

# Section 1

# Introduction

This report presents statistical estimates based on a stratified sample of approximately 139,000 unaudited returns selected from the nearly 5.1 million active corporate returns filed for Tax Year 2001 (defined to include accounting periods ending July 2001 through June 2002).

The report is divided into 6 sections. The first section provides statistics summarizing overall corporate activity for Tax Year 2001. Section 2 discusses changes in laws and regulations between this report and that for Tax Year 2000. Section 3 describes in detail the sample of income tax returns upon which the statistics were based, as well as the method of estimation used, the sampling variability of the data, and other limitations.

Section 4 presents basic tables that contain detailed statistics on 2001 assets, liabilities, receipts, deductions, net income, income tax liability, tax credits, and other financial data. These statistics are presented by industry, asset size, business receipts size, tax form type, accounting period ended, and other selected classifiers. Section 5 contains detailed explanations of the terms used in this report. In most instances, the explanations include definitions of terms used as well as adjustments made in preparing the statistics and any limitations inherent in the data. Section 6 consists of the key corporation tax return forms.

The industry classification used in this report is based on the North American Industry Classification System (NAICS), which replaced the Standard Industrial Classification (SIC) system used in years prior to 1998. For this Statistics of Income report, the data are listed under 22 sectors, 78 major industries, and 195 minor industries. Major industries are NAICS subsectors. Table 1 presents selected financial data for all minor industries.

Beginning in Tax Year 2001 the size of assets classifications were changed. Corporations

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classified with assets of \$250 million or more are now reported in three separate categories: \$250 million under \$500 million; \$500 million under \$2,500 million; and \$2,500 million or more. Also, corporations previously classified in the \$1 under \$100,000, \$100,000 under \$250,000, and \$250,000 under \$500,000 ranges are now grouped under one category, \$1 under \$500,000.

The statistics in this publication present data primarily by major industries, sectors, return types, and specific categories. The statistics in the 2001 *Corporation Source Book* of Statistics of Income differ from this report by providing data by minor industry and size of total assets for balance sheet, income statement, tax, and selected other items. This publication also provides additional detail on the data provided in the *Statistics of Income Bulletin*, Volume 24, Number 1, Summer 2004.

## Overall Corporate Summary

Figure A presents corporation summary statistics for Tax Years 2000 and 2001 for number of returns, total assets, total receipts, net income (less deficit), income subject to tax, total income tax before credits, and total income tax after credits. The total number of returns increased approximately 1.8 percent from 2000 to 2001.

Total receipts from operations and investments fell from the \$20.6 trillion reported for 2000 to \$20.3 trillion, a 1.6 percent decrease compared to the 9.1 percent growth recorded from 1999 to 2000. With total deductions remaining stable, the net effect was a decrease in net income (less deficit) of \$323.9 billion, or 34.9 percent, to \$603.6 billion. The tax base for regular tax, income subject to tax, decreased by 16.5 percent to \$635.3 billion between 2000 and 2001. As a result of the contraction of the tax base, corporate income tax revenues fell to the lowest levels since 1995. Total income tax before credits decreased 17.1 percent below the amount reported for 2000, falling from \$266.3 billion to \$220.9 billion. Total income tax after credits, the amount payable to the U.S. Government, decreased 18.3 percent from \$204.0 billion to \$166.7 billion. Total income tax after credits dipped to less than 1.7 percent of Gross Domestic Product after being above 2 percent since Tax Year 1995.

## 2001 Corporation Returns- Introduction

From the 5.1 million active corporations for Tax Year 2001, approximately 3.0 million were pass-through entities. These corporations file Forms 1120-S (Small Business corporations), 1120-REIT (Real Estate Investment Trusts), or 1120-RIC (Regulated Investment Companies). These corporations pass through reported income and deductions to their shareholders and, in general, pay no Federal income taxes directly. The remaining 2.1 million returns reported total receipts of \$16.2 trillion, a decrease of 2.4 percent from 2000 to 2001. Income subject to tax decreased 16.4 percent to \$634.4 billion and total income tax after credits decreased 18.2 percent to \$166.3 billion. Excluding the pass-through entities, approximately 1.1 million corporations reported net

income for Tax Year 2001 and 69.1 percent of those corporations had a tax liability, compared to 26.8 percent of all corporations with net income.

The number of returns with total assets of \$2,500 million or more represented only 0.04 percent of the total number of returns but 75.0 percent of total assets. These 1,896 returns for 2001 accounted for 45.4 percent of the total receipts; 69.1 percent of net income (less deficit); 66.4 percent of income subject to tax; 67.3 percent of total income tax before credits; and 61.8 percent of total income tax after credits. Approximately 60.4 percent of all returns with net income and total assets greater than \$2,500 million had a tax liability for Tax Year 2001.

**Figure A. --Returns of Active Corporations: Number of Returns, Total Assets, Total Receipts, Net Income (Less Deficit), Income Subject to Tax, Total Income Tax Before Credits, Total Income Tax After Credits, by Size of Total Assets, Tax Years 2000 and 2001**

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

Year and size of total assets	Number of returns	Total assets	Total receipts	Net income (less deficit) <sup>1</sup>	Income subject to tax <sup>2</sup>	Total income tax before credits <sup>3</sup>	Total income tax after credits <sup>4</sup>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>2000</b>							
<b>Total</b> .....	<b>5,045,274</b>	<b>47,026,871,874</b>	<b>20,605,808,071</b>	<b>927,525,517</b>	<b>760,404,334</b>	<b>266,281,801</b>	<b>204,043,788</b>
Zero assets.....	328,906	-	465,834,119	4,177,060	16,657,507	5,901,359	5,114,862
\$1 under \$500,000.....	3,872,343	379,308,996	1,554,972,737	43,333,503	10,374,672	2,037,125	1,991,617
\$500,000 under \$1,000,000.....	340,979	239,792,003	558,039,303	9,001,592	5,235,133	1,202,702	1,183,218
\$1,000,000 under \$5,000,000.....	364,976	769,268,991	1,610,770,154	24,337,590	16,745,768	5,098,159	4,990,638
\$5,000,000 under \$10,000,000.....	57,499	396,958,753	816,385,188	7,931,716	8,667,021	2,925,396	2,821,039
\$10,000,000 under \$25,000,000.....	36,957	568,556,965	1,000,217,856	4,483,218	12,488,246	4,305,395	4,124,014
\$25,000,000 under \$50,000,000.....	14,373	505,417,139	621,867,743	-232,663	10,734,156	3,736,942	3,505,489
\$50,000,000 under \$100,000,000.....	9,618	682,538,960	594,771,076	3,952,919	12,800,455	4,463,330	4,179,713
\$100,000,000 under \$250,000,000.....	8,739	1,381,926,283	867,235,665	15,258,740	26,307,331	9,256,669	8,533,459
\$250,000,000 or more.....	10,883	42,103,103,783	12,515,714,230	815,281,844	640,394,045	227,354,724	167,599,740
<b>2001</b>							
<b>Total</b> .....	<b>5,135,591</b>	<b>49,154,424,202</b>	<b>20,272,957,624</b>	<b>603,623,352</b>	<b>635,257,416</b>	<b>220,874,245</b>	<b>166,711,988</b>
Zero assets.....	344,208	-	360,372,836	1,251,334	12,100,794	4,269,662	3,409,748
\$1 under \$500,000.....	3,945,569	385,390,304	1,596,866,576	46,343,174	9,231,989	1,694,544	1,661,573
\$500,000 under \$1,000,000.....	342,215	240,480,514	544,156,021	8,260,214	4,624,468	1,051,155	1,026,728
\$1,000,000 under \$5,000,000.....	365,883	768,250,756	1,619,341,413	16,394,552	13,786,141	4,115,701	4,031,143
\$5,000,000 under \$10,000,000.....	58,094	402,692,507	804,249,430	4,144,795	7,090,624	2,376,979	2,310,457
\$10,000,000 under \$25,000,000.....	36,354	559,689,369	984,377,522	1,224,194	10,329,819	3,530,365	3,399,267
\$25,000,000 under \$50,000,000.....	14,103	496,173,704	617,502,169	-2,703,357	8,945,255	3,068,710	2,891,935
\$50,000,000 under \$100,000,000.....	9,504	674,582,132	581,257,233	-1,430,958	10,710,831	3,715,721	3,378,761
\$100,000,000 under \$250,000,000.....	8,672	1,382,719,089	810,880,798	6,442,167	20,613,258	7,198,927	6,378,107
\$250,000,000 under \$500,000,000.....	4,158	1,512,830,444	703,364,474	17,756,942	24,412,215	8,586,344	7,674,243
\$500,000,000 under \$2,500,000,000.....	4,935	5,891,983,756	2,455,837,059	88,738,064	91,811,525	32,584,110	27,597,590
\$2,500,000,000 or more.....	1,896	36,839,631,626	9,194,752,092	417,202,231	421,600,497	148,682,027	102,952,436

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

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

<sup>3</sup> Includes income tax, personal holding company tax, all recapture taxes, alternative minimum tax; excess net passive income tax (Form 1120S); branch tax (Form 1120-F); taxes from Parts II, III, and IV (Form 1120-REIT); tax from Schedule J, line 3b (Form 1120-RIC); tax from page 1, line 5 (Form 1120-PC); and adjustments to income tax and total tax. Credits include foreign tax, U.S. possessions tax, nonconventional source fuel, qualified electric vehicle, general business, prior-year minimum tax credits and qualified zone academy bond credits.

Notes: Detail may not add to total because of rounding. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

### Activities Covered

The estimates in this report encompass corporate business activities in the United States as well as certain foreign activities as reported on returns of domestic corporations, and foreign corporations with

U.S. business activities. The term domestic corporation refers to companies incorporated in the United States, but does not necessarily imply that all their activities are domestic. For instance, data for a U.S. corporation conducting business abroad through

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foreign subsidiaries may include dividends remitted from those subsidiaries and, to a certain extent, their undistributed earnings. The effect of foreign activity on the statistics varies by type of industry and by size of assets. Income from foreign activity is reflected to a greater extent in manufacturing industries than other industries. Also, foreign activity is almost entirely concentrated among returns with assets of \$250 million or more [1]. For foreign corporations (defined as those incorporated abroad) engaged in trade or business in the United States, only income that was considered effectively connected with the conduct of a trade or business in the United States was included in the statistics; any investment income from U.S. sources was excluded from the data.

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

This report also contains data on S corporations, which are not generally taxable. More detailed information on S corporations is contained in:

Bennett, Kelly "S Corporation Returns, 2001,"

*Statistics of Income Bulletin*, Volume 23, Number 4, Spring 2004, pp. 47-97.

Section 6012 of the Internal Revenue Code requires that all corporations, in existence at any time during the tax year, file returns, regardless of whether they had income or not. This applied to active and inactive domestic corporations, unless they were expressly exempt from filing, as well as to active foreign corporations with insufficient taxes withheld at the source to satisfy their U.S. tax liability on income earned in the United States. However, inactive corporations have been excluded from these statistics. See Section 3 for more information on the sample.

In addition to legally defined corporations, the Internal Revenue Code recognized many types of businesses as corporations including: joint stock companies and unincorporated associations (such as business trusts, savings and loan associations, certain partnerships, mutual savings banks, and cooperative banks). These organizations possess characteristics typical of the corporate form, such as continuity of life, centralization of management apart from ownership, limited liability of owners, and transferability of shares of capital ownership.

## 2001 Corporation Returns- Introduction

**Figure B. --Returns of Active Corporations: Number of Returns, Total Assets, Total Receipts, Net Income (Less Deficit), Income Subject to Tax, Total Income Tax Before Credits, and Total Income Tax After Credits, by Ending Accounting Period for Tax Year 2001**

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

Ending Accounting Period <sup>1</sup>	Number of returns	Total assets	Total receipts	Net income (less deficit) <sup>2</sup>	Income subject to tax <sup>3</sup>	Total income tax before credits <sup>4</sup>	Total income tax after credit <sup>5</sup>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Total.....</b>	<b>5,135,591</b>	<b>49,154,424,202</b>	<b>20,272,957,624</b>	<b>603,623,352</b>	<b>635,257,416</b>	<b>220,874,245</b>	<b>166,711,988</b>
December 2001.....	4,267,980	37,514,288,115	14,939,060,551	398,025,184	470,997,212	164,554,772	120,811,633
<b>Noncalendar Year Total.....</b>	<b>867,611</b>	<b>11,640,136,087</b>	<b>5,333,897,074</b>	<b>205,598,168</b>	<b>164,260,204</b>	<b>56,319,473</b>	<b>45,900,355</b>
July 2001.....	51,609	728,427,875	230,328,235	15,937,881	7,106,342	2,442,881	1,966,554
August 2001.....	52,927	948,097,959	297,264,263	21,145,923	8,000,537	2,718,513	2,565,119
September 2001.....	168,283	1,602,593,368	938,089,367	27,799,396	24,586,268	8,394,480	7,103,229
October 2001.....	78,992	1,435,332,075	452,058,563	23,888,796	11,351,918	3,904,044	2,790,698
November 2001.....	39,432	1,830,356,175	285,549,870	21,290,939	17,369,485	6,023,110	4,272,436
January 2002.....	46,874	811,701,809	858,752,233	30,223,403	29,215,317	10,158,619	9,685,706
February 2002.....	42,924	351,818,788	223,086,558	3,912,492	4,887,638	1,641,155	1,518,724
March 2002.....	112,121	1,545,404,597	759,388,879	18,007,825	16,982,185	5,806,679	5,293,051
April 2002.....	49,492	405,844,263	188,897,439	9,785,011	5,526,784	1,861,319	1,518,797
May 2002.....	51,609	530,526,253	293,743,036	10,154,108	9,349,755	3,202,006	2,663,966
June 2002.....	173,348	1,450,032,925	806,738,630	23,452,395	29,883,974	10,166,668	6,522,075

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

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

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

<sup>4</sup> Includes income tax, personal holding company tax, all recapture taxes, alternative minimum tax, excessive net passive income tax (Form 1120S); branch

tax (Form 1120-F); taxes from Parts II, III, and IV (Form 1120-REIT); tax from Schedule J, line 3b (Form 1120-RIC); tax from page 1, line 5 (Form 1120-PC); and adjustments to income tax and total tax.

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

Notes: Detail may not add to total because of rounding. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

### Time Period Employed

The estimates in this report are based on data from returns with accounting periods that coincided with the calendar year and returns with accounting periods that were for noncalendar years ending during the span of months July 2001 through June 2002. This span, in effect, defines the tax year in such a way that the noncalendar year accounting periods are centered at the calendar year ended in December.

There are 12 accounting periods covered in this report. Code section 441 specified that, in general, a taxpayer's accounting period ends on the last day of the month. There is a span of 23 months between the first-included accounting period, which began on August 1, 2000, and closed on July 31, 2001, and the end of the last-included accounting period, which began on July 1, 2001, and closed on June 30, 2002. This report, therefore, shows income received or expenses incurred during any or all of the months in the 23-month span. For balance sheet items, the report shows a corporation's position only at the end of its accounting period. Corporations were required by Code section 441 to file returns for the accounting period customarily used in keeping their books.

Figure B shows that calendar year returns made

up 83.1 percent of the number of returns and 65.9 percent of net income (less deficit) for 2001.

In addition, these returns accounted for 76.3 percent of the total assets, 73.7 percent of the total receipts, 74.1 percent of the income subject to tax, 74.5 percent of the total income tax before credits, and 72.5 percent of total income tax after credits. Corporations were usually required to file within two-and-one-half months after the close of the corporate accounting period. However, in accordance with Code section 6081, most corporations could receive filing extensions of an additional 6 months. In addition to returns with accounting periods that spanned 12 months, the total number of active corporations includes returns with accounting periods of shorter duration. Such returns are referred to as part-year returns and were filed, for the most part, by continuing corporations changing their accounting periods, corporations in existence less than 12 months, merging corporations, and liquidating corporations.

### Notes and References

[1] For more detailed information, see Comisky, John, "Controlled Foreign Corporations, 1998," *Statistics of Income Bulletin*, Volume 22, Number 3, Winter 2002-2003, pp. 47-86.