, as enacted by the 1948 Act, permitted a decedent's estate to deduct the value of property passing to a surviving spouse, whether passing under the will or otherwise. However, the deduction was limited to one-half of the decedent's adjusted gross estate—the gross estate less debts and administrative expenses. The act also created a similar deduction for inter vivos gifts to a spouse.

Significant Tax Law Changes: 1976 to the Present

After 1948, the Congressional Record remained relatively free of reference to the estate tax and the entire transfer tax system until the enactment of the Tax Reform Act (TRA) of 1976 (90 Stat 1521). This act created a unified estate and gift tax framework that consisted of a “single, graduated rate of tax imposed on both lifetime gifts and testamentary dispositions.”¹⁸ Prior to the act, “it cost substantially more to leave property at death than to give it away during life,” due to the lower tax rate applied to gifts.¹⁹ The Tax Reform Act of 1976 also merged the estate tax exclusion and the lifetime gift tax exclusion into a “single, unified estate and gift tax credit, which may be used to offset gift tax liability during the donor's lifetime but which, if unused at death, is available to offset the deceased donor's estate tax liability.”²⁰ An annual gift exclusion of \$3,000 per donee was

¹⁷ This tax was first introduced in the Revenue Act of 1924, 43 Stat. 253, then repealed by the Revenue Act of 1926, 44 Stat. 9, and then reintroduced by the Revenue Act of 1932, 47 Stat. 169.

¹⁸ Zaritsky and Ripy, p. 18.

¹⁹ Bittker, Boris I., and Elias Clark (1990), *Federal Estate and Gift Taxation*, Little, Brown, and Company, Boston, MA, p. 20.

²⁰ Zaritsky and Ripy, p. 18.

The Estate Tax: Ninety Years and Counting

retained. In addition, the act provided for annual increases in the estate tax filing exemption beginning with an increase from \$60,000 to \$120,000 for 1977 decedents, resulting in a filing threshold of \$175,625 for decedents dying after 1980.

The 1976 tax reform package also introduced a tax on generation-skipping transfer trusts (GSTs). Prior to passage of the act, a transferor, for example, could create a testamentary trust and direct that the income from the trust be paid to his or her children during their lives and then, upon the children's deaths, that the principal be paid to the transferor's grandchildren. The trust assets included in the transferor's estate would be taxed upon the transferor's death. Then, any trust assets included in the grandchildren's estates would be taxed at their deaths. However, the intervening beneficiaries, the transferor's children in this example, would pay no estate tax on the trust assets, even though they had enjoyed the income derived from those assets. Congress responded to the GST tax leakage by creating a series of rules that were designed to treat the termination of the intervening beneficiaries' interests as a taxable event. Under these rules, a grantor was allowed to transfer up to \$1,000,000 to a GST tax-free, with amounts over that taxed at the highest marginal estate tax rate. As with the gift tax exclusion, married persons may combine their GST tax exemptions, allowing couples a \$2-million exemption. Overall, the GST tax "ensures that the transmission of hereditary wealth is taxed at each generation level."²¹

The Economic Recovery Tax Act (ERTA) of 1981 (95 Stat. 172) brought several notable changes to estate tax law. Prior to 1982, the marital deduction was permitted only for transfers of property in which the decedent's surviving spouse had a terminable interest—an interest that grants the surviving spouse power to appoint beneficiaries of the property at his or her own death. Such property is, ultimately, included in the surviving spouse's estate. However, the ERTA of 1981 allowed the marital deduction for life interests that were not terminable, as long as the property was "qualified terminable interest property" (QTIP), defined as property in which the (surviving) spouse has sole right to all income during his or her life, payable at least annually, but no power to transfer the property at death. To utilize the deduction,

however, the QTIP must be included in the surviving spouse's gross estate. The 1981 Act also introduced unlimited estate and gift tax marital deductions, thereby eliminating quantitative limits on the amount of estate and gift tax deductions available for spousal transfers.

The ERTA of 1981 increased the unified transfer tax credit, the credit available against both the gift and estate taxes. The increase, from \$47,000 to \$192,800, was to be phased in over 6 years, effectively raising the tax exemption from \$175,625 to \$600,000 over the same period. The ERTA of 1981 also raised the annual gift tax exclusion to \$10,000 per donee; an unlimited annual exclusion from gift tax was allowed for the payment of a donee's tuition or medical expenses. Also, through ERTA, Congress enacted a reduction in the top estate, gift, and generation-skipping transfer tax rates from 70 percent to 50 percent, applicable to transfers greater than \$2.5 million. The reduction was to be phased in over a 4-year period; however, subsequent legislation delayed this decrease. The issue was resolved with the passage of the Omnibus Budget Reconciliation Act of 1993 (107 Stat. 312). This act created a new marginal tax rate of 53 percent on taxable transfers between \$2.5 million and \$3 million and set the maximum marginal tax rate to 55 percent on taxable transfers exceeding \$3 million.

In 1997, the 105th Congress passed the Taxpayer Relief Act of 1997 (111 Stat. 788). Among the most significant changes to estate and gift tax laws included in this act was the incremental increase of the unified credit to \$345,800 by 2006, effectively raising the estate tax filing threshold to \$1 million. There was also legislation in the 1997 Act that added a family business deduction for estates in which a business made up at least 50 percent of the total gross estate. Also significant in the 1997 Act, a number of thresholds and limits were indexed for inflation. Among these were the annual gift tax exclusion and the lifetime generation-skipping transfer tax exemption, as well as the ceiling on the reduction in value allowed under special rules for valuing real estate used by a farm or business.

The Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001 (115 Stat. 38) provided for sweeping changes to the transfer tax system, the most significant of which was the eventual repeal of

²¹ Bittker and Clark, p. 30.

The Estate Tax: Ninety Years and Counting

Figure E

Federal Transfer Tax Rates and Exemptions, by Year of Transfer, 2005-2011

Year of transfer	Estate tax exemption (dollars)	Generation-skipping transfer (GST) tax exemption (dollars)	Gift tax exemption (dollars)	Maximum unified credit (dollars)	Highest estate and GST tax rate (percent)
	(1)	(2)	(3)	(4)	(5)
2005.....	1,500,000	1,500,000	1,000,000	555,800	47.0
2006.....	2,000,000	2,000,000	1,000,000	780,800	46.0
2007.....	2,000,000	2,000,000	1,000,000	780,800	45.0
2008.....	2,000,000	2,000,000	1,000,000	780,800	45.0
2009.....	3,500,000	3,500,000	1,000,000	1,455,800	45.0
2010.....	Unlimited	Unlimited	1,000,000	N/A	N/A
2011.....	1,000,000	1,000,000	1,000,000	345,800	55.0

N/A- Not applicable

the tax. Specifically, the law provided for periodic increases in the exemption amount for decedents who die after December 31, 2001, so that the effective filing threshold will be \$3.5 million by 2009. The tax is then repealed for decedents who die in 2010.²² The act also specified changes in the tax rate schedule, replaced the credit for death taxes paid to States with a deduction, and increased the lifetime gift tax exemption. Barring further Congressional action, however, all of the provisions of EGTRRA will expire in 2011, and all affected tax laws will revert back to their 2001 status. As a result, the estate tax would be reinstated for deaths occurring in 2011 and later, with a \$1 million exemption.

Current Estate Tax Law

Under current estate tax law, a Federal estate tax return must be filed for every deceased U.S. citizen whose gross estate, valued on the date of death, combined with adjusted taxable gifts made by the decedent after December 31, 1976, and total specific exemptions allowed for gifts made after September 8, 1976, equals or exceeds the amount shown in Figure E. The estates of nonresident aliens also must file if property held in the United States exceeds \$60,000. All of a decedent's assets, as well as the decedent's share of jointly owned and community property assets, are included in the gross estate for tax purposes. Also considered are most life insurance proceeds, property over which the decedent possessed a general power of appointment, and certain transfers made during life that were revocable

or made for less than full consideration. An estate is allowed to value assets on a date up to 6 months after a decedent's death if the value of assets declined during that period. Special valuation rules and a tax deferment plan are available to an estate that is primarily comprised of a small business or farm.

Expenses and losses incurred in the administration of the estate, funeral costs, and the decedent's debts are allowed as deductions against the estate for the purpose of calculating the tax liability. A deduction is allowed for the full value of bequests to the surviving spouse, including bequests in which the spouse is given only a life interest, subject to certain restrictions. Likewise, bequests to charities and death taxes paid to States are fully deductible. A unified tax credit, or applicable credit amount and a credit for gift taxes the decedent may have paid during his or her lifetime are also allowed.²³ The estate tax return (Form 706) must be filed within 9 months of the decedent's death unless a 6-month extension is requested. Taxes owed for generation-skipping transfers in excess of the decedent's exemption and taxes on certain retirement fund accumulations are due concurrent with any estate tax liability. Interest accumulated on U.S. Treasury bonds redeemed to pay these taxes is exempt from taxation.

Scope of the Transfer Tax System

The scope of the transfer tax system, as measured by the size of the population directly affected by the system, is quite narrow. The number of taxable estate tax returns filed for selected years of death between

²² Under pre-EGTRRA law, capital gains on appreciated assets were not subject to income tax at death, and heirs who sold inherited assets paid taxes only on gains earned after the decedent's death. Under the provisions of EGTRRA, once the estate tax is repealed, this "step-up" in basis for inherited assets that have capital gains is repealed, subject to an exemption.

²³ The unified credit or applicable credit amount is equivalent to the estate tax calculated on the exemption amount applicable for a decedent's year of death. The credit can be used to offset both gift taxes incurred on lifetime transfers and estate taxes owed incurred at death.

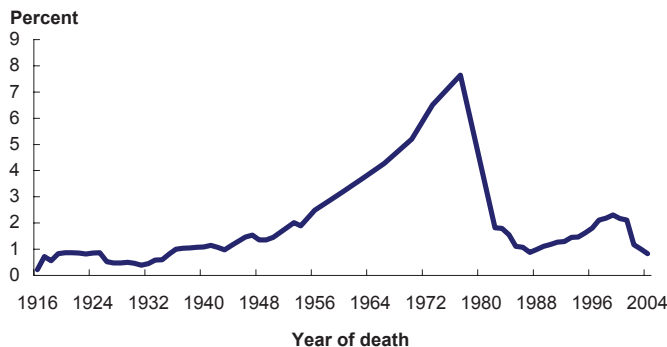
The Estate Tax: Ninety Years and Counting

1916 and 2004 as a percentage of all adult deaths is shown in Figure F. For most years during this period, the number of taxable estate tax returns represented less than 2 percent of all adult deaths. For deaths after 1954, a growing percentage of estates were taxed, hitting a peak of nearly 8 percent in 1976, when more than 139,000 taxable returns were filed. The Tax Reform Act in 1976 doubled the effective exemption of \$60,000 that had stood unchanged since 1954. Periodic increases in the estate tax filing threshold in the years that followed have kept the size of the affected decedent population relatively small.

When compared to revenue generated by taxes on individual or corporate income, the scope of the transfer tax system is also narrow (Figure G). With few exceptions, revenue from Federal estate and gift taxes has lingered between 1 percent and 2 percent of Federal budget receipts since World War II, reaching a post-war high of 2.6 percent in 1972. In recent

Figure F

Taxable Estate Tax Returns As a Percentage of All Adult Deaths, 1916-2004



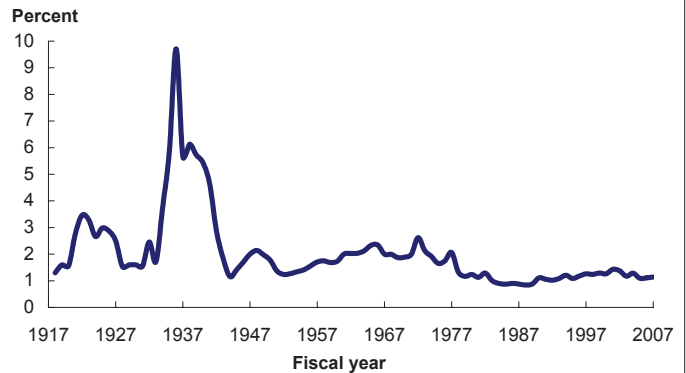
NOTE: Adult deaths are U.S. residents, age 20 and older.

years, Federal estate and gift taxes have made up about 1 percent of total budget receipts.

Figure H shows the total amount of gross estate and net estate tax, in constant 2004 dollars, reported on taxable returns between 1916 and 2004. Both total gross estate and net estate tax increased significantly in real terms during this time period, a product of changes in both the estate tax law and the economy. The effect of the former can be seen by comparing Figure H to Figures D and F, shown above. During the period 1917 and 1950, the total gross estate remained between \$20 billion and \$40

Figure G

Estate and Gift Receipts as a Percentage of Total Revenue, 1917-2007



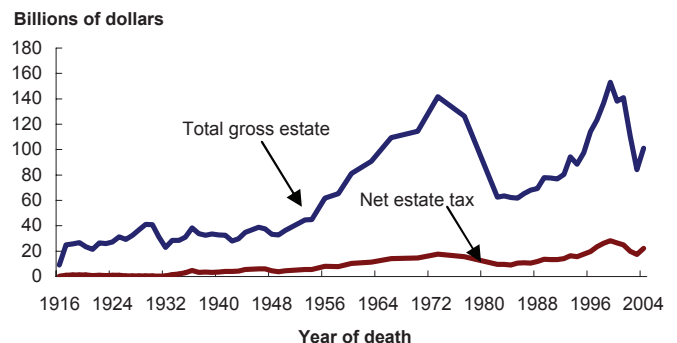
NOTE: Data for 2006 and 2007 are estimates.

SOURCES: Joulfaian, David (1998), *The Federal Estate and Gift Tax: Description, Profile of Taxpayers, and Economic Consequences*, OTA Paper 80; IRS Data Book, Fiscal Year 2007; and Midsession Review Budget of the U.S. Government.

billion, in 2004 dollars. However, the total net estate tax increased considerably, from less than \$1 billion in 1917 to more than \$4 billion in 1950. This corresponds with the increasing tax rates during this period. After 1950, the total gross estate and total net estate tax increased rapidly, as the \$60,000 exemption remained unchanged until 1977. Periodic increases in the exemption amount and reductions in the top tax rate after this date kept the total gross estate and total net estate tax below their 1976 high, in real terms, until new peaks were reached during the late 1990s. Real declines in both of these measures after 1999 correspond with exemption increases and

Figure H

Total Gross Estate and Net Estate Tax Reported on Taxable Returns, 1916-2004, in Constant 2004 Dollars



NOTE: Money amounts converted to constant 2004 dollars using CPI-U.

The Estate Tax: Ninety Years and Counting

tax rate decreases resulting from the Taxpayer Relief Act of 1997 and EGTRRA in 2001.

Charitable Giving

In addition to its direct economic and fiscal impacts, some researchers have shown that estate tax rates can influence both the incidence and level of charitable giving, due to the availability of an unlimited charitable deduction provided by estate tax law. Figure I shows the number of estates that claimed a deduction for charitable bequests as a percentage of all filers, between Filing Years 1976 and 2004, for all decedents whose gross estate was at least \$1 million in constant 2004 dollars. During this period, there was a slight increase in the percentage of decedents who made charitable bequests, increasing from a little more than 20 percent of all decedents prior to 1983, to an average of nearly 24 percent in more recent years. Figure I also shows the share of gross estate that these decedents bequeathed to charity. In general, the value of property bequeathed to charities, as a percentage of total gross estate, was lower in the years immediately following the passage of ERTA in 1981 than in 1976.²⁴ ERTA included two provisions that may have contributed to this difference. First, the introduction of the unlimited marital deduction may have induced some decedents to shift bequests from charities to the surviving spouse, since, after ERTA, gifts to charities no longer provided a tax advantage over bequests to a spouse. In such cases, it is possible that some married couples may have simply altered the timing of their charitable gifts, either by making larger lifetime donations or by deferring charitable bequests until the death of the surviving spouse. Second, under ERTA, the top marginal estate tax rate was reduced from 77 percent to 55 percent, and, according to some research, tax rates affect the charitable giving at death in both the size of charitable bequests and the number of charitable organizations named as beneficiaries.²⁵

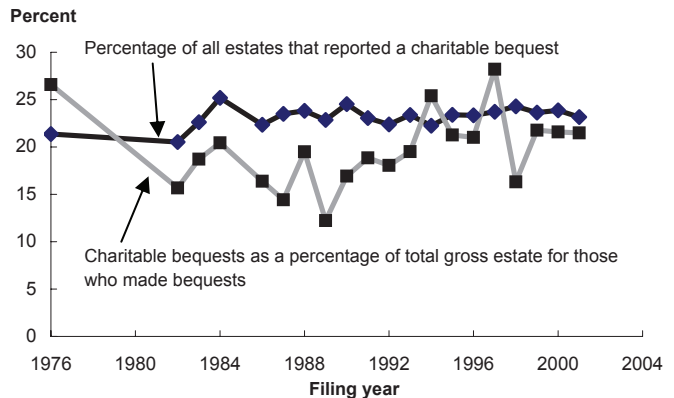
Asset Composition

The asset composition of wealthy decedents as reported on estate tax returns is a topic of interest to many researchers because of what it may reveal about the U.S. economy and investment markets

Figure I

Charitable Giving, 1976-2004

Decedents with Total Gross Estates of \$1 Million or More, in Constant 2004 Dollars



NOTES: No data are available for filing years 1977-1981. Money amounts converted to constant 2004 dollars using CPI-U.

over time. Figure J shows estates' asset composition reported for decedents with gross estates of at least \$1 million in constant 2004 dollars between Filing Years 1976 and 2004. Total stock, including stock held in mutual funds, made up the largest share of assets for these decedents during most of this period, comprising between 30 percent and 43 percent of gross estate. Some of the variation in this percentage can be explained by movements in the overall stock market. For instance, after 1995, the percentage of gross estate held in stock increased steadily from 30 percent to a high of 43 percent in 1999, when more than \$84 billion in stock, in constant 2004 dollars, was reported. During these years, the stock market as a whole experienced very strong performance, reflected by an increase of more than 165 percent in the S&P 500 index between January 1994 and January 1999.²⁶ By 2004, the percentage of gross estate held in stocks declined to less than 31 percent, which is consistent with a drop of 34 percent in the S&P 500 index by January 2004 from its peak in August 2000.

Total real estate, including commercial real estate and farm land, generally made up a higher percentage of total gross estate during the period 1976 through 1990 than in the years that followed, peaking at a high of more than 32 percent in 1983. While the

²⁴ SOI estate tax return data do not exist for 1977-1981.

²⁵ Joulfaian, D. (1991), "Charitable Bequests and Estate Taxes," *National Tax Journal*, 44(2), pp. 169-180.

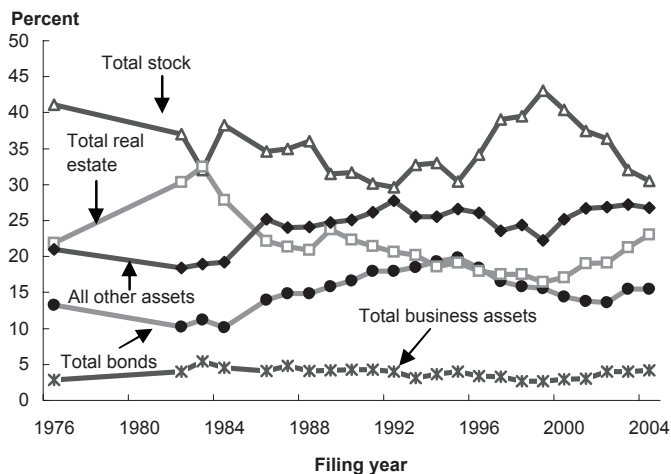
²⁶ See <http://www2.standardandpoors.com>.

The Estate Tax: Ninety Years and Counting

Figure J

Asset Composition of Estates' Tax Returns, 1976-2004

Decedents with Total Gross Estates of \$1 Million or More, in Constant 2004 Dollars



NOTES: Money amounts converted to constant 2004 dollars calculated using CPI-U. Total stock includes publicly traded and closely held stock. Total business assets include small businesses, limited partnerships, and farms, but exclude farm real estate.

portion of total gross estate held in stock increased significantly during the late 1990s, the portion held in real estate fell to less than 17 percent in 1999. After 1999, the portion of total gross estate held in real estate increased each year, reaching 23 percent in 2004, when a record \$46 billion in real estate was reported for decedents with \$1 million or more in gross estate. This is consistent with both the rise in housing prices—42 percent between the first quarter of 1999 and the first quarter of 2004—and the decline in the overall stock market after 2000.²⁷

During most years between 1976 and 2004, total bonds, including those issued by corporations, Federal, State and local governments, and mutual funds invested primarily in some type of bond, comprised between 13 percent and 20 percent of gross estate for decedents with total gross estate of at least \$1 million in constant 2004 dollars. All other assets, including cash and mortgages and notes, made up between 18 percent and 27 percent of gross estate during this period.

As shown in Figure J, total business assets, including small businesses, farms (but not farm land),

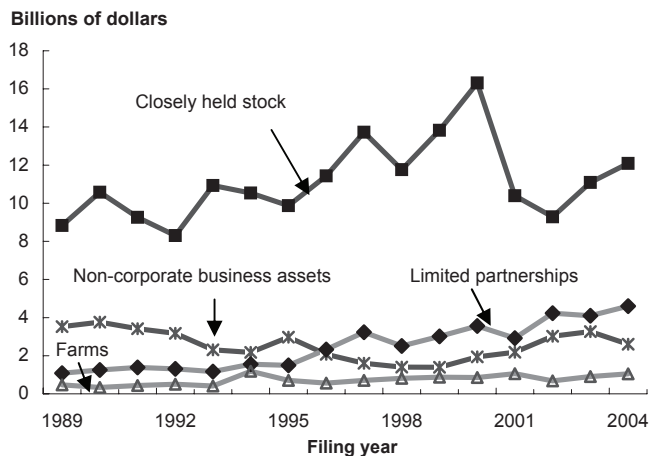
and limited partnerships, comprised 5 percent or less of total gross estate during the period 1976-2004. Despite making up a relatively small portion of the total gross estate, these assets are of particular interest to many researchers and policymakers because of concerns about the impact of the estate tax on small farms and family businesses.

Figure K shows the real value of closely held corporations and unincorporated business assets reported on estate tax returns with total gross estates of at least \$1 million, in constant 2004 dollars, between 1989 and 2004.²⁸ Although the values reported in each asset category show significant variance over time, several trends emerge. The value of stock in closely held corporations (included in the category “total stock” shown in Figure J) tended to be lower pre-1995 than in the years that followed. This trend may be due, in part, to changes in the top individual income tax rate during the period 1989-2004. Research has shown that tax rates can exert a significant influence on a company’s choice of organizational form.²⁹ Income earned by firms that are organized as

Figure K

Closely Held Corporations and Non-corporate Business Assets Reported on Estate Tax Returns, 1989-2004

Decedents with Total Gross Estates of \$1 Million or More, in Constant 2004 Dollars



NOTES: Money amounts converted constant 2004 dollars calculated using CPI-U. Non-corporate business assets include proprietorships, general partnerships, and unspecified business interests. Farms exclude farm real estate.

²⁷ Change in housing prices was calculated using the Office of Federal Housing Enterprise Oversight (OFHEO) House Price Index, <http://www.ofheo.gov/HPI.asp>.

²⁸ Detailed data on business asset holdings are not available for filing years prior to 1989.

²⁹ Caroli, R. and D. Joulfaian (1997), “Taxes and Corporate Choice of Organization Form,” Office of Tax Analysis working paper, <http://www.ustreas.gov/offices/tax-policy/library/ota73.pdf>.

The Estate Tax: Ninety Years and Counting

C corporations is taxed under the corporate income tax system, while income earned by businesses with other organizational forms, such as sole proprietorships, partnerships, and S corporations, is taxed under the individual income tax system. While the top corporate tax rate changed only slightly during this time period, from 34 percent for 1989-1992 to 35 percent after 1992, the top individual tax rate increased from 28 percent for 1989 and 1990 to 31 percent for 1991 and 1992 and to 39.6 percent for 1993-2000. Thus, the trends shown in Figure K may represent a shift from noncorporate to corporate organizational forms induced by the relatively higher individual income tax rates after 1993. Another possible factor contributing to this trend may have been the strong performance of the stock market during the mid- to late- 1990s, as the factors that increased the value of publicly traded corporations may have done the same for closely held corporations. The total reported value of limited partnerships increased significantly in real terms, from \$1.1 billion to \$4.6 billion, between 1989 and 2004. Among the factors likely contributing to this increase is the growth in venture capital funds and hedge funds during this period. Between 1995 and 2000, annual investments by venture capital funds are estimated to have increased from \$8 billion to \$107 billion.³⁰ Though the level of these investments fell sharply in 2001 and 2002, they remained well above the levels reported for the mid-1990s. Hedge funds experienced similar dramatic growth during this time period. According to one industry survey, total assets managed by hedge funds increased from \$35 billion in 1992 to \$592 billion in 2003.³¹

The reported value of farm assets, excluding farm real estate, experienced year-to-year fluctuations but remained relatively stable between 1989 and 2004. The lowest total was \$340 million, in constant 2004 dollars, reported for 1990. The highest total was reported for 1994, \$1.2 billion.

Conclusion

Taxes on transfers of wealth and property at death have been enacted throughout U.S. history. Originally used only as a source of revenue in times of crisis, a Federal estate tax has been an enduring feature of the U.S. tax code since 1916. The current tax, while

affecting a small fraction of estates, and raising a small amount of revenue compared to the individual and corporate income tax systems, has been the subject of significant interest among policy makers, researchers and the general public. Reasons for this interest range from divergent views on the fairness of the tax to interest in the effects of taxing transfers at death on the overall U.S. economy. This paper has provided a brief history of the estate tax and its impact on the U.S. budget. It has also examined the ways in which the economic behavior of the affected population has changed over time in response to market, technological, and political stimuli.

Acknowledgments

The authors wish to express a special note of thanks to Martha Eller Gangi, whose prior paper with Barry W. Johnson, "Federal Taxation of Inheritance and Wealth Transfers," provided source material and inspiration for this article.

Data Sources and Limitations

The data used for this paper were collected by the Statistics of Income Division of the Internal Revenue Service (IRS), or its predecessor organizations, for statistical purposes and made available to the general public in tabulated form. Data were collected from returns received and processed by the IRS during a given calendar, the majority of which were filed for decedents' who had died during the previous calendar year. SOI collected data from the population of returns filed annually from 1917 through 1951. Data were also collected from the population of returns filed during calendar years 1954, 1955, 1957, 1959, 1961 and 1963. For calendar years 1965, 1970, 1973, 1977 and 1982-2004, data were collected from samples of returns. The populations were stratified by size of gross estate for sampling purposes prior to the 1982 study. Beginning in 1982, the population was further stratified by age and year of death, and the samples were designed to facilitate both calendar year estimates and periodic estimates for specific decedent cohorts. Estate tax statistics were collected while returns were being processed for administrative purposes, and do not reflect any changes arising from audit examination or those reported on amended returns.

³⁰ See National Venture Capital Association, <http://www.nvca.org/ffax.html>.

³¹ See Hennessey Group, LLC, <http://www.hennesseegroup.com/information/index.html>.

A History of Controlled Foreign Corporations and the Foreign Tax Credit

by Melissa Redmiles and Jason Wenrich

As U.S. corporations have expanded their businesses overseas in the last several decades, the United States Tax Code has been modified to account for increasingly complex international corporate structures and transactions. Two important international tax concepts that have emerged over the years are the corporate foreign tax credit and controlled foreign corporations. The corporate foreign tax credit was created to alleviate the burden of double taxation. The income of controlled foreign corporations has become increasingly subject to U.S. tax after initially presenting a potential tax deferral advantage over foreign branches. A brief history of the foreign tax credit and controlled foreign corporations is presented below.¹

Corporate Foreign Tax Credit

The United States generally taxes U.S. companies on their worldwide incomes. Since other countries may also impose a tax on income earned within their borders, U. S. companies with foreign-source income face potential double taxation. When the income tax was first created, Congress addressed this issue by allowing taxpayers to deduct their foreign taxes when computing taxable income. In 1918, after the cost of World War I pushed up both domestic and many foreign tax rates, Congress passed the foreign tax credit provisions to provide greater relief in cases of double taxation. These provisions permit taxpayers the option of either deducting their foreign taxes when computing their taxable incomes or taking a dollar for dollar credit for them against their U.S. tax liabilities. Corporations report the foreign income and taxes related to the credit on *Form 1118, Computation of Foreign Tax Credit—Corporations*.

Creditable Taxes

To be eligible for the credit, the tax paid had to be a foreign income tax. Although the precise definition of a foreign income tax has changed somewhat over the years, the basic idea remains today. Other taxes, such as value-added taxes, excise, property, and

Melissa Redmiles and Jason Wenrich are economists with the Special Studies Returns Analysis Section. This article was prepared under the direction of Chris Carson, Chief.

Figure A

Corporate Foreign Tax Credit, in Constant 2004 Dollars, Selected Tax Years 1925-2002 [1]

[Money amounts are in millions of dollars]

Tax year	U.S. income tax before credits	Foreign tax credit	Percentage
	(1)	(2)	(3)
1925.....	12,629	216	1.7
1930.....	8,054	328	4.1
1940.....	28,929	783	2.7
1950.....	123,757	3,637	2.9
1960.....	139,544	7,811	5.6
1970.....	160,414	22,147	13.8
1980.....	238,030	57,037	24.0
1990.....	172,617	36,115	20.9
2000.....	292,106	53,210	18.2
2004.....	299,555	56,872	19.0

[1] For comparability, money amounts have been adjusted for inflation to 2004 constant dollars.

payroll taxes, can be deducted from foreign-source income but not credited. Income taxes paid to a local authority, such as a province, are eligible for the credit. Taxes paid for a specific right or service, like a royalty payment for the right to mine, generally cannot be credited. After the Technical Amendments Act of 1958, taxpayers could carry their unused foreign taxes forward for 5 years or back for 2. Figure A shows foreign tax credit amounts for select years between 1925 and 2004, in constant 2004 dollars.

U.S. companies generally are not taxed on the earnings of their foreign subsidiaries until those earnings are distributed to the parent company, and thus cannot claim a direct credit for the foreign taxes paid by the subsidiary. The foreign tax credit provisions, however, allow taxpayers an indirect credit for the foreign "taxes deemed paid." Taxes deemed paid are computed as a share of the foreign taxes on the earnings out of which the distribution was made proportionate to the ratio of the distribution to the total earnings. To be eligible for the indirect credit, the U.S. company must own a certain percentage of the foreign subsidiary's voting stock. In 1962, the ownership percentage was lowered from the original 50 percent to 10 percent. Until 1976, taxpayers could claim the credit down to the second tier of ownership, as long as the second tier corporation was at least 50-percent owned by the first tier corporation.

¹ For a more detailed description of international taxation, see Doernberg, Richard L. (1999), *International Taxation*, West Group, St. Paul, MN.

A History of Controlled Foreign Corporations and the Foreign Tax Credit

The Tax Reform Act of 1976 expanded the level of ownership to three tiers and changed the percentage requirements to 10 percent for all tiers, provided that the combined percentage ownership of all tiers is at least 5 percent. Congress gradually expanded the level of ownership down to six tiers, but the 5-percent rule remains in effect.

Limitations and Reductions

As originally enacted, the foreign tax credit had a major drawback. Since companies could credit an unlimited amount of tax paid to countries with tax rates that exceeded the U.S. rate, they could offset some of their tax on domestic income with the credit for taxes on foreign income. To remedy this, Congress added a limitation to the foreign tax credit in the Revenue Act of 1921. The limitation essentially caps foreign taxes credited to the U.S. rate, by limiting the amount of credit to a corporation's U.S. income tax liability multiplied by the ratio of foreign-source income to worldwide income. When first enacted, taxpayers computed the limitation using total foreign-source taxable income. A limitation computed using this method later become known as an overall limitation.

One problem with the limitation was that taxpayers could still offset some domestic tax liability by combining amounts of income earned in high-tax countries with income in low-tax countries, in their computation of the credit limitation. What, if anything, should be done about this issue has been the driving force behind much subsequent foreign tax credit legislation. Beginning in 1932, Congress required taxpayers to compute the limitation on a per country basis. In addition, the sum of all allowable credits from all countries could not exceed the overall limitation. The latter requirement was removed from the Internal Revenue Code in 1954. Public Law 86-780, enacted in 1960, granted taxpayers the ability to elect either an overall limitation or a per country limitation. In 1962, Congress introduced a separate limitation for nonbusiness-related interest. This prevented taxpayers from making interest-bearing

investments abroad to generate additional, low-taxed foreign income that could be combined with higher tax income.²

Congress placed further restrictions on the foreign tax credit in the Tax Reduction Act of 1975 and the Tax Reform Act of 1976. These laws eliminated the per country limitation option and added a new limitation category, dividends from a Domestic International Sales Corporation (DISC).³ Income that did not fit into the interest category or DISC dividend category fell into an overall or general limitation category. This legislation also introduced a reduction in credit for taxes paid on foreign oil and gas extraction income equivalent to the amount of foreign taxes paid, accrued, or deemed paid on foreign oil and gas extraction income that exceeded a certain percentage of foreign oil and gas extraction taxable income. The percentage has changed over time and is currently set at the highest rate of corporate tax, 35 percent for Tax Year 2006. In addition, the 1976 Act included boycott legislation. Now, taxpayers who agree to participate in an unsanctioned boycott may need to reduce their foreign credits or their foreign taxes eligible for credit.

Finally, these laws added an overall foreign loss recapture. The intent of the overall loss recapture was to limit the amount of domestic tax liability that could be offset by foreign losses. Before this legislation, if a taxpayer had an overall foreign loss in one year and an overall foreign gain in a subsequent year, the taxpayer could use all of his or her foreign-source taxable income in the year with the gain in computing the foreign tax credit limit. Since 1976, in the years when taxpayers have an overall foreign gain, they must treat the smaller of all overall losses from previous years or 50 percent of their current foreign-source income as domestic source income.

In 1985, the Treasury Department recommended reinstating the per country limitation. U.S. companies with substantial foreign-source income objected, and Congress compromised by greatly expanding the categories of income requiring a separate limitation in the Tax Reform Act of 1986.⁴ Beginning with Tax

² Andersen, Richard E. (1996), *Foreign Tax Credits*, Warren, Gorham & Lamont, Boston, MA.

³ *Dividends from a DISC or former DISC* refer to dividends from a Domestic International Sales Corporation (DISC) that are treated as foreign-source income. A DISC is a small domestic corporation whose activities are primarily exported-related. A portion of the DISC's income was not subject to tax until it was distributed to shareholders. Tax advantages of DISCs were repealed in 1984.

⁴ Gustafson, Charles H.; Robert J. Peroni; and Richard Crawford Pugh (2001), *Taxation of International Transactions, Materials, Text and Problems*, West Group, St. Paul, MN.

A History of Controlled Foreign Corporations and the Foreign Tax Credit

Year 1987, the limitation categories included: general limitation income, passive income, high withholding tax interest, financial services income, shipping income, dividends from a DISC, taxable income attributable to foreign trade income, certain distributions from a Foreign Sales Corporation (FSC) or former FSC, section 901(j) income, and dividends from each noncontrolled foreign corporation.⁵

Passive income generally includes dividends, net capital gains, interest, rents, royalties (except for rents and royalties derived in an active trade or business from an unrelated person), annuities, and certain commodities transactions. Passive income subject to an effective foreign tax rate that is greater than the highest U.S. corporate rate must be “kicked out” to the general limitation category. High withholding tax interest is interest income subject to a withholding rate of 5 percent or more. (An exception exists for interest received in the conduct of financing certain export activities.) Financial services income pertains to a company whose gross income is composed of 80 percent or more of financial services income. It includes income derived from the active conduct of banking, insurance or financing, export financing interest excluded by the exception from the high withholding interest basket, and other income related to financial services income. Shipping income is income related to that industry. Taxpayers cannot claim a credit for taxes paid or accrued by a Foreign Sales Corporation (FSC) on its taxable income attributable to foreign trade, as defined by Internal Revenue Code section 923(b), and must compute a separate limitation on such income. Distributions from a FSC include distributions from the earnings and profits of the FSC’s foreign trade income and interest and carrying charges from transactions that create foreign trade income. Section 901(j) countries are those considered hostile to the United States.⁶ Taxpayers must calculate a separate limitation for each section 901(j) country and may not credit any taxes paid to them.

Dividends from a noncontrolled foreign corporation were defined as dividends from foreign subsidiaries of which the U.S. corporation owns at least 10 percent of the voting stock and the U.S. shareholders who own at least 10 percent of the vot-

ing stock together own 50 percent or more of either the voting stock or the value of the stock. A separate limitation had to be computed for each noncontrolled corporation. If the foreign corporation did not meet the definition of a 10/50 company, the dividends were placed into a limitation category based on the type of income that generated the dividends. These provisions are often referred to as the look-through rules. Congress has since phased out the separate limitation on each noncontrolled corporation basket. Now these dividends are categorized according to the look-through rules.

In 1988, a new category, income resourced by treaty, was added. It refers to income that would otherwise be considered domestic income that has been resourced to foreign source per tax treaty provision. Taxpayers must compute a separate limitation for each occurrence where income has been resourced.

Recent Changes

The most recent major revision of the foreign tax credit provisions was the American Jobs Creation Act of 2004. The law adjusts how taxpayers calculate the foreign tax credit for the purposes of the alternative minimum tax. It also modifies the rules that govern how companies allocate their interest expenses between foreign and domestic incomes so that multinational corporations will be able to allocate less interest to their foreign-source incomes, and thus increase their foreign tax credit limitations. The new law adds an overall domestic loss recapture that complements the rules on overall foreign loss. Now, if a taxpayer is unable to take a foreign tax credit during a year with foreign gains but an overall loss, the taxpayer will be able to resource some of the domestic income to foreign income in a subsequent year, which will increase the foreign tax credit limitation. Next, the carryback period for foreign taxes in excess of the limitation has been reduced to 1 year, while the carryforward period has been increased to 10 years. Finally, the separate limitation categories will be reduced to four: passive income, general limitation income, section 901(j) income, and income resourced by treaty. These provisions will be fully implemented by Tax Year 2009.

⁵ A Foreign Sales Corporation (FSC) is a company incorporated abroad, created to promote U.S. exports and usually controlled by a U.S. person. A portion of the FSC “foreign trade income” was exempt from U.S. taxation. Congress repealed the FSC provisions in 1999 and the transition rules that permitted some FSC activity to continue in 2006.

⁶ Current Section 901(j) countries include Cuba, Iran, North Korea, Sudan, and Syria.

A History of Controlled Foreign Corporations and the Foreign Tax Credit

Figure B

U.S. Corporations and Their Controlled Foreign Corporations, 1962-1980, Selected Years

(Money amounts are in thousands of dollars)

Tax year	Number of domestic corporation returns [1]	Controlled Foreign Corporations			
		Number of returns [2]	Net current earnings and profits after taxes [3]	Foreign income and profits taxes	Dividends paid to domestic corporations filing Form 2952
	(1)	(2)	(3)	(4)	(5)
1962.....	2,642	12,073	2,558,999	1,622,282	1,133,348
1965.....	3,513	17,668	3,564,260	2,168,369	1,457,561
1966.....	3,732	19,617	4,453,291	2,533,206	1,525,137
1980.....	4,799	35,471	31,181,131	16,440,451	14,172,649

[1] For 1962, both active and inactive domestic corporation returns with Form 2952, *Information Return with Respect to Controlled Foreign Corporations*, are included. For 1965, 1966, and 1980, only active domestic corporation returns are included.

[2] For 1962, domestic corporations were required to report for only two tiers of foreign ownership. For 1965, 1966, and 1980, the reporting requirement was for at least three tiers of foreign ownership.

[3] For 1962, this was reported as "Net profit before taxes" on Form 2952. For 1965, 1966, and 1980, "current earnings and profits after foreign income and profits taxes" were required to be reported on Form 2952.

Controlled Foreign Corporations

The history of controlled foreign corporations in United States tax law is characterized by reduction of the tax deferral advantages of United States corporations operating businesses overseas through foreign corporations. Four major pieces of legislation have defined and extended the concept of a controlled foreign corporation and the mechanism by which foreign corporation earnings are includable in the U.S. shareholder's taxable income.

In the aftermath of World War II, political and economic developments, such as the Marshall Plan, encouraged international expansion by U.S. businesses. Congress enacted Public Law 86-780 in 1960 in part to obtain information on the overseas activities of U.S. corporations. This law required each U.S. corporation to provide, as a part of its tax return, information on all foreign corporations directly-controlled by the U.S. corporation ("first-tier" subsidiaries) and any foreign corporations controlled by a directly-controlled foreign corporation ("second-tier" subsidiaries). A controlled foreign corporation (CFC) was defined as any foreign corporation in which more than 50 percent of the voting stock was directly owned by one or more U.S. corporations on any day of the taxable year of the foreign corporation. A controlled "second tier" subsidiary was defined as a foreign corporation in which more than 50 percent of the voting stock was owned by a directly-controlled foreign corporation. Information on first- and second-tier CFCs was reported on Form 2952, *Information Return by a Domestic Corporation with Respect to Controlled Foreign Corporations*.

The penalty for failing to timely file a Form 2952 for each CFC was a 10-percent reduction of foreign tax credits attributable to all foreign corporations or their foreign subsidiaries.

Initially, foreign income earned by CFCs was not taxable to the U.S. shareholder until it was repatriated to the United States in the form of a dividend. This is in contrast to foreign operations conducted through a foreign branch whose income was taxable to the U.S. corporation when it was earned. U.S. corporations could maximize the tax deferral opportunity of foreign corporations by organizing their international structures and transactions with foreign subsidiaries in such a way as to accumulate profits in foreign corporations organized in low-tax countries and repatriate the earnings in years when the U.S. parent corporation had losses or excess foreign tax credits. Additionally, when U.S. corporations disposed of their stock in CFCs the tax-deferred accumulated earnings and profits of the foreign corporation could be repatriated to the United States at the lower capital gains tax rate.

The Revenue Act of 1962 reduced the tax deferral advantages of CFCs by refining the concept of a "controlled" foreign corporation and by adding Subpart F to the Internal Revenue Code. The 1962 Act redefined a foreign corporation as controlled if more than 50 percent of the voting stock of the foreign corporation was owned by U.S. shareholders for an uninterrupted period of 30 days or more during the foreign corporation's tax year. For purposes of determining control, the voting stock of only those U.S. shareholders owning at least 10 percent of the voting stock

A History of Controlled Foreign Corporations and the Foreign Tax Credit

Figure C

U.S. Corporations with Total Assets of \$250 Million or More and Their Controlled Foreign Corporations, 1976-1984, Selected Years

(Money amounts are in thousands of dollars)

Tax year	Number of U.S. corporation returns	Controlled Foreign Corporations				
		Number of returns	Current earnings and profits (less deficit) before taxes	Foreign income taxes (net)	Total distributions	Total Subpart F income
	(1)	(2)	(3)	(4)	(5)	(6)
1976.....	757	21,071	23,478,736	8,814,825	6,569,018	822,674
1982.....	1,034	26,993	36,696,077	14,077,332	14,650,375	4,466,139
1984.....	1,103	27,008	48,591,785	19,663,431	17,429,494	4,420,024

of the foreign corporation was included. Attribution rules were introduced in the 1962 Act to account for various ownership structures that would otherwise avoid the requirements for declaring a foreign corporation a controlled foreign corporation. For example, if 6 individuals each wholly owned a separate U.S. corporation, and, in turn, the individuals and their respective corporations each owned an equal amount of voting stock of a foreign corporation, in the absence of attribution rules, the foreign corporation would not be a CFC. By attributing the voting stock of the foreign corporation owned by each U.S. corporation to its individual owner, the 10-percent voting stock ownership threshold would be met for each U.S. shareholder, and, collectively, all U.S. shareholders would own more than 50 percent of the voting stock of the foreign corporation. The foreign corporation in this example would be a “controlled” foreign corporation and would be required to file Form 2952.

The 1962 legislation also increased the Form 2952 filing requirement by extending the definition of a controlled foreign corporation to include any foreign corporation within a chain of control. A U.S. shareholder was “deemed” to control an unlimited number of lower-tier foreign corporations when it owned more than 50 percent of the voting stock of a first-tier corporation which owned more than 50 percent of the voting stock of a second-tier corporation, and so forth. Additionally, the Form 2952 filing requirement was extended to include not only U.S. corporations but U.S. citizens and residents, domestic partnerships, estates, and trusts, as well. The penalty for failing to timely file Form 2952 was amended to a reduction of the foreign tax credit in the amount of the greater of \$10,000 or the income of the foreign corporation with respect to which the reporting failure occurred.

The most significant effect of the Revenue Act of 1962 for controlled foreign corporations was the introduction of Subpart F to the Internal Revenue Code. The Subpart F inclusion rules restricted U.S. shareholders’ ability to defer taxes on certain types of income by requiring the income to be included in the U.S. shareholders’ current-year taxable incomes regardless of their repatriation to the United States. The pro rata share of foreign income includable in the U.S. shareholder’s income consisted of Subpart F income, previously excluded Subpart F income withdrawn from investments in less-developed countries, increases in investment of earnings of CFCs in United States property, and previously excluded Subpart F income withdrawn from export trade corporation assets (these categories are collectively referred to as “Subpart F income”). The majority of Subpart F income is made up of “passive” income like dividends, interest, royalties, and rents and income derived from insurance of United States risks. U.S. shareholders were not required to include their pro rata shares of Subpart F incomes in their taxable income if the Subpart F income accounted for 30 percent or less of the CFCs gross income or if distributions of the CFCs income were made so that the combined payment of foreign and U.S. taxes were 90 percent or more of the U.S. rate. Since Subpart F income is generally includable in the U.S. shareholder’s taxable income when it is earned, no additional U.S. tax is imposed when it is repatriated to the United States. Finally, the 1962 Act restricted the conversion of tax-deferred earnings into capital gains for purposes of repatriating the income at the lower capital-gain tax rate.

The Tax Reduction Act of 1975 expanded what constituted Subpart F income and increased the likelihood that such income would be included in a U.S. shareholder’s taxable income. Some types of

A History of Controlled Foreign Corporations and the Foreign Tax Credit

Figure D

U.S. Corporations with Total Assets of \$500 Million or More and Their 7,500 Largest Controlled Foreign Corporations, 1986-2002, Selected Years

(Money amounts are in thousands of dollars)

Tax year	Number of U.S. corporation returns	Controlled Foreign Corporations [1]			
		Current earnings and profits (less deficit) before taxes	Foreign income taxes (net)	Distributions from earnings and profits	Subpart F income
	(1)	(2)	(3)	(4)	(5)
1986.....	714	56,590,619	19,229,025	21,730,762	4,223,316
1988.....	744	79,811,427	23,929,652	45,524,746	12,101,074
1990.....	731	88,688,406	23,936,971	46,429,916	17,841,936
1992.....	749	69,613,140	18,471,643	42,971,551	13,217,040
1994.....	801	98,427,640	23,267,744	50,383,707	16,317,803
1996.....	890	141,010,411	32,394,527	68,813,441	22,943,983
1998.....	996	143,840,451	34,744,726	74,188,419	20,238,440
2000.....	1,087	207,576,012	43,143,111	94,882,197	29,372,318
2002.....	1,079	200,670,364	38,610,284	97,011,345	31,420,940

[1] This figure presents data for the largest 7,500 Controlled Foreign Corporations (CFCs) ranked by assets owned by U.S. corporations with \$500 million or more in total assets. The largest CFCs are selected independently for each tax year study.

shipping income received by CFCs were added to the definition of Subpart F income. The 1975 Act also lowered the Subpart F percentage of a CFCs gross income necessary for Subpart F income to be taxable to the U.S. shareholder from 30 percent to 10 percent. Minor amendments to the definition of Subpart F income have occurred since 1975.

Form 2952 was replaced in 1983 by Form 5471, *Information Return with Respect to Certain Foreign Corporations*.⁷ Form 5471 significantly increased the amount of information required to be reported for each controlled foreign corporation, although not all filers were required to complete all schedules. Form 5471 included an expanded income statement schedule, a cost of goods sold schedule, a foreign taxes paid schedule, a balance sheet schedule, and earnings and profit analysis schedules.

The Tax Reform Act of 1986 again refined the controlled foreign corporation concept in part to address the issue of U.S. shareholders transferring 50 percent of the voting stock of a foreign corporation to “friendly” foreign shareholders and avoiding the “controlled foreign corporation” designation while still maintaining 50-percent voting stock of the corporation and most of the value. The 1986 legislation expanded the definition of a CFC to include foreign corporations for which 50 percent or more of the voting power of all classes of stock entitled to vote or

the total value of all shares of stock is owned by one or more U.S. persons (including U.S. corporations, partnerships, trusts, and estates). Only the voting stock of those U.S. persons directly, indirectly, or constructively owning at least 10 percent of either the voting stock or value of the voting stock of the foreign corporation is considered for purposes of determining if the 50-percent threshold is met.

The American Job Creation Act of 2004 is the most recent piece of legislation affecting controlled foreign corporations. This act, in an effort to encourage U.S. corporations to repatriate their accumulated foreign earnings and reinvest them in U.S. projects, allowed for a one-time 85-percent dividends received deduction for cash dividends received from controlled foreign corporations. To receive this deduction, the U.S. corporation must have had a qualified reinvestment plan and receive the cash dividends in the U.S. corporation’s last tax year beginning before October 22, 2004, or the first tax year beginning in the 1-year period after that date.

Statistics of Income (SOI) has collected data on Forms 2952 and 5471 every other tax year since 1962. In Tax Year 1962, there were 12,073 Forms 2952 filed by 2,642 United States corporations.⁸ In Tax Year 2002, there were 75,579 Forms 5471 filed by 2,119 U.S. parent corporations with \$500 million or more in assets.⁹ Figures B, C, and D include

⁷ In addition to Form 2952, Form 5471 replaced Form 957, *U.S. Information Return by an Officer, Director, or U.S. Shareholder of a Foreign Personal Holding Company*, Form 958, *U.S. Annual Information Return by an Officer or Director of a Foreign Personal Holding Company*, Form 959, *Return by an Officer, Director, or Shareholder With Respect to the Organization or Reorganization of a Foreign Corporation and Acquisition of Its Stock*, and Form 3646, *Income from Controlled Foreign Corporation*.

⁸ *Foreign Income and Taxes, Corporation Income Tax Returns* (Publication 479), Statistics of Income, April 1973.

⁹ Based on unpublished data.

A History of Controlled Foreign Corporations and the Foreign Tax Credit

additional information from SOI studies covering this period.

Data Sources and Limitations

Two of the largest studies of international income and taxes conducted by Statistics of Income are the Corporate Foreign Tax Credit and Controlled Foreign Corporation studies. The foreign tax credit studies are derived from returns in the corporation Statistics of Income sample. The foreign tax credit is understated to the extent that it does not include foreign taxes carried back.

The Controlled Foreign Corporation study, usually conducted every other tax year, has changed since the first study conducted for Tax Year 1962. Initially, population estimates were tabulated using

data collected from all Forms 2952 filed by U.S. parent corporations in the Statistics of Income corporate sample. For Tax Years 1974, 1976, 1982, and 1984, data were collected from Forms 2952 filed by U.S. parent corporations with greater than \$250 million in total assets. Population estimates were again tabulated for Tax Year 1980. For Tax Years 1986 through 2002, data were collected for all Forms 5471 filed by U.S. parent corporations with greater than \$500 million in total assets. During these years, data were published for the largest 7,500 controlled foreign corporations ranked by assets.

Data for both studies do not include adjustments made during audit. Data for recent study years can be found on the Statistics of Income Web site (www.irs.gov/taxstats).

SOI Sampling Methodology and Data Limitations

Appendix

This appendix discusses typical sampling procedures used in most Statistics of Income (SOI) programs.

Aspects covered briefly include sampling criteria, selection techniques, methods of estimation, and sampling variability. Some of the nonsampling error limitations of the data are also described, as well as the tabular conventions employed.

Additional information on sample design and data limitations for specific SOI studies can be found in the separate SOI reports (see pages 319-320 at the end of this *Bulletin*). More technical information is available, on request, by writing to the Director, Statistics of Income Division RAS:S, Internal Revenue Service, P.O. Box 2608, Washington, DC 20013-2608.

Sample Criteria and Selection of Returns

Statistics compiled for the SOI studies are generally based on stratified probability samples of income tax returns or other forms filed with the Internal Revenue Service (IRS). The statistics do not reflect any changes made by the taxpayer through an amended return or by the IRS as a result of an audit. As returns are filed and processed for tax purposes, they are assigned to sampling classes (strata) based on such criteria as: industry, presence or absence of a tax form or schedule, and various income factors or other measures of economic size (such as total assets, total receipts, size of gift, and size of estate). The samples are selected from each stratum over the appropriate filing periods. Thus, sample selection can continue for a given study for several calendar years—3 for corporations because of the incidence of fiscal (noncalendar) year reporting and extensions of filing time. Because sampling must take place before the population size is known precisely, the rates of sample selection within each stratum are fixed. This means, in practice, that both the population and the sample size can differ from those planned. However, these factors do not compromise the validity of the estimates.

The probability of a return's selection depends on its sample class or stratum and may range from a fraction of 1 percent to 100 percent. Considerations in determin-

ing the selection probability for each stratum include the number of returns in the stratum, the diversity of returns in the stratum, and interest in the stratum as a separate subject of study. All this is subject to constraints based on the estimated processing costs or the target size of the total sample for the program.

For most SOI studies, returns are designated by computer from the IRS Master Files based on the taxpayer identification number (TIN), which is either the Social Security number (SSN) or the Employer Identification Number (EIN). A fixed and essentially random number is associated with each possible TIN. If that random number falls into a range of numbers specified for a return's sample stratum, then it is selected and processed for the study. Otherwise, it is counted (for estimation purposes), but not selected. In some cases, the TIN is used directly by matching specified digits of it against a predetermined list for the sample stratum. A match is required for designation.

Under either method of selection, the TINs designated from one year's sample are, for the most part, selected for the next year's, so that a very high proportion of the returns selected in the current year's sample are from taxpayers whose previous years' returns were included in earlier samples. This longitudinal character of the sample design improves the estimates of change from one year to the next.

Method of Estimation

As noted above, the probability with which a return is selected for inclusion in a sample depends on the sampling rate prescribed for the stratum in which it is classified. "Weights" are computed by dividing the count of returns filed for a given stratum by the number of population sample returns for that same stratum. These weights are usually adjusted for unavailable returns, outliers, or trimming weights. Weights are used to adjust for the various sampling rates used, relative to the population—the lower the rate, the larger the weight. For some studies, it is possible to improve the estimates by subdividing the original sampling classes into "poststrata," based on additional criteria or refinements of those used in

Sample returns are designated by computer from the IRS Master Files based on the taxpayer identification number.

Information for this appendix was compiled under the direction of Beth Kilss, Former Chief, Statistical Data Section. Major contributions were made by Paul McMahon and Tamara Rib, Statistical Computing Branch, Mathematical Statistics Section, under the direction of Yahia Ahmed, Chief.

SOI Sampling Methodology and Data Limitations

the original stratification. Weights are then computed for these poststrata using additional population counts. The data on each sample return in a stratum are then multiplied by that weight. To produce the tabulated estimates, the weighted data are summed to produce the published statistical totals.

In transcribing and tabulating data from tax returns, checks are imposed to improve the quality of the statistics.

Sampling Variability

The particular sample used in a study is only one of a large number of possible random samples that could have been selected using the same sample design. Estimates derived from

the different samples usually vary. The standard error of the estimate is a measure of the variation among the estimates from all possible samples and is used to measure the precision with which an estimate from a particular sample approximates the average result of the possible samples. The sample estimate and an estimate of its standard error permit the construction of interval estimates with prescribed confidence that this interval includes the actual population value.

In SOI reports, the standard error is not directly presented. Instead, the ratio of the standard error to the estimate itself is presented in percentage form. This ratio is called the coefficient of variation (CV). The user of SOI data may multiply an estimate by its CV to recreate the standard error and to construct confidence intervals.

For example, if a sample estimate of 150,000 returns is known to have a coefficient of variation of 2 percent, then the following arithmetic procedure would be followed to construct a 68-percent confidence interval estimate:

$$\begin{array}{ll} 150,000 & \text{(sample estimate)} \\ \times 0.02 & \text{(coefficient of variation)} \\ = 3,000 & \text{(standard error of estimate)} \end{array}$$

then:

$$\begin{array}{ll} 150,000 & \text{(sample estimate)} \\ + \text{ or } - 3,000 & \text{(standard error)} \\ = \{147,000, 153,000\} & \text{(68-percent confidence interval).} \end{array}$$

Based on these data, the interval estimate is from 147 to 153 thousand returns. This means that the average esti-

mate of the number of returns lies within an interval computed in this way. Such an estimate would be correct for approximately two-thirds of all possible samples similarly selected. To obtain this interval estimate with 95-percent confidence, the standard error should be multiplied by 2 before adding to and subtracting from the sample estimate. (In this particular case, the resulting interval would be from 144 to 156 thousand returns.)

Further details concerning sample design, sample selection, estimation method, and sampling variability for a particular SOI study may be obtained, on request, by writing to the Director, Statistics of Income Division, at the address given above.

Nonsampling Error Controls and Limitations

Although the previous discussion focuses on sampling methods and the limitations of the data caused by sampling error, there are other sources of error that may be significant in evaluating the usefulness of SOI data. These include taxpayer reporting errors and inconsistencies, processing errors, and the effects of any early cutoff of sampling. Additional information on nonsampling error as it applies to individual and corporation income tax returns is presented in the separate SOI reports on these returns.

In transcribing and tabulating the information from returns or forms selected for the sample, steps are taken to improve the quality of the resultant estimates. Tax return data may be disaggregated or recombined during the statistical abstracting and "editing" process that takes place in IRS submission processing centers. This is done to improve data consistency from return to return and to achieve definitions of the data items more in keeping with the needs of major users. In some cases, not all of the data are available from the tax return as originally filed. Sometimes, the missing data can be obtained by the Statistics of Income Division in Washington, DC, through field followup. More often, though, they are obtained through manual or computerized imputation. For this purpose, other information in the return or in accompanying schedules may be sufficient to serve as the basis for making an estimate. Prior-year data for the same taxpayer can be used for this same purpose, or comparable data from business reference books may be substituted.

Data abstracted or "edited" from returns for statistical use are subjected to a number of validation checks, in-

SOI Sampling Methodology and Data Limitations

cluding systematic verifications of a sampling of the work of each tax examiner involved in the SOI process. Data reported on sampled returns and previously transcribed as part of processing for the IRS Master Files are subject to validation as part of the administrative process before SOI processing begins. However, during the administrative process, it is only practical to transcribe corrections to errors that have a direct bearing on the tax reported or the refund claimed. Therefore, during the SOI process, checks must also be made to correct any errors or inconsistencies left in the administrative data before the data can be accepted for the statistics.

The Statistics of Income program includes many more tax return items than are transcribed and perfected for IRS tax administration needs, especially for items reported in tax return schedules in support of the various summary totals reported on the return. Therefore, checks must also be designed to validate these additional data items and to assure that they are consistent with other data entries.

Most of the data validation checks made during the SOI process take the form of computerized tests of each record. In addition to verifying that internal consistency and proper balance and relationships among the tax return items and statistical classifications are maintained, this process is intended to check on consistency with tax law provisions, acceptable reporting practices, and generally accepted accounting principles. Most testing occurs during the data abstracting and editing operation, while the tax return source document is still on hand, although some testing for certain programs occurs later on. Records failing the tests are subjected to further review and correction.

Finally, before publication, the statistics are reviewed for accuracy and reasonableness in light of the tax law provisions, taxpayer reporting variations and other limitations, tolerances and statistical techniques allowed or employed in data processing and estimating, economic conditions, and comparability with other statistical series. However, these controls do not completely eliminate the

possibility of error. When discovered, errors in *Bulletin* tables are corrected, usually through published errata.

Table Conventions

Published estimates subject to excessive sampling variability are identified for most of the statistics by means of an asterisk (*) presented alongside the estimate or in place of an estimate. Presence of an asterisk means that the sampling rate was less than 100 percent of the population and that there were fewer than 10 sample observations available for estimation purposes. This method produces a rough indication of excessive sampling variability. However, the results will differ somewhat from more precise indicators of excessive sampling variability based on the standard statistical formula. For some of the statistics based on samples, asterisking was not possible because of resource and other constraints. Users should keep this limitation in mind when using these data.

A zero, in place of a frequency or an amount, in any given table cell presenting data based on an SOI sample, indicates either that (1) there were no returns in the population with the particular characteristic, or (2) because of its rarity, instances of the characteristic were not present among the sampled returns. However, for statistics based on returns selected for the sample at the 100-percent rate, a zero indicates a presumption of no returns with the particular characteristic in the population.

In addition to sampling variability, Statistics of Income is required to prevent disclosure of information about specific taxpayers or businesses in its tables. Therefore, a weighted frequency (and the associated amount, where applicable) of less than 3 is either combined with data in an adjacent cell(s) so as to meet the criteria, or deleted altogether. Similar steps are taken to prevent indirect disclosure through subtraction. However, any combined or deleted data are included in the appropriate totals. Most data on tax-exempt, nonprofit organizations are excluded from disclosure review because the Internal Revenue Code and regulations permit public access to most of the information reported by these organizations.

SOI Projects and Contacts

General Statistical Information: (202) 874-0410 Fax: (202) 874-0964 e-mail: sis@irs.gov

Projects*	Primary Analysts	Frequency and Program Content
Americans Living Abroad:		
2006 Program	Scott Hollenbeck Maureen Keenan Kahr	This periodic study is conducted every 5 years. It covers foreign income, foreign taxes paid, and foreign tax credit shown on individual income tax returns. Data are classified by size of adjusted gross income and country.
Controlled Foreign Corporations:		
2004 Program 2006 Program	Randy Miller Jason Wenrich	This semiannual study provides data on activities of foreign corporations that are controlled by U.S. corporations. Data are classified by industry group and country.
Controlled Foreign Partnerships:	Bill States	This study provides data on activities of foreign partnerships that are controlled by U.S. corporations or partnerships. Frequency of this study has not been determined.
Corporation Foreign Tax Credit:		
2004 Program 2005 Program 2006 Program	Scott Luttrell Rob Singmaster Scott Luttrell	This annual study provides data on foreign income, taxes paid, and foreign tax credit reported on corporation foreign income tax returns. Data are classified by industry group and country.
Corporation Income Tax Returns:		
2005 Program 2006 Program	Bill Rush Todd Reum Ellen Legel	Basic data are produced annually and cover complete income statement, balance sheet, tax, tax credits, and details from supporting schedules. Data are classified chiefly by industry group or asset size.
Entity Classification Election:	John Comisky Lawrence Sao	This annual study includes data from all Entity Classification Elections, including the type of election and whether the entity is foreign or domestic.
Estate Tax:	Brian Raub	This annual study includes information on a gross estate and its composition, deductions, and tax; and information on the age, sex, and marital status of decedents. Basic estate tax return data by year in which returns are filed are produced each year. Also included are data on nonresident aliens who had more than \$60,000 of assets in the United States. Other statistics are available on a year-of-death basis (approximately every 3 years). The most recent study is based on decedents who died in 2004 with returns filed in 2004-2006. The most recent data available are for returns filed in 2005.

SOI Projects and Contacts

General Statistical Information: (202) 874-0410 Fax: (202) 874-0964 e-mail: sis@irs.gov

Excise Taxes:	Melissa Laine	Basic data are collected and processed by three Department of the Treasury agencies: the Internal Revenue Service, the Alcohol and Tobacco Tax and Trade Bureau (formerly the Bureau of Alcohol, Tobacco, Firearms, and Explosives), and the Customs Service. Data by type of tax are shown by Fiscal Year (FY) for 1998-2004 and quarterly for FY 2005 and the first two quarters of FY 2006.
Exempt Organizations (Charitable and Other, Except Private Foundations):	Paul Arnsberger	This annual study includes balance sheet and income statement data for organizations classified as tax-exempt under subsections 501(c)(3)-(9) of the Internal Revenue Code. The most recent data are for Reporting Year 2003 returns filed in Calendar Years 2004-2005.
Exempt Organizations (Private Foundations):	Melissa Ludlum	This annual study includes balance sheet and income statement data for domestic private foundations and charitable trusts filing a Form 990-PF. The most recent data are for Reporting Year 2003 returns filed in Calendar Years 2004-2005.
Exempt Organizations Unrelated Business Income:	Peggy Riley	This annual study includes tabulations of "unrelated business" income and deductions for organizations classified as tax-exempt under the Internal Revenue Code. The most recent data are for Reporting Year 2003 returns filed in Calendar Years 2004-2005.
Farm Sole Proprietorships:		
2003 Program 2004 Program	Kevin Pierce Mary Jezek	This periodic study provides farm income and expenses classified by industry and gross farm income reported by individuals on Schedule F, Profit or Loss from Farming.
Foreign-Controlled Domestic Corporations:	James Hobbs	This annual study covers domestic corporations with 50-percent-or-more stock ownership by a single foreign "person." It covers balance sheet, income statement, and tax-related data, which are classified by industry group, country, and size and age of the corporations. Data are compared to those for other domestic corporations.
Foreign Recipients of U.S. Income:	Scott Luttrell	This annual study provides data by country on income paid to nonresident aliens and the amount of tax withheld for the U.S. Government.

SOI Projects and Contacts

General Statistical Information: (202) 874-0410 Fax: (202) 874-0964 e-mail: sis@irs.gov

Foreign Trusts:	Dan Holik	This periodic study, conducted every 4 years, provides data on foreign trusts that have U.S. "persons" as grantors, transferors, or beneficiaries. Data include country where the trust was created, value of transfer to the trust, and year the trust was created. The most recent study is for Tax Year 2002.
Gift Tax:	Darien Jacobson	This annual study provides data for type and amount of gift, information on donee, and tax computation items. Information about the donor and gift splitting are also available. Most recent data are for Gift Year 2005.
Individual Income Tax Return Public-Use File:	Mario Fernandez Mike Weber	Microdata on CD-ROMs are produced annually and contain detailed information obtained from the individual income tax return statistics program, with identifiable taxpayer information omitted to make the file available for public dissemination on a reimbursable basis.
Individual Income Tax Returns: 2004 Program 2005 Program 2006 Program	Maureen Keenan Kahr Mike Strudler	Basic data are produced annually and cover income, deductions, tax, and credits reported on individual income tax returns and associated schedules. Data are classified by size of adjusted gross income, marital status, or type of tax computation.
Individual Income Tax Returns Special Tabulations:	Mike Parisi	Special tabulations of selected individual income, deduction, and tax data are produced on a reimbursable basis.
Interest-Charge Domestic International Sales Corporations (IC-DISCs):	Dan Holik	These corporations replaced the Domestic International Sales Corporations, or DISCs, as of 1985. Balance sheet, income statement, and export-related data are tabulated every 4 years. The most recent study is for Tax Year 2000.
International Boycott Reports:	Lissa Redmiles	This study provides data on business operations of U.S. "persons" in boycotting countries, as well as the requests and agreements to participate in, or cooperate with, international boycotts not sanctioned by the U.S. Government.
Migration Flow and County Income Data:	Emily Gross	Migration flow data (based on year-to-year changes in individual income tax return addresses) and county or State income data are available annually on a reimbursable basis. The most recent data are for 2004-2005.

SOI Projects and Contacts

General Statistical Information: (202) 874-0410 Fax: (202) 874-0964 e-mail: sis@irs.gov

Noncash Charitable Contributions:	Janette Wilson	This study of Individual income tax returns provides detailed asset donations, descriptions of the donees, donor cost, fair market value, and deduction claimed on Form 8283, <i>Noncash Charitable Contributions</i> .
Occupation Studies:	Terry Nuriddin	This periodic study classifies individual income tax returns by occupation and contains a dictionary of occupational titles that can be used to enhance the economic data of other individual income tax return studies.
Partnership Returns of Income:	Tim Wheeler Nina Shumofsky	Basic data, produced annually, cover income statement, balance sheet, and details from supporting schedules. Data are classified chiefly by industry group.
Partnership Withholding Study:	Scott Luttrell	This annual study includes data on U.S. partnership payments to foreign partners. Data are classified by country and recipient type.
Personal Wealth Study:	Brian Raub Barry Johnson	This periodic study provides estimates of personal wealth of top wealth holders that are generated from estate tax return data using the "estate multiplier" technique, in conjunction with both filing-year and year-of-death estate data bases. The most recent data, 2001, are based on returns filed from 2001 to 2003.
S Corporations:	Heather Parisi	Annual study data are collected for the income statement and balance sheet, and from supporting schedules. Data are classified by industry group or asset size.
Sales of Capital Assets:	Janette Wilson	This periodic study provides detailed data on the sales of capital assets reported in the capital gains schedule of the individual income tax return, and on sales of residences and personal or depreciable business property.
Sole Proprietorships:		
2004 Program	Mike Parisi	Basic data, produced annually, cover business receipts, deductions, and net income reported on Schedule C (for nonfarm proprietors), classified by industry group.
2005 Program	Mike Strudler	
2006 Program		

SOI Projects and Contacts

General Statistical Information: (202) 874-0410 Fax: (202) 874-0964 e-mail: sis@irs.gov

Split-Interest Trust Information Returns:

Lisa Schreiber

This annual study provides information on charitable remainder trusts, charitable lead trusts, and pooled income funds. Data include balance sheet, income, deductions, and detail from accumulation and distribution schedules. The most recent data are for Filing Year 2005.

Tax-Exempt Bond Issues:

Cynthia Belmonte

This annual study provides information on private activity and Governmental bond issues by type of property financed, size of face amount, and State. The most recent data are for Tax Year 2005 public purpose bonds and private activity bonds.

Taxpayer Usage Study:

Kevin Pierce

Produced annually, this program provides weekly frequencies of specific line entries made by taxpayers, the use of various return schedules and associated forms, and general characteristics of the individual taxpayer population, for returns received during the primary filing season (January through April).

Transactions of Foreign- Controlled Corporations:

Mark Lowe

This biennial study includes data on transactions between U.S. corporations and their foreign owners. Data are classified by country and industry group.

U.S. Possessions Corporations:

Dan Holik

This periodic study, planned for every 2 years, provides data on income statements, balance sheets, tax, and "possessions tax credit" for qualifying U. S. possessions corporations. (Most of these corporations are located in Puerto Rico.)

ZIP Code Area Data:

Mike Weber

Statistics on CD-ROM show number of individual income tax returns, exemptions, and several income items by State and 5-digit ZIP Code. Data are available for 2002 and 2004 on a reimbursable basis. (Data for Tax Years 1991, 1998, and 2001 are also available, free of charge, on the IRS Web site: <http://www.irs.gov/taxstats/article/0,,id=96947,00.html>.)

* Many of the data release dates, i.e., the months in which the Statistics of Income Division expects to release data to users, ahead of publication, on request, are published annually in the fall issue of the *SOI Bulletin*. For more information about data availability for a particular project, call or fax the numbers shown at the top of the page.

SOI Products and Services

Statistics of Income (SOI) data are available in electronic formats and in printed publications. For further information on any of the following products and services, or for answers to questions on the availability of SOI data, other statistical services, or release dates for data, contact SOI's **Statistical Information Services (SIS)**:

Statistical Information Services (sis@irs.gov)
Statistics of Income Division
Internal Revenue Service
P.O. Box 2608 • Washington, DC 20013-2608
(202) 874-0410 • **Fax:** (202) 874-0964

As its name implies, SIS is best able to answer questions about data. It does not supply tax forms or information about the status of an individual's tax refund or audit examination. Media requests should be directed to the IRS Media Relations Branch, Communications Division, on (202) 622-4000.

Electronic Products and Services

Products Available Free on the Internet

SOI's Internet site offers a combination of files presenting SOI tables, articles about SOI data, and information about SOI products and services, as well as non-SOI products, including annual *IRS Data Book* tables, Compliance Research projections, and nonprofit Master File microdata records. At present, over 6,600 files reside there.

Web site: www.irs.gov/taxstats

There is also a direct link to our Web site from FedStats, the gateway to official statistics from the Federal Government: www.fedstats.gov.

Tax Stats

On the Tax Stats Home Page, you will find the following list of topics that will lead you to a wide range of tables, articles, and data that describe and measure elements of the U.S. tax system. There is also a link to check out What's New.

Business Tax Statistics

Corporations • International • Partnerships
Nonfarm Sole Proprietorships
S Corporations • All Topics

Charitable and Exempt Organization Statistics

Charities • Exempt Organization Master File
Private Foundations • Trusts
Tax-Exempt Bonds • All Topics

Individual Tax Statistics

Filing Season Statistics • Estate and Gift Tax
Individual Income Tax • International
Personal Wealth • All Topics

Products, Publications, and Papers

SOI Bulletins • *IRS Data Books*
Conference Papers
All Topics

IRS Operations, Budget, and Compliance

Issuing Refunds • Collecting Revenue
Enforcing Laws • Assisting Taxpayers
All Topics

Statistics by Form

706 • 709 • 990 • 990-PF • 990-T
1040 • 1041 • 1065 • 1118 • 1120
5471 • 5472 • 8038 • All Forms

Statistics of Income (SOI)

About SOI • Careers With SOI
SOI Services • SOI Studies
All Topics

Additional Information

Tax Statistics at a Glance
Join SOI Tax Stats E-Mail List
Payments for SOI Data
Questions On Tax Statistics?

Products Available From SOI

Many of SOI's data files are available for sale on CD-ROM, diskette, tape, or via e-mail through Statistical Information Services. **Prepayment is required for orders of \$100 or more**, with checks made payable to the **IRS Accounting Section**. Credit and debit card payments are also accepted. Contact SIS for information on specific products, prices, sources, media, and ordering instructions.

The following files are currently available on a reimbursable basis and include data from returns covering corporations, individuals, exempt organizations, and private foundations and charitable trusts. Most of these files are tabulations of aggregated data, but some are files of microdata records.

SOI Products and Services

Corporation Income Tax Returns

Corporation Source Book

A magnetic tape or CD-ROM containing data from the *Corporation Source Book* are available for years 1996-2003 at a cost of \$250 per year. Data from the *2004 Corporation Source Book* are available at no charge from the Tax Stats Web site. Data tables from the 2000 through 2004 *Source Book* are also available at no charge from the Tax Stats Web site at: www.irs.gov/taxstats/bustaxstats/article/0,,id=149687,00.html. See also *Printed Publications* section below.

Individual Income Tax Returns

Individual Public-Use Microdata Files

These files include individual income tax returns for 1960, 1962, 1964, and 1966-2003. All of the files have been edited to protect the confidentiality of individual taxpayers. Public-use files of individual income tax returns for 1960, 1962, 1964, and 1966-1991 are available for sale by writing to the Center for Electronic Records at the National Archives and Records Administration, 8601 Adelphi Road, College Park, MD 20740-6001, or by calling toll-free (866) 272-6272. Files for 1992 through 2003 are available on CD-ROM from the SOI Division. Price for the SOI microdata files is \$4,000 per year.

County-to-County Migration Data

One table, based on the year-to-year changes in the addresses shown on the population of returns from the IRS Individual Master File system. This table presents data on migration patterns by county for the entire United States, including inflows and outflows. The data include the number of returns (which approximates the number of households); the number of personal exemptions (which approximates the population); and total "adjusted gross income" (starting with Filing Year 1995); total money income and median total money income (for Filing Years 1993 through 1994). Available for Filing Years 1984-2006. Price is \$200 per year for the entire United States or \$10 per State per year. (All years for the entire United States are also available for \$500.)

State-to-State Migration Data

One table, based on the year-to-year changes in the addresses shown on the population of returns from the IRS Individual Master File system. This table presents data on migration patterns by State for the entire United States, including inflows and outflows. The data include the number of returns (which approximates the number of house-

holds); the number of personal exemptions (which approximates the population); total "adjusted gross income" and "median adjusted gross income" (starting with Filing Year 1996); total money income and median total money income (for Filing Years 1993 through 1996). Available for Filing Years 1989-2006. Price is \$50 per year for the entire United States or \$10 per State per year.

County Income Data

One table, based on the population of returns from the IRS Individual Master File system. This table presents data for adjusted gross income (total and for selected sources), number of returns (which approximates the number of households), and number of personal exemptions (which approximates the population). The data are presented by county (including State totals) and are available for Tax Years 1989-2005 for the entire United States. Price is \$50 per year for the entire United States or \$10 per State per year.

ZIP Code Area Data

Statistics are available for Tax Years 2002 and 2004 on CD-ROM showing the number of individual income tax returns; the total number of exemptions and number of dependent exemptions (which approximates population); adjusted gross income; salaries and wages; taxable interest; total tax; contributions; number of returns with Schedules C and F; and number of returns with Schedule A, by State and 5-digit ZIP Code. In addition to these items, data for Tax Year 2004 also show the amount of taxable dividends; net capital gain/loss; IRA payment adjustment; self-employed pension adjustment; taxes paid deduction; alternative minimum tax; income tax before credits; earned income credit; and number of returns prepared by paid preparers. Price is \$500 for the entire United States; \$25 for a single State. (Data for Tax Years 1991, 1998, and 2001 are available free on SOI's Internet site.) Go to www.irs.gov, select the **Tax Stats** option; Individual Tax Statistics; Individual Income Tax; Zip Code Data (SOI) under Data by Geographic Areas.

Tax-Exempt Organizations

Compendium of Studies of Tax-Exempt Organizations, 1989-1998

This is a compilation of articles on SOI studies of charitable and other nonprofit organizations described in Internal Revenue Code sections 501(c)(3)-(c)(9), private foundations, charitable remainder trusts, and nonprofit organizations' unrelated business income. All of these articles were published previously in various issues of the *Statistics of*

SOI Products and Services

Income Bulletin. In addition, the *Compendium* includes papers on statistical sampling of tax-exempt organization returns, and other topics relating to tax-exempt organizations and philanthropy that were authored by IRS staff and others who use SOI study data for research. Available at no charge on CD-ROM.

Microdata Records for Tax Year 2004

Microdata records of all Forms 990 and 990-EZ sampled for the annual SOI study of tax-exempt organizations. The samples include 14,947 Internal Revenue Code section 501(c)(3) organizations and 6,577 section 501(c)(4)-(9) organizations. All returns for organizations with assets of \$50,000,000 or more are included in the sample. Microdata records contain information on balance sheets and income statements, as well as weights (to estimate the population), for each organization. Available for download from SOI's Tax Stats Web site at www.irs.gov/taxstats/charitablestats/article/0,,id=97176,00.html, or may be purchased on CD-ROM for \$20.

Microdata Records for Tax Years 1992-2002

Microdata records of all Forms 990 and 990-EZ sampled for the annual SOI study of tax-exempt organizations. Microdata records contain information on balance sheets and income statements, as well as weights (to estimate the population), for each organization. Available for download from SOI's Tax Stats Web site at www.irs.gov/taxstats/charitablestats/article/0,,id=97176,00.html, or may be purchased on CD-ROM for \$20.

Private Foundations (and Charitable Trusts)

Microdata Records for Tax Year 2004

Microdata records of all Forms 990-PF sampled for the annual SOI study covering private foundations and Internal Revenue Code section 4947 (a)(1) charitable trusts. The file contains both operating and nonoperating foundations and trusts. The sample includes 11,226 returns. (All returns filed by foundations with assets of \$10 million or more, as well as the population of returns filed by nonexempt charitable trusts, are included in the sample.) Microdata records contain information on revenue, expenses, assets, and distributions, as well as weights, for each foundation or trust. Available for download from SOI's Tax Stats Web site at www.irs.gov/taxstats/charitablestats/article/0,,id=96996,00.html, or may be purchased for \$20.

Microdata Records for Tax Years 1992-2002

Microdata records of all Forms 990-PF sampled for the annual SOI study covering private foundations and Inter-

nal Revenue Code section 4947 (a)(1) charitable trusts. Microdata records contain information on revenue, expenses, assets, and distributions, as well as weights, for each foundation or trust. Available for download from SOI's Tax Stats Web site at www.irs.gov/taxstats/charitablestats/article/0,,id=96996,00.html, or may be purchased for \$20.

Printed Publications

Publications Available for Sale From GPO

Recent SOI publications are available from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC, by calling (202) 512-1800, or faxing (202) 512-2250. Credit cards are accepted. Publications may also be obtained by using the order form at the end of this *Bulletin* or write to:

Superintendent of Documents

P.O. Box 371954
Pittsburgh, PA 15250-7954

If you determine from the Government Printing Office that any of the next four items is out of print, telephone Statistical Information Services on (202) 874-0410 for assistance.

IRS Data Book, 2006

Annually, Publication 55B, Stock No. 048-004-02494-2
Price: \$11.00

This volume pertains to Fiscal Year 2006—October 1, 2005, through September 30, 2006. The report provides information on returns filed and taxes collected, enforcement, taxpayer assistance, the IRS budget and workforce, and other selected activities.

Statistics of Income Bulletin

Quarterly, Publication 1136, Stock No. 748-005-00090-1
Subscription price: \$53; Single copy price: \$39

This series provides the earliest published financial statistics from individual and corporation income tax returns. The *Bulletin* also includes annual data on nonfarm sole proprietorships and partnerships, as well as periodic or special studies of particular interest to tax analysts, administrators, and economists. Historical tables include data from SOI, as well as tax collections and refunds by type of tax.

SOI Products and Services

Statistics of Income—2004, Corporation Income Tax Returns

Publication 16, Stock No. 048-004-02495-1

Price: \$45

This report presents more comprehensive data on corporation income tax returns with accounting periods that ended July 2004 through June 2005 than those published earlier in the *SOI Bulletin*.

Presents information on:

- receipts
- deductions
- net income
- taxable income
- income tax
- tax credits
- assets
- liabilities

Classifies data by:

- industry
- accounting period
- size of total assets
- size of business receipts
- size of income tax after credits

Statistics of Income—2005, Individual Income Tax Returns

Publication 1304, Stock No. 048-004-02492-6

Price: \$36 Foreign: \$50.40

This report presents more comprehensive and complete data on individual income tax returns for Tax Year 2005 than those published earlier in the *SOI Bulletin*.

Presents information on:

- sources of income
- exemptions
- itemized deductions
- tax computations

Classifies data by:

- size of adjusted gross income
- marital status
- type of tax computation

Publications Available From SOI

Other SOI periodicals and one-time reports are available for sale from Statistical Information Services. These reports include data from returns covering corporations and estate taxes.

Statistics of Income—2004, Corporation Source Book

Publication 1053, Price: \$175, plus \$10 for shipping and handling

This 612-page document presents detailed income statement, balance sheet, tax, and selected items, by sector, major and minor industrial groups, and size of total assets

for all returns and separately for returns with net income. Separate statistics on S corporations are included by sector. Industry detail is based on the North American Industry Classification System (NAICS). The report, which underlies the *Statistics of Income—Corporation Income Tax Returns* publication, is part of an annual series and can be purchased in its entirety or by page. *Corporation Source Book* industry pages and notes for 1963 through the present are available at a cost of \$30, plus \$1 per page copying charge (free for orders under 5 pages). The complete, printed version of the *Source Book* for selected prior years, 1984-2004, is also for sale at \$175 per year, plus \$10 for shipping and handling. See also *Electronic Products and Services* section.

Compendium of Federal Estate Tax and Personal Wealth Studies

Publication 1773, Price: \$26, plus \$10 for shipping and handling

Part I of this report focuses on data from estate tax returns, describing decedents, their beneficiaries, and the composition of their estates. It contains a methodological discussion of the strategy used in weighting sample data for the estate studies and presents statistics on selected components of decedents' estates, 1916-1990. Information on charitable giving is also included.

Part II presents a series of articles describing the estate-multiplier technique and its applications for personal wealth estimates, estimates of personal wealth for selected years 1962-1989, and a discussion of the relationship among realized income, wealth, and well-being.

Special Studies in Federal Tax Statistics, 2006

Publication 1299, No charge

This is the sixth edition of the IRS Methodology Report series *Special Studies in Federal Tax Statistics, 2006*. The papers included in this volume were presented in 2006 at the Joint Statistical Meetings of the American Statistical Association (ASA) held in Seattle, Washington, the National Tax Association's Annual Conference on Taxation held in Boston, Massachusetts, and the United Nations Statistical Commission and Economic Commission for Europe Conference of European Statisticians held in Geneva, Switzerland.

This year's compilation has been divided into six major sections:

SOI Products and Services

- Innovative uses of longitudinal panels, information documents, and time-series analysis to study the impact of the U.S. tax system;
- Measuring, monitoring, and evaluating Internal Revenue Service data;

- Broad quality issues in organizations;
- Survey-based estimation;
- Tax benefits and administrative burdens, recent research from the IRS; and
- Statistical dissemination and communication.

Index

Previously Published Articles and Data Releases

Corporation income tax returns:

(See also International income and taxes)

Balance sheets and income statements:

2001, Summer 2004 (24-1)

2002, Summer 2005 (25-1)

Empowerment Zone Tax Incentive:

1997, Spring 2004 (23-4)

Foreign Sales Corporations:

2000, Winter 2003-2004 (23-3)

Interest-Charge Domestic International
Sales Corporations:

2000, Spring 2004 (23-4)

Reconciling corporation book and tax net
income:

1996-1998, Spring 2002 (21-4)

1995-2001, Winter 2004-2005 (24-3)

S Corporations:

2003, Spring 2006 (25-4)

2004, Spring 2007 (26-4)

Selected large nonfinancial corporations
with total assets greater than \$2.5 billion
1998-2002, Fall 2005 (25-2)

Taxable REIT subsidiaries:

2001, Spring 2005 (24-4)

U. S. Possessions Corporations:

2001, Fall 2005 (25-2)

2003, Summer 2006 (26-1)

Integrated business data:

2003, Fall 2006 (26-2)

Estates, gifts, and trusts:

Estate tax returns:

2001, Summer 2005 (25-1)

Fiduciary income tax returns:

2003 and 2004, Fall 2005 (25-2)

Inter vivos wealth transfers:

1997 gifts, Winter 2003-2004 (23-3)

Nonresident alien estates:

2001-2002, Summer 2004 (24-1)

2003-2005, Summer 2006 (26-1)

Excise taxes:

Airport and Airway Trust Fund:

1970-2002, Winter 2003-2004 (23-3)

Exempt organizations:

Business income and tax:

2002, Winter 2005-2006 (25-3)

2003, Winter 2006-2007 (26-3)

Charitable remainder trusts:

1998, Winter 2000-2001 (20-3)

1999, Summer 2002 (22-1)

Nonprofit charitable and other
organizations (except foundations):

2002, Fall 2005 (25-2)

2003, Fall 2006 (26-2)

Private foundations and charitable trusts:

1993-2002, Fall 2005 (25-2)

2003, Fall 2006 (26-2)

Split-interest trusts:

2004, Spring 2006 (25-4)

2005, Winter 2006-2007 (26-3)

Foreign recipients of U. S. income:

1998 and 1999, Summer 2002 (22-1)

2000, Summer 2003 (23-1)

Individual income tax returns:

(See also International income and taxes)

2003, Fall 2005 (25-2)

2004, Fall 2006 (26-2)

Accumulation and distribution of IRAs:

2001-2002, Spring 2006 (25-4)

Farm proprietorships:

1998-2004, Spring 2007 (26-4)

High-income tax returns:

2003, Spring 2006 (25-4)

2004, Spring 2007 (26-4)

Individual Foreign-Earned Income and

Foreign Tax Credit:

2001, Spring 2004 (23-4)

Noncash Charitable Contributions

2004, Spring 2007 (26-4)

Preliminary data:

2005, Winter 2006-2007 (26-3)

Sales of Capital Assets:

1998 and 1997, Summer 2002 (22-1)

1999, Summer 2003 (23-1)

Selected Income and Tax Items,
1990-2004, Spring 2007 (26-4)

Selected Itemized Deductions,
Schedule A:

1990-2001, Winter 2003-2004 (23-3)

Tax rates and tax shares:

2003, Winter 2005-2006 (25-3)

2004, Winter 2006-2007 (26-3)

International income and taxes:

(See also Corporation income tax
returns)

Controlled Foreign Corporations:

2000, Summer 2004 (24-1)

2002, Spring 2006 (25-4)

Corporate foreign tax credit:

2001, Fall 2005 (25-2)

2002, Fall 2006 (26-2)

Domestic corporations controlled by
foreign persons:

2002, Summer 2005 (25-1)

2003, Summer 2006 (26-1)

Foreign trusts:

2002, Summer 2005 (25-1)

International boycott reports:

2003 and 2004, Spring 2007 (26-4)

Transactions between foreign-controlled
corporations and related foreign persons:
2002, Winter 2005-2006 (25-3)

Partnership returns:

Balance sheets and income statements
by industry:

2003, Fall 2005 (25-2)

2004, Fall 2006 (26-2)

Personal wealth:

2001, Winter 2005-2006 (22-3)

Sole proprietorship returns:

A gender comparison:

1985-2000, Spring 2005 (24-4)

Income statements by industry:

2003, Summer 2005 (25-1)

2004, Summer 2006 (26-1)

Tax-exempt bond issues:

2003-2004, Fall 2006 (26-2)



Department of the Treasury
Internal Revenue Service

www.irs.gov

Publication 1136 (Rev. 8-2007)
Catalog Number 46996F
