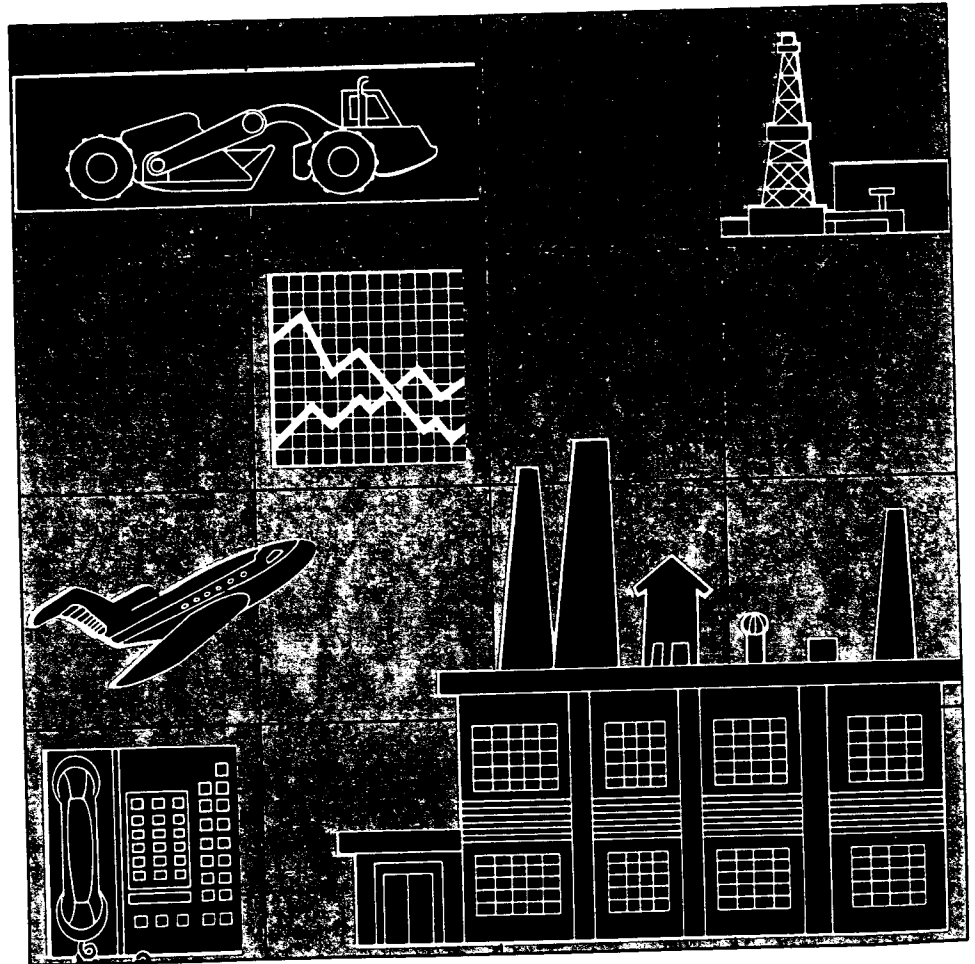


1985

Statistics
of Income

Corporation Income Tax Returns



Department of the Treasury

Internal Revenue Service

Publication 18 (Rev. 1-89)

1985 Statistics of Income

Corporation Income Tax Returns

Publication 16 (Rev.1-89)

Department of the Treasury
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This report contains data by industry on assets, liabilities, receipts, deductions, net income, income subject to tax, credits, distributions to stockholders and additional tax for tax preferences. Data are also classified by size of total assets and by size of business receipts. Other classifications include "returns with net income" and "S Corporations taxed through shareholders."

More detailed statistics for the industries shown in table 1 of this report are available in Publication 1053, *Source book of Statistics of Income—1985*. A general description of the Source Book, including ordering information, is available from the Director, Statistics of Income Division TR:S, Internal Revenue Service, Washington, DC 20224.

In addition, special Statistics of Income tabulations based on corporation income tax returns for 1985 can be produced upon request on a reimbursable basis. Requests for this service should be addressed to the Director, Statistics of Income Division, at the address shown above.

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See the user survey form following page 170

NEW STATISTICAL SERVICES

(Available from Statistics of Income Division)

As part of the Statistics of Income program a series of new services is now being offered (see below). Detailed information on these statistical services can be obtained by writing to Director, Statistics of Income Division (TR:S), Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, DC 20224. Purchase is by check made payable to the IRS Accounting Section.

Studies of International Income and Taxes, Publication 1267 — Price \$45.00

Purchase price includes a 516-page document for 1979–83 that presents information from 13 Statistics of Income studies in the international area, including:

- Foreign activity of U.S. corporations
- Activity of foreign corporations in the U.S.
- Foreign interests in U.S. corporations
- Statistics related to individuals, trusts, and estates
- Data presented by— geographical area or industrial activity, as well as other classifiers

Purchasers of this service also will be provided with additional information for one year as it becomes available. (The next compendium is scheduled for release in September 1990.)

Individual Income Tax Returns, Publication 1304 — Price \$32.00

The document for 1985 presents Statistics of Income data and tables on:

- Sources of income
- Exemptions
- Itemized deductions
- Tax computations
- High income returns
- Data presented by— size of adjusted gross income marital status

Purchasers of this service also will be provided with additional articles relating to 1985 data and preliminary 1986 data as they become available and will be notified of future statistical releases relating to individual income tax returns.

Partnership Returns, Publication 369 — Price \$22.00

Purchase price includes a 314-page document for 1978–82 presenting previously unpublished Statistics of Income data for 1980, 1981 and 1982, as well as data previously issued in other publications. Features include:

- Number of partnerships
- Limited partnerships
- Receipts
- Cost of sales and operations
- Deductions
- Net income
- Capital gains
- Data presented by— industry size of total assets state number of partners

Purchasers of this service also will be provided with data for 1983–1985 as they become available and will also be notified of future statistical releases relating to partnership returns.

Other Services — Price dependent on the request

- Unpublished tabulations from SOI program are available. Includes detailed tables underlying those published in SOI Bulletin.
- Special tabulations produced to user specifications.
- Public use tape files, including the Individual Tax Model (1978–85), among others. (Earlier files are available from the Machine Readable Branch (NNSR) of the National Archives, Washington, DC 20408)

BUSINESS SOURCE BOOKS

(Available from Statistics of Income Division)

In addition to the Corporation Source Book, two others are now being offered by the Statistics of Income Division (see below). Information can be obtained by writing to Director, Statistics of Income Division (TR:S) at the address on the previous page. Purchase of Source Books should be made at time of request by check payable to the IRS Accounting Section.

Corporation Source Book, 1985, Publication 1053 — Price \$175.00

This is a 481-page document that presents detailed income statement, balance sheet, tax and selected items by major and minor industries and size of total assets. This report is part of an annual series and can be purchased for \$175 (issues prior to 1982 are for sale at \$150). A magnetic tape containing the tabular statistics for 1985 can be purchased for \$1,500.

Partnership Source Book, Publication 1289 — Price \$30.00

This is a 291-page document showing key partnership data for 1957 through 1983, at the minor, major and division industry level. Includes an historical definitions of terms section and legislative changes affecting partnerships during that period. Tables feature:

- Number of partnerships
- Number of partners
- Business receipts
- Depreciation
- Taxes paid deductions
- Interest paid
- Payroll
- Payments to partners
- Net income

Purchasers of this service also will be advised of the release of subsequent years' data. A magnetic tape containing the tabular statistics can be purchased for an additional \$200.

Sole Proprietorship Source Book, Publication 1323 — Price \$95.00

This Source Book is a companion to that for partnerships, shown above. It is a 244-page document showing key proprietorship data for 1957 through 1984. Each page contains statistics for a particular industry. Included will be data on:

- Number of business
- Business receipts
- Interest paid
- Depreciation
- Taxes paid deductions
- Payroll
- Net income

As with Partnerships, a magnetic tape containing the tabular statistics can be purchased. The price is \$245.

OTHER PUBLICATIONS

(Available from Superintendent of Documents GPO, Washington, D.C. 20402)

The Statistics of Income (SOI) Bulletin (Quarterly) — Publication No. 1136

Subscription price \$16.00; Single copy price \$6.00

The SOI Bulletin provides the earliest published financial statistics from the various types of tax and information returns filed with the Internal Revenue Service. The Bulletin also includes information from periodic or special analytical studies of particular interest to tax administrators and economists.

Statistics of Income—1985, Corporation Income Tax Returns, Publication No. 16

Presents information on—

- Receipts
- Deductions
- Net income
- Taxable income
- Income tax
- Tax credits
- Distributions to stockholders
- Assets
- Liabilities
- Data classified by—
industry
accounting period
size of total assets
size of business receipts

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GUIDE TO TABLES

This report contains 17 basic tables. The major classification is industrial activity. This guide provides a reference for the major selected items and subjects available in the report. See page 17 to determine the appropriate page number(s) for specific tables.

INCOME AND DEDUCTION ITEMS

Total receipts (figures A, C, tables 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11)
Business receipts (tables 1, 2, 3, 4, 5, 6, 7, 9, 10, 15)
Interest (tables 2, 3, 4, 5, 9)
Interest on Government obligations (tables 2, 3, 4, 5, 10)
Rents and royalties received (tables 2, 3, 4, 5, 9, 10)
Net short-term and long-term capital gain (tables 2, 3, 4, 5, 9, 10)
Net gain, (loss) noncapital assets (tables 2, 3, 4, 5, 9, 10)
Dividends received (tables 2, 3, 4, 5, 11, 13)
Total deductions (tables 2, 3, 4, 5, 9, 10)
Cost of sales and operations (tables 1, 2, 3, 4, 5, 6, 7, 9, 10)
Compensation of officers (tables 2, 3, 4, 5, 9, 10)
Repairs and bad debt expense (tables 2, 3, 4, 5, 9, 10)
Rent paid on business property (tables 2, 3, 4, 5, 9, 10)
Taxes and interest paid (tables 2, 3, 4, 5, 6, 7, 9, 10)
Advertising, contributions or gifts (tables 2, 3, 4, 5, 9, 10)
Amortization and depletion deduction (tables 2, 3, 4, 5, 9, 10, 15)
Depreciation deduction (tables 1, 2, 3, 4, 5, 6, 7, 9, 10, 15)
Pension and employee benefit plans (tables 2, 3, 4, 5, 6, 7, 9)
Book income or deficit (table 14)
Constructive taxable income from related foreign corporations (tables 2, 3, 4, 5, 13)
Net income (less deficit), total (figures A, B, C, tables 2, 4, 6, 7, 8, 9, 10, 11, 13, 14)
Net income (1, 3, 4, 5, 9, 10, 11, 15)
Statutory special deductions, total (tables 8, 13)

BALANCE SHEET ITEMS

Total assets (figures A, C, tables 1, 2, 3, 4, 5, 6, 7, 9, 10, 11, 15)

Cash (tables 2, 3, 4, 5, 6, 7, 9, 10)
Notes and accounts receivable (tables 2, 3, 4, 5, 6, 7, 9, 10)
Allowance for bad debts (tables 2, 3, 4, 5, 9, 10)
Inventories (tables 2, 3, 4, 5, 6, 7, 9, 10)
Investments in Government obligations (tables 2, 3, 4, 5, 6, 7, 9, 10)
Loans to stockholders (tables 2, 3, 4, 5, 6, 7, 9, 10)
Mortgage and real estate loans (tables 2, 3, 4, 5, 6, 7, 9, 10)
Other investments (tables 2, 3, 4, 5, 6, 7, 9)
Depreciable assets (tables 1, 2, 3, 4, 5, 6, 7, 9, 10)
Accumulated depreciation (tables 2, 3, 4, 5, 6, 7, 9, 10)
Depletable assets (tables 2, 3, 4, 5, 6, 7, 9, 10)
Accumulated depletion (tables 2, 3, 4, 5, 6, 7, 9, 10)
Land (tables 2, 3, 4, 5, 6, 7, 9, 10)
Intangible assets (amortizable) (tables 2, 3, 4, 5, 6, 7, 9, 10)
Accumulated amortization (tables 2, 3, 4, 5, 6, 7, 9, 10)
Total liabilities (tables 2, 3, 4, 5, 9, 10)
Accounts payable (tables 2, 3, 4, 5, 6, 7, 9, 10)
Loans from stockholders (tables 2, 3, 4, 5, 9, 10)
Mortgages, notes, and bonds payable (tables 2, 3, 4, 5, 6, 7, 9, 10)
Capital stock (tables 2, 3, 4, 5, 6, 7, 9, 10)
Paid-in or capital surplus (tables 2, 3, 4, 5, 6, 7, 9, 10)
Retained earnings (tables 2, 3, 4, 5, 6, 7, 9, 10)
Shareholders undistributed taxable income (loss) (table 9)
Cost of treasury stock (tables 2, 3, 4, 5, 6, 7, 9, 10)

TAX COMPUTATION ITEMS

Income subject to tax, (figures A, C, tables 1, 2, 3, 4, 5, 6, 7, 8, 13, 16)
Income tax (figures A, C, tables 1, 2, 3, 4, 5, 6, 7, 8, 11, 13, 14, 15, 16)
Foreign tax credit (tables 1, 2, 3, 4, 5, 6, 7, 8, 13, 16)
U.S. possessions tax credit (tables 1, 2, 3, 4, 5, 6, 7, 8, 13, 16)

Investment tax credit items (table 12)
Additional tax for tax preference (tables 2, 3, 4, 5, 6, 7, 8, 13, 15)
Nonconventional source fuel credit (tables 2, 3, 4, 5, 13, 16)
Research activities credit items (tables 1, 2, 3, 4, 5, 6, 7, 8, 13, 16, 17)
General business credit (tables 1, 2, 3, 4, 5, 6, 7, 8, 13, 16)
Provision for federal income tax (table 14)
Tax payments (tables 8, 13)
Orphan drug credit (tables 2, 3, 4, 5, 6, 7, 8, 13, 17)

SELECTED SUBJECTS

Accounting periods (figures B, C, table 8)
Book income or deficit (table 14)
Form 1120-A corporations (table 10)
Members of controlled groups (table 11)
S corporations (table 9, 13)
Sampling selection ranges, and variability (figures D, E, F)
Tax preference items (table 15)

This report presents statistical estimates derived from a stratified sample of approximately 89,900 returns selected from the approximately 3.3 million active corporate returns filed for the 1985 Income Year.*

The report is divided into 6 sections. The first section provides statistics summarizing overall corporate activity for Income Year 1985. Section 2 discusses changes in law and regulations between this report and that for Income Year 1984. 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 the basic tables that contain detailed statistics on 1985 income tax liability, tax credits, net income, and other financial data. Section 5 contains detailed explanations of the terms used in the report. In most instances, the explanations include definitions of terms used as well as adjustments made in preparing the statistics and any limitations inherent in the data.

Section 6 consists of the return forms and instructions. Following Section 6 is a user survey designed to help the Statistics of Income Division better determine the needs of users of this report. The user's cooperation in completing this form would be much appreciated.

The history and design of the corporate study used for this publication are outlined in "Statistics of Income Studies of Business Income and Taxes" in the *Statistics of Income Bulletin*, Volume 7, Number 4, Spring 1988. The statistics in this report provide additional detail on the data contained in "Corporation Income Tax Returns for 1985: An Initial Look" in the same edition. [1]

OVERALL CORPORATE SUMMARY

Figure A presents corporation summary statistics for Income Years 1984 and 1985. Shown are the number of

*Ruth Christian, Allison Clark, and Janice Washington were responsible for the overall production of this report and also prepared the text and tables for sections 1, 2, 4, and 5. The report was prepared under the direction of Karen L. Cys, Chief, Corporation Statistics Branch.

returns, total assets, total receipts, net income (less deficit), income subject to tax, and total income tax before and after credits. The total number of returns increased by 3.4 percent from 1984 to 1985, less than the 5.7 percent increase between 1983 and 1984.

Total assets increased by 15.0 percent to \$12.8 trillion for 1985. Total receipts showed an increase of 6.8 percent. Net income (less deficit) continued to rise but at a slower pace, only 3.1 percent compared to the 23.7 percent increase from 1983 to 1984. Income subject to tax and total income tax rose by 3.5 percent and 3.1 percent, respectively, from 1984 to 1985. On the other hand, total income tax after credits decreased nearly 1.0 percent from \$64.0 billion to \$63.3 billion for 1985.

Returns with total assets of \$250 million or more represented only a little over one percent of the total returns; nonetheless, for 1985, these 4,052 returns accounted for 50.3 percent of the total receipts and 50.6 percent of the total income tax after credits. In contrast for 1984 there were 3,663 such returns and they accounted for 50.3 percent of total receipts and 54.2 percent of total income tax after credits.

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 corporations" refers to companies incorporated in the United States, but does not necessarily imply that all their activities are domestic. For instance, data for a U.S. corporation conducting business abroad through foreign subsidiaries may include dividends remitted from those subsidiaries and, to a certain extent, their undistributed earnings. [2]

For foreign corporations (defined as those organized abroad) engaged in trade or business in the United States, only income that was considered "effectively connected" [3] with the conduct of a trade or business in the United

Corporation Returns/1985 • Introduction

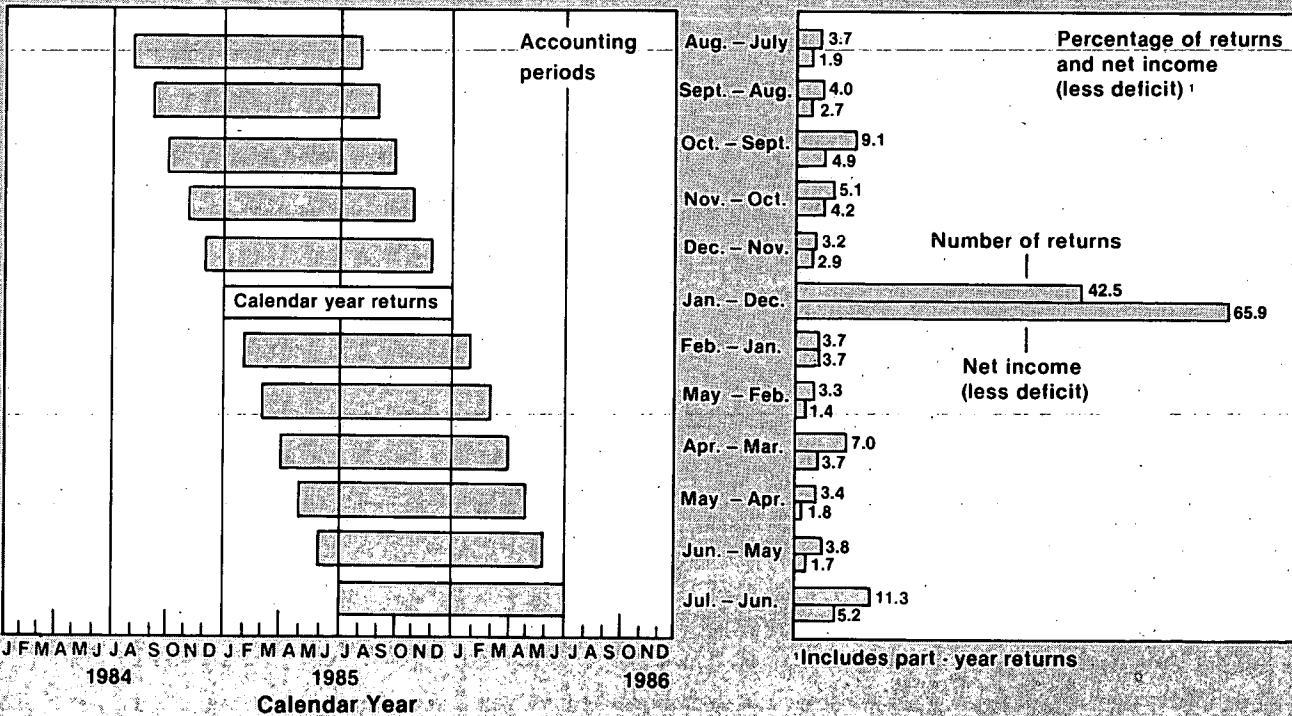
Figure A.—Returns of Active Corporations: Number of Returns, Total Assets, Total Receipts, Net Income (Less Deficit), Income Subject to Tax, Total Income Tax, and Total Income Tax After Credits by Size of Total Assets, Income Years 1984 and 1985

[All figures are estimates based on samples—money amounts are in thousands of dollars and size of total assets are in whole dollars]

Year and size of total assets	Number of returns	Total assets	Total receipts	Net income (less deficit) ¹	Income subject to tax ²	Total income tax ³	Total income tax after credits ⁴
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1984							
Total	3,170,743	11,106,701,948	7,860,711,226	232,900,596	257,054,060	107,968,407	63,990,211
Zero assets	136,338	—	101,352,857	1,640,946	3,983,489	1,811,986	1,528,094
\$1 under \$100,000	1,637,361	55,854,452	255,769,474	- 691,233	3,953,148	668,831	481,971
\$100,000 under \$250,000	578,819	93,269,724	264,152,184	2,945,358	5,904,550	1,095,060	804,482
\$250,000 under \$500,000	325,515	115,249,405	273,139,823	3,294,157	6,318,083	1,374,488	1,024,885
\$500,000 under \$1,000,000	215,464	150,619,653	339,160,191	4,452,579	7,139,945	1,875,078	1,434,314
\$1,000,000 under \$5,000,000	204,953	420,745,073	909,328,244	14,016,282	18,585,621	6,780,516	5,569,207
\$5,000,000 under \$10,000,000	27,962	194,879,814	362,537,300	6,444,544	8,326,745	3,567,452	3,041,120
\$10,000,000 under \$25,000,000	20,787	325,299,620	419,551,636	9,525,662	11,726,055	5,159,620	4,267,737
\$25,000,000 under \$50,000,000	10,053	355,896,372	306,587,771	7,963,166	9,656,617	4,313,305	3,441,838
\$50,000,000 under \$100,000,000	5,964	422,408,620	262,177,391	7,392,268	8,745,716	3,911,490	3,088,295
\$100,000,000 under \$250,000,000	3,825	617,594,253	407,146,465	12,410,326	13,827,150	6,251,785	4,625,294
\$250,000,000 or more	3,663	8,354,884,776	3,956,117,917	163,665,136	158,875,836	71,153,074	34,679,491
1985							
Total	3,277,219	12,773,093,888	8,398,278,426	240,119,020	266,060,609	111,340,839	63,348,204
Zero assets	141,720	—	119,659,188	2,353,360	7,184,372	3,374,629	2,863,781
\$1 under \$100,000	1,691,731	57,338,285	275,540,367	- 633,536	4,347,917	737,697	557,323
\$100,000 under \$250,000	593,156	95,799,427	276,036,845	2,368,181	5,986,081	1,107,099	843,428
\$250,000 under \$500,000	338,200	119,781,108	287,189,508	3,404,973	6,555,779	1,426,688	1,105,564
\$500,000 under \$1,000,000	221,125	155,093,396	349,213,000	3,387,904	7,230,658	1,925,169	1,499,192
\$1,000,000 under \$5,000,000	215,730	443,209,527	959,773,722	11,981,786	18,496,199	6,699,742	5,534,636
\$5,000,000 under \$10,000,000	29,622	206,840,158	385,062,352	4,792,273	8,121,462	3,474,090	2,926,756
\$10,000,000 under \$25,000,000	20,920	325,747,315	432,615,174	8,052,437	11,525,059	5,054,425	4,184,545
\$25,000,000 under \$50,000,000	10,354	366,883,129	313,101,687	5,786,436	9,486,620	4,240,677	3,288,500
\$50,000,000 under \$100,000,000	6,200	440,358,429	299,726,112	6,854,224	9,486,103	4,241,789	3,418,337
\$100,000,000 under \$250,000,000	4,391	710,189,800	474,942,981	14,212,417	15,541,873	6,993,554	5,071,374
\$250,000,000 or more	4,052	9,851,852,669	4,224,395,372	177,232,099	162,092,657	72,062,620	32,052,484

¹ Includes taxable income before net operating loss deduction and special deductions.
² Includes long-term gain taxed at alternative rates, taxable income less net operating loss deduction and special deductions.
³ Includes regular and alternative tax, personal holding company tax, tax from recomputing prior-year investment credit, minimum tax, and excessive net passive income tax (Form 1120S).
⁴ Credits include foreign tax, U.S. possessions tax, nonconventional source fuel, orphan drug, research activities, and general business credits.
 NOTE: Detail may not add to total because of rounding and the deletion of data. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

Figure B
 Corporation Income Tax Returns and Net Income (less Deficit,) by Accounting Periods, Income Year 1985



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Figure C.—Returns of Active Corporations: Number of Returns, Total Assets, Total Receipts, Net Income (Less Deficit), Income Subject to Tax, Total Income Tax, and Total Income Tax After Credits, by Accounting Periods for Income Year 1985

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

Accounting period ended ¹	Number of returns	Total assets	Total receipts	Net income (less deficit) ²	Income subject to tax ³	Total income tax ⁴	Total income tax after credits ⁵
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total	3,277,219	12,773,093,888	8,398,278,426	240,119,020	266,060,609	111,340,839	63,348,204
December 1985	1,391,346	10,028,764,498	5,038,895,916	158,289,151	181,006,191	77,882,248	37,929,857
Noncalendar year, total	1,885,873	2,744,329,391	3,359,382,510	81,829,869	85,054,418	33,458,591	25,418,347
July 1985	120,257	145,255,220	186,131,853	4,455,782	4,275,290	1,655,413	1,282,665
August 1985	129,850	164,904,929	193,109,793	6,458,173	5,693,478	2,279,102	1,764,246
September 1985	298,875	539,104,369	529,027,700	11,852,418	13,355,552	5,234,744	3,925,312
October 1985	168,035	232,104,270	291,864,084	10,135,835	9,480,317	3,855,401	2,888,761
November 1985	105,142	171,448,178	152,362,179	6,857,396	5,002,121	1,984,153	1,215,525
January 1986	121,671	198,563,113	336,701,849	8,952,059	9,079,176	3,804,753	2,991,188
February 1986	107,503	133,961,971	174,619,257	3,365,540	4,050,487	1,585,254	1,249,635
March 1986	230,289	329,705,071	476,236,360	8,939,203	9,376,172	3,553,357	2,728,170
April 1986	110,707	164,538,542	193,204,780	4,303,308	4,628,114	1,800,150	1,438,033
May 1986	124,838	140,993,725	219,651,500	4,023,491	4,481,073	1,709,663	1,403,930
June 1986	368,706	523,750,002	606,473,154	12,486,865	15,632,637	5,996,601	4,530,882

¹ Includes part-year returns.

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

³ Includes net long-term gain taxed at alternative rates, taxable income less net operating loss deduction and special deductions.

⁴ Includes regular and alternative tax, personal holding company tax, tax from recomputing prior-year investment credit, minimum tax, and excessive net passive income tax (Form 1120S).

⁵ Credits include foreign tax, U.S. possessions tax, nonconventional source fuel, orphan drug, research activities, and general business credits.

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

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States was included in the statistics and any investment income from U.S. sources was excluded from the data. Other foreign corporations, organized abroad and not engaged in trade or business in the United States, were liable for tax only on investment income from U.S. sources and these returns were excluded from this report. [4]

The effect of foreign activity on the statistics varies by type of industry and by size of assets. Some industries may have higher incidences of foreign activity than others and foreign income is reflected in their statistics to a greater extent. Also, foreign activity tends to increase with the asset size of the corporation.

Section 6012 of the Internal Revenue Code required that all corporations in existence at any time during the income year file returns, regardless of whether they had income or not. This applied to active and inactive domestic corporations unless they were expressly exempt from filing, as well as to active foreign corporations with insufficient taxes withheld at the source to satisfy their U. S. tax liability on income earned in the United States. (It should be noted however that inactive corporations have been excluded from the statistics.)

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.

The estimated number of returns, shown by type of return form, are the basis of the estimates for the financial statistics presented in this report. These data are tabulated from active corporation income tax returns:

Form 1120 (U.S. Corporations)	2,294,081
Form 1120-A (U.S. Short-Form Corporations)	239,255
Form 1120S (U.S. S Corporations) [5]	724,749
Form 1120L (U.S. Life Insurance Companies)	2,269
Form 1120M (U.S. Mutual Insurance Companies)	1,464
Form 1120F (U.S. Returns of Foreign Corporations)	11,678
Form 1120-IC-DISC (Domestic International Sales Corporations) [6]	1,383
Form 1120-FSC (Foreign Sales Corporations)	2,341
Total*	3,277,219

*Detail may not add to total due to rounding.

The statistics specifically exclude, in addition to inactive corporations, foreign corporations with no income "effec-

tively connected" with a U.S. trade or business; information returns of certain joint undertakings; returns filed by political organizations under Code Section 527; returns filed by General Stock Ownership Corporations (corporations established by a state for the benefit of the residents of a state); information returns reporting no tax because of a tax treaty or convention under Code Section 894; nonprofit corporations (educational, charitable, and similar organizations) exempt from income tax under Code Section 501; and mutual insurance companies (except life or marine and certain fire or flood insurance companies), with gross receipts that did not exceed \$150,000, which were exempt from income tax under Code Section 501.

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 ended during the span of months July 1985 through June 1986. This span, in effect, defines the income year in such a way that the noncalendar year accounting periods are centered at the calendar year ended December.

The 12 accounting periods covered by the report are presented in figure B. Code section 441 specified that, in general, a taxpayer's accounting period end on the last day of the month. Thus, figure B shows a span of 23 months between the first-included accounting period, which began on August 1, 1984, and closed on July 31, 1985, and the start of the last-included accounting period, which began on July 1, 1985, and closed on June 30, 1986. 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, such as total assets and inventories, the report shows a corporation's position only at a given time, namely, 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 also presents the percentage of the total that each accounting period represents for the number of returns and the net income (less deficit).

Figure C shows that 42.4 percent of the 1985 returns were filed for the calendar year; and, since they included most of the larger corporations, these returns had approximately 78.5 percent of total assets, 60.0 percent of total receipts, 65.9 percent of net income (less deficit), 68.0 percent of income subject to tax, and 59.9 percent of total income tax after credits.

Corporation returns were usually required to be filed within two-and-one-half months after the close of the corporate accounting period. However, in accordance with Code section 6081, most corporations could receive filing extensions of 6 months.

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In addition to returns with accounting periods that spanned 12 months, the total number of active corporations includes returns with accounting periods of shorter duration. Such returns are referred to as part-year returns and were filed, for the most part, by continuing corporations changing their accounting periods, new corporations in existence less than 12 months, merging corporations, and liquidating corporations.

NOTES AND REFERENCES

- [1] Frequencies and amounts will not differ between this report and the *Statistics of Income Bulletin* because no additional returns and corrections are included in this report.
- [2] See *Statistics of Income*, "A Compendium of Studies of International Income and Taxes, 1979-1983", September 1985, for information on, among other things, the foreign activities of U.S. Corporations.
- [3] "Effectively connected" income is defined in Code Section 864(c). See also the reference in [2] above.
- [4] See Skelly, Daniel F. and Hobbs, James R., "Statistics of Income Studies of International Income and Taxes", *Statistics of Income Bulletin*, Fall 1986, pp. 1-17.
- [5] Previously referred to as "U.S. Small Business Corporations."
- [6] The pre-1985 system for Domestic International Sales Corporations (DISC's) has been largely replaced by a system of Foreign Sales Corporations (FSC's). DISC's were not entirely abolished, however, since DISC's, as well as non-DISC's, could elect to become an Interest Charge DISC (IC-DISC). See specific definitions in Section 5, Explanation of Terms.

The statistics in this report reflect, in general, changes in law and regulations that became effective during the accounting periods covered. Depending on the accounting period used and the effective date of the change in law, the changes may have been fully applicable for some corporations, only partially applicable for others, and not applicable at all for still others.

The information that follows includes a description of the major changes (listed alphabetically) that affected substantially the comparability of the statistics in this report with those for prior years. These changes resulted from the Tax Reform Act of 1985 and the Deficit Reduction Act of 1984.

A further explanation of items affected by changes in law and regulations is contained in the Explanation of Terms section of this report.

Affiliated Groups

An affiliated group of corporations can file a consolidated return, which allows the transfer of tax benefits (e.g. net operating loss deduction, tax credits) generated by individual corporations to the group as a whole.

Under the Tax Reform Act of 1985 the definition of "affiliated group" was amended effective December 31, 1984. Two corporations do not qualify as an affiliated group unless one owns directly stock possessing at least 80 percent of the total voting power of all classes of, and having a fair market value equal to at least 80 percent of the total value of all outstanding stock of such other corporation. Under prior law, the "fair market value equal to at least 80 percent" did not apply. This provision insured that two corporations only filed consolidated returns if one corporation truly had an 80 percent interest in the other.

Alternative Tax Rates

Under prior law, corporations were allowed an alternative tax rate of 28 percent on the excess of net long-term capital gain over net short-term capital loss if the tax computed using that rate was lower than corporations regular tax.

Under the Tax Reform Act of 1985, the alternative tax rate for net capital gains was been increased to 36 percent, effective for tax years ending after December 31, 1985. Under a transition rule, the 28 percent rate was retained for "pre-1986" net capital gain, which was the lesser of net capital gain for the taxable year and net capital gain attributable to the disposition of property on or before September 25, 1985.

Dividends Received from a Regulated Investment Corporation

There was a question under prior law, whether a Regulated Investment Company (RIC) would be entitled to certain dividends received deductions and also whether a RIC's short-term capital gain from the sale of stock or securities should have been treated as gross income for determining what percentage of its gross income was dividend income.

The Tax Reform Act of 1985 redefined these items for RIC's. First, the deduction for dividends received from a RIC was computed using only the portion of the distribution that was designated by the RIC as being paid out of dividend income eligible for the dividends received deduction. Also, if less than 95 percent of the RIC's gross income for the taxable year consisted of dividends from domestic corporations, the amount of any distribution that was treated by a corporate shareholder as a dividend for purposes of the dividend exclusion, was limited to amounts designated by the RIC. Second, net short-term capital gains from dispositions of stock or securities in excess of net long-term capital losses were treated as gross income for purposes of these rules.

Extension of Jobs Credit

The jobs tax credit is available to corporations for hiring individuals from one or more of nine targeted groups: vocational rehabilitation referrals, economically disadvantaged youths, economically disadvantaged Vietnam veterans, social security income recipients, general assistance recipients, economically disadvantaged cooperative edu-

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ation students, economically disadvantaged former convicts, eligible work incentive employees, and economically disadvantaged summer youth employees.

The jobs tax credit was initially enacted in the Revenue Act of 1978, and was available for qualified wages paid before 1982. The Economic Recovery Tax Act of 1981 (ERTA) extended the credit for one year, and the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) extended the credit to qualified wages paid to individuals who began to work for the taxpayer before 1985. Under the Deficit Reduction Act of 1984, the credit was extended an additional year and was available for qualified wages paid to individuals who begin work for the employer before January 1, 1986.

Limitation on General Business Credit

Under prior law, the general business credit earned by a taxpayer was used to reduce tax liability up to \$25,000 plus 85 percent of tax liability in excess of \$25,000.

The 85 percent limit on the amount of tax which a taxpayer may offset with the investment credit enabled corporations to reduce their tax liability to very low percentages of their taxable income. For tax years beginning after December 31, 1985, the Tax Reform Act of 1985 reduced the limitation on the amount of income tax liability in excess

of \$25,000 of a corporate taxpayer that may be offset by the general business credit from 85 percent to 75 percent.

Statutory Special Deductions

Under prior law, corporations that received dividends from domestic and foreign corporations were generally entitled to an 85 percent dividends received deduction. Excluded from this deduction were dividends received from a small business investment company, "qualifying dividends" received from certain members of an affiliated group, wholly owned foreign corporation dividends and certain dividends paid by a foreign sales corporation which were eligible for a 100 percent dividends received deduction. Also excluded were dividends received from real estate investment trusts, dividends of certain public utility preferred stock and certain dividends received from a Federal Home Loan Board Bank. The dividends received deduction was also not available for dividends received from an Interest Charge Domestic International Sales Corporation (IC-DISC) or former Domestic International Sales Corporation (DISC).

Under the Tax Reform Act of 1985, for dividends received or accrued after December 31, 1985, the dividends received deduction for domestic and foreign corporations was decreased from 85 percent to 80 percent.

Section 3

DESCRIPTION OF THE SAMPLE AND LIMITATIONS OF THE DATA*

This section describes the sample criteria and selection of returns, the method of estimation and sampling variability of the estimates contained in the report. It also describes the methodology needed to compute confidence interval estimates, as well as some of the limitations of the data. [1]

SAMPLE SELECTION

The statistics in this report were estimated from a stratified probability sample of corporation income tax returns selected after revenue processing but before audit examination (see Figures D and E). The following types of returns were subjected to sampling: Form 1120—U.S. Corporation Income Tax Return; Form 1120-A—U.S. Short Form Corporation Income Tax Return; Form 1120F—U.S. Income Tax Return of a Foreign Corporation; Form 1120L—U.S. Life Insurance Company Income Tax Return; Form 1120M—U.S. Mutual Insurance Company Income Tax Return; Form 1120S—U.S. Income Tax Return for an S Corporation; Form 1120-IC-DISC—Interest Charge Domestic International Sales Corporation Return; and Form 1120-FSC—Foreign Sales Corporation Return.

All sample returns, except Forms 1120-IC-DISC/FSC, were computer selected from the Internal Revenue Service's Business Master File (BMF) system. Form 1120-IC-DISC/FSC returns were processed on a separate computer system designed expressly for the sampling process. Both sampling procedures used a transformation of the Employer Identification Number as the basis for essentially random selection within a sample class.

The prescribed sample rates for Forms 1120, 1120-A, and 1120S ranged from 0.35 percent to 100 percent, depending on size of total assets and net income (or deficit) and the presence or absence of selected principal business activity (PBA) codes as defined in the appendix to Figure D. "Cash Flow" (depreciation + depletion + net income) was substituted for net income for the last six months of the

sampling period and was used as a stratifying variable if the magnitude was greater than the magnitude of net income (or deficit). Forms 1120L and 1120M were sampled, based on size of total assets, at rates ranging from 50 percent to 100 percent. Forms 1120F were sampled based on total assets and "financial" or "nonfinancial" PBA codes, at sample rates ranging from 25 to 100 percent. For Forms 1120-IC-DISC/FSC, sample rates ranged from 5 to 100 percent and were dependent upon:

- (1) the size of total assets of the majority corporate stockholder,
- (2) the size of total assets of the IC-DISC/FSC and,
- (3) the size of net income (or deficit) of the IC-DISC/FSC

EXCLUSIONS

Figure D contains the number of returns in the population and sample, by sample class and sampling rates (both prescribed and achieved). A comparison of the total 1985 population (3,569,609) in figure D with the total estimated number of returns (3,282,119) in table 1, column 1, shows a difference of 287,490. This difference resulted from returns which were excluded because they were:

- (1) inactive returns having neither income nor deductions;
- (2) duplicate returns;
- (3) amended returns not associated with the original returns and which were not earlier removed by the original computer selection (the original returns were subject to sampling);
- (4) tentative returns not associated with the revised returns and which were not earlier removed by the original computer selection (the revised returns were subject to sampling);
- (5) returns exempt under section 936 of the Internal Revenue Code (IRC);
- (6) returns exempt under section 1247 of the IRC;
- (7) returns exempt under section 883 of the IRC;
- (8) Cost Corporation returns exempt under Revenue Ruling 52-542;
- (9) Form 1120M corporation returns exempt from tax

*Homer Jones and Richard Collins designed the sample for this report. Homer Jones prepared the text and tables in this section under the direction of John M. Mandeville, Section Chief, Operations Section, Corporation Statistics Branch.

Figure D.—Corporation Returns: Number Filed, Number in Sample, Prescribed and Achieved Sampling Rates, by Sample Selection Class, Income Year 1985

Sample Class Number	Description of Sample Selection Classes (See Notes)		Industry Class	Year Sampled	Number of Returns		Sampling Rates (Percent)	
	Size of total assets	Size of net income or deficit			Estimated Population	Sample Size	Prescribed	Achieved
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	All Returns, Total		*	*	3,569,609	94,150	2.64%	2.64%
	Forms 1120, 1120A and 1120S with Form 5735 attached, Total		*	*	809	630	100.00	77.87
1	Under \$50,000,000		B,C	All	712	533	100.00	74.86
2	Under \$100,000,000		A	All				
	\$50,000,000 or more		B,C	All	97	97	100.00	100.00
	\$100,000,000 or more		A	All				
	Forms 1120, 1120A and 1120S (no Form 5735 attached), Total		*	*	3,545,943	86,192	2.42	2.43
3	Under \$50,000	Under \$25,000	All	All	1,428,055	5,117	0.35	0.36
4	\$50,000 under \$100,000	\$25,000 under \$50,000	All	All	544,396	3,030	0.55	0.56
5	\$100,000 under \$250,000	\$50,000 under \$100,000	All	All	647,751	5,868	0.85	0.91
6	\$250,000 under \$500,000	\$100,000 under \$250,000	All	All	381,963	7,527	1.81	1.97
7	\$500,000 under \$1,000,000	\$250,000 under \$500,000	All	All	236,903	8,047	3.21	3.40
8	\$1,000,000 under \$2,500,000	\$500,000 under \$1,000,000	All	All	165,631	12,670	7.63	7.65
9	\$2,500,000 under \$5,000,000	\$1,000,000 under \$1,500,000	All	All	60,385	6,282	10.51	10.40
10	\$5,000,000 under \$10,000,000	\$1,500,000 under \$2,500,000	All	All	31,561	6,442	20.53	20.41
11	\$10,000,000 under \$25,000,000	\$2,500,000 under \$5,000,000	A,B	5	22,343	8,150	37.96	36.48
	\$10,000,000 under \$25,000,000	\$2,500,000 under \$5,000,000	All	6,7				
12	\$25,000,000 under \$50,000,000	\$5,000,000 under \$10,000,000	A	All	5,318	2,538	49.00	47.72
13	\$10,000,000 under \$50,000,000	\$2,500,000 or more	C	5	9,026	8,071	100.00	89.42
	\$25,000,000 under \$50,000,000	\$5,000,000 or more	B	5				
	\$50,000,000 under \$100,000,000	\$10,000,000 or more	A	5,6				
	\$25,000,000 under \$50,000,000	\$5,000,000 or more	C	6				
14	\$25,000,000 under \$50,000,000	\$5,000,000 or more	C	7	1,503	1,422	100.00	94.61
	\$50,000,000 under \$100,000,000	\$10,000,000 or more	A	7				
15	\$100,000,000 under \$250,000,000	\$10,000,000 or more	A	7	1,221	1,141	100.00	93.45
	\$50,000,000 under \$250,000,000	\$10,000,000 or more	C	7				
16	\$50,000,000 or more	\$5,000,000 or more	B,C	5	9,254	9,254	100.00	100.00
	\$50,000,000 or more	\$5,000,000 or more	C	6				
17	\$100,000,000 or more	\$250,000,000 or more	A	5,6				
	\$250,000,000 or more	\$250,000,000 or more	All	7	633	633	100.00	100.00
	Forms 1120L and 1120M, Total		*	*	3,836	2,072	55.68	54.01
18	Under \$50,000,000		All	All	3,400	1,636	50.00	48.12
19	\$50,000,000 or more		All	5,6	401	401	100.00	100.00
20	\$50,000,000 under \$100,000,000 (1120M)		All	7	11	11	100.00	100.00
21	\$50,000,000 under \$250,000,000 (1120L)		All	7				
	\$100,000,000 or more (1120M)		All	7	24	24	100.00	100.00
	\$250,000,000 or more (1120L)		All	7				
	Forms 1120F (with effectively connected income in U.S.), Total		*	*	14,738	3,785	27.10	25.68
22	Under \$10,000,000		B,C	5	14,325	3,385	25.00	23.63
	Under \$25,000,000		A	5				
	Under \$50,000,000		C	6,7				
23	\$10,000,000 under \$50,000,000		A	6,7				
	\$25,000,000 under \$100,000,000		B,C	5	125	112	100.00	89.60
	\$25,000,000 under \$100,000,000		A	5				
24	\$50,000,000 or more		C	6,7				
	\$100,000,000 or more		B,C	All	288	288	100.00	100.00
	\$100,000,000 or more		A	All				
	Forms 1120-IC-DISC, (See Figure E1)		*	*	1,594	728	44.32	45.67
	Forms 1120-FSC, (See Figure E2)		*	*	2,689	743	27.96	27.63

Notes: * Not Applicable

Appendix—Corporation Industry Class by Principal Business Activity Code by Year Sampled

There are three classes of industries used in this design as indicated in Column (4). The following listing of PBA Codes was used to assign industries to the three classes, by calendar year:

Industry Code	0400	1150	1330	1380	1510	1600	1798	2010	2030	2096	2228	2298	2315	2345	2415	2430	2699	2799	3070	
1985 Class	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B	
1986-87 Class	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	
Industry Code	3370	3440	3490	3550	3670	3698	3998	4200	5008	5050	5060	5098	5140	5150	5170	5190	5300	5410	5515	
1985 Class	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B	
1986-87 Class	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	
Industry Code	5995	6030	6060	6090	6120	6140	6150	6199	6210	6359	6411	6511	6550	6599	6742	6749	7000	7389	7900	Other
1985 Class	B	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	B	B	B	C
1986-87 Class	C	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	C	C	C	C

Notes: Returns were classified according to either size of total assets, or size of net income or deficit, whichever made the sample class number higher. (This rule also applies to Figures E1 and E2 following). The prescribed and achieved sampling rates for sample classes 3 through 11, are composite figures of possibly different sampling rates used during the three calendar years of sampling. Other sample classes had the same prescribed sampling rates for the sampling period indicated.

EXAMPLE #1: A Form 1120S return with total assets of \$750,000 and having net income of \$75,000 is in sample class 7 (based on total assets) rather than in sample class 5 (based on net income). Instructions files its return for the 1985 income year during 1985 and was sampled in that year. It had Total Assets of \$7,500,000 and a net deficit of \$3,000,000. Determine the Industry Class to be B from the tabulation above and the year to be 5 from the statement of the problem. The sample class number is determined to be 11 from this Figure since the Size of Deficit for Industry Class B and Year Sampled 5 show Sample Class Number equals 11 which is higher than Sample Class Number 10 which would be determined for a Form 1120 having Total Assets of \$7,500,000 (All Industry Classes for All Years).

Figure E1.—Interest Charge Domestic International Sales Corporation Returns: Number Filed, Number in Sample, Prescribed and Achieved Sampling Rates, by Sample Selection Class, Income Year 1985

Description of Sample Selection Class		Number of Returns		Sampling Rates (Percent)	
Size of Total Assets	Size of Net Income or Deficit	Estimated population	Sample size	Prescribed	Achieved
(1)	(2)	(3)	(4)	(5)	(6)
All Forms 1120-IC-DISC Returns		1,594	728	44.32%	45.67%
MCS under \$10,000,000 & IC-DISC under \$25,000	Under \$10,000	269	19	5.00	7.06
MCS under \$10,000,000 & IC-DISC \$25,000 under \$50,000	\$10,000 under \$25,000	149	17	10.00	11.41
MCS \$10,000,000 under \$25,000,000 & IC-DISC under \$50,000	Under \$25,000				
MCS under \$25,000,000 & IC-DISC \$50,000 under \$100,000	\$25,000 under \$50,000	220	44	20.00	20.00
MCS \$25,000,000 under \$50,000,000 & IC-DISC under \$100,000	Under \$50,000				
MCS under \$50,000,000 & IC-DISC \$100,000 under \$250,000	\$50,000 under \$100,000	282	97	30.00	34.40
MCS \$50,000,000 under \$100,000,000 & IC-DISC under \$250,000	Under \$100,000				
MCS under \$100,000,000 & IC-DISC \$250,000 under \$500,000	\$100,000 under \$200,000	249	126	50.00	50.60
MCS \$100,000,000 under \$250,000,000 & IC-DISC under \$500,000	Under \$200,000				
MCS under \$250,000,000 & IC-DISC \$500,000 under \$1,000,000	\$200,000 under \$500,000	248	248	100.00	100.00
MCS \$250,000,000 under \$1,000,000,000 & IC-DISC under \$250,000,000	Under \$500,000				
MCS under \$250,000,000 & IC-DISC \$1,000,000 or more	\$500,000 or more	177	177	100.00	100.00
MCS \$250,000,000 or more & IC-DISC any amount	Any amount				

Notes: The abbreviations used in the table above are:
MCS—Majority Corporate Stockholder
IC-DISC—Interest Charge Domestic International Sales Corporation

Figure E2.—Foreign Sales Corporation Returns: Number Filed, Number in Sample, Prescribed and Achieved Sampling Rates, by Sample Selection Class, Income Year 1985

Description of Sample Selection Class		Number of Returns		Sampling Rates (Percent)	
Size of Total Assets	Size of Net Income or Deficit	Estimated population	Sample size	Prescribed	Achieved
(1)	(2)	(3)	(4)	(5)	(6)
All Forms 1120-FSC Returns		2,689	743	27.96%	27.63%
MCS under \$10,000,000 & FSC under \$500,000	Under \$200,000	949	55	5.00	5.80
MCS under \$10,000,000 & FSC \$500,000 under \$1,000,000	\$200,000 under \$500,000	503	49	10.00	9.74
MCS \$10,000,000 under \$25,000,000 & FSC under \$1,000,000	Under \$500,000				
MCS under \$25,000,000 & FSC \$1,000,000 under \$2,500,000	\$500,000 under \$1,000,000	349	54	20.00	15.47
MCS \$25,000,000 under \$50,000,000 & FSC under \$2,500,000	Under \$1,000,000				
MCS under \$50,000,000 & FSC \$2,500,000 under \$5,000,000	\$1,000,000 under \$1,500,000	279	90	30.00	32.26
MCS \$50,000,000 under \$100,000,000 & FSC under \$5,000,000	Under \$1,500,000				
MCS under \$100,000,000 & FSC \$5,000,000 under \$10,000,000	\$1,500,000 under \$2,500,000	217	103	50.00	47.47
MCS \$100,000,000 under \$250,000,000 & FSC under \$10,000,000	Under \$2,500,000				
MCS under \$100,000,000 & FSC \$10,000,000 under \$25,000,000	\$2,500,000 under \$5,000,000	8	8	100.00	100.00
MCS \$100,000,000 under \$25,000,000,000 & FSC under \$10,000,000	Under \$5,000,000				
MCS under \$250,000,000 & FSC \$25,000,000 or more	\$5,000,000 or more	384	384	100.00	100.00
MCS \$250,000,000 or more & FSC any amount	Any amount				

Notes: The abbreviations used in the table above are:
MCS—Majority Corporate Stockholder
FSC—Foreign Sales Corporation

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- under section 501(c)(15) of the IRC;
- (10) returns of (non-resident) foreign corporations having no income effectively connected with a trade or business within the U.S.;
 - (11) U.S. Virgin Islands returns exempt under section 934 of the IR Code;
 - (12) returns of political organizations filing on Forms 1120 and stating that they are filing under IR Code section 527;
 - (13) returns filed by general stock ownership corporations on Forms 1120 which are required to file a return but are exempt from tax;
 - (14) returns filed by homeowners' associations on Forms 1120 and stating they are filing under IR Code section 528;
 - (15) information returns reporting no tax due to tax treaty or convention according to IR Code section 894; and finally,
 - (16) delinquent returns of corporations for prior years with total assets under \$250,000,000 which used basic tax forms prior to 1984, and whose accounting periods ended before July 1985.

The estimated number of corporations filing on prior year tax forms was assumed to approximate the number of yet to be filed 1985 returns and thus even while these sample returns were not fully processed, the final weighted sample was adjusted upward to account for this exclusion.

The estimated population of exclusions, 287,490, is distributed as follows:

Type of Exclusion	Income Year		
	1985	1984	1983
Total.....	100.0%	100.0%	100.0%
Inactive returns.....	53.2	59.3	60.6
Duplicate returns.....	22.3	22.5	22.2
Filed on prior year forms.....	23.6	17.6	16.3
Miscellaneous.....	0.8	0.6	0.8

METHOD OF ESTIMATION

The data from the sample returns were weighted to estimate the aggregated frequencies of, and amounts on the returns of the population of corporations in the United States and its possessions which filed returns for accounting periods ending July 1985 through June 1986. The returns were generally selected for the sample during the two year period, July 1985 through June 1987.

A two stage process was used to calculate the Forms 1120, 1120-A, 1120F and 1120S weights. The first was to compute a provisional weight for each sampling class. The provisional weight was computed by dividing the total number of returns in a sampling class by the number of returns in the sample from that class. The Forms 1120, 1120-A, 1120F, and 1120S returns subject to sampling at

less than the 100 percent achieved rate were reweighted after determination of their provisional weights.

The second stage involved post-stratification based on 58 groups of Principal Business Activity Codes (the major industries). Raking ratio estimation procedures were employed. [2]

The prescribed sampling weights are the inverse of the prescribed provisional rates given in figure D, column 8, and figures E1 & E2, column 5. There are some 1,488 returns missing from the sample which indicated a considerable improvement over the 3,460 missing returns of the previous year. Adjustments were made in the weighting procedure to lessen the adverse effects of this shortage. For Income Year 1985, the second largest total assets size 100 percent sample class for each type of return was again used to adjust for a shortage in the overall 100 percent class.

Nonetheless, missing returns that were to have been selected with certainty continue to represent a major limitation on any analyses done with the sample results.

TABLE PRESENTATION

Sample weights determined from the above procedure were carried to two decimal places. As a result, a row or column of frequencies may fail to add exactly to the corresponding total. The printed total should be considered more accurate in this case. The same condition may exist for money amount totals but the effect is likely to be less important since the dollar amounts are normally in approximate balance prior to the rounding to thousands of dollars (which takes place in all tables as the last step before displaying the results).

Whenever a weighted frequency is less than 3, the estimate is combined or deleted in order to avoid disclosure of information about specific corporations. These combinations or deletions are indicated by either a double asterisk (**) or a triple asterisk (***). In all other cases, when an estimate is based on fewer than 10 returns, not all of them selected at the 100 percent rate, the estimate is considered statistically unreliable and is indicated by a single asterisk (*) to the left of the data items. (Asterisk estimates should normally be used only in combination with other tabulated values.) Also, for tables classified by total assets, the amounts in the asset size columns may not add up to the total for particular industries because of deletions of asset size column(s) at a lower industry level.

The statistical reliability of each cell in the tables was determined independently from that of other cells. Accordingly, it is possible to see a total figure with an asterisk (*) indicating statistical unreliability and yet a subset of the total

Figure F—Coefficient of Variation of Estimated Number of Returns, Income Year 1985

Estimated number of returns	Tables showing the classification by size of total assets								Tables not showing classes by size of total assets	Forms 1120-(C-DISC)/FSC tables
	Under \$100,000 ¹	\$100,000 under \$250,000	\$250,000 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 under \$5,000,000	\$5,000,000 under \$10,000,000	\$10,000,000 under \$50,000,000	\$50,000,000 under \$100,000,000 ²		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		
	(Percent) ³									
200	118.13	74.92	49.91	37.71	25.17	13.98	9.33	7.42	118.13	27.50
300	96.46	61.17	40.76	30.79	20.55	11.42	7.62	6.06	96.46	22.29
400	83.53	53.89	35.30	26.66	17.80	9.89	6.60	5.24	83.53	19.31
500	74.71	48.20	31.57	23.85	15.92	8.84	5.90	4.69	74.71	17.27
600	68.20	44.00	28.82	21.77	14.53	8.07	5.39	4.28	68.20	15.76
700	63.14	40.74	26.68	20.16	13.45	7.47	4.99	3.96	63.14	14.59
800	59.07	38.11	24.96	18.85	12.58	6.99	4.66	3.71	59.07	13.65
900	55.69	35.93	23.53	17.78	11.86	6.59	4.40	3.50	55.69	12.87
1,000	52.83	34.08	22.32	16.86	11.26	6.25	4.17	3.32	52.83	12.21
1,200	48.23	31.11	20.38	15.39	10.28	5.71	3.81	3.03	48.23	11.15
1,400	44.65	28.81	18.87	14.25	9.51	5.28	3.53	2.80	44.65	10.32
1,600	41.77	26.95	17.65	13.33	8.90	4.94	3.30	2.62	41.77	9.65
1,800	39.38	25.40	16.64	12.57	8.39	4.66	3.11	2.47	39.38	9.10
2,000	37.36	24.10	15.78	11.92	7.96	4.42	2.95	2.35	37.36	8.63
2,500	33.41	21.56	14.12	10.67	7.12	3.95	2.64	2.10	33.41	7.72
3,000	30.50	19.68	12.89	9.74	6.50	3.61	2.41	1.91	30.50	7.05
4,000	26.42	17.04	11.16	8.43	5.63	3.13	2.09	1.66	26.42	6.11
5,000	23.63	15.24	9.98	7.54	5.03	2.80	1.87	1.48	23.63	5.46
7,000	19.97	12.88	8.44	6.37	4.25	2.36	1.58	1.25	19.97	4.62
10,000	16.71	10.78	7.06	5.33	3.56	1.98	1.32	1.05	16.71	3.86
15,000	13.64	8.80	5.76	4.35	2.91	1.61	1.08	0.86	13.64	3.15
25,000	10.57	6.82	4.46	3.37	2.25	1.25	0.83	0.66	10.57	(4)
35,000	8.93	5.76	3.77	2.85	1.90	1.06	0.71	0.56	8.93	(4)
50,000	7.47	4.82	3.16	2.38	1.59	(4)	(4)	(4)	7.47	(4)
75,000	6.10	3.94	2.58	1.95	1.30	(4)	(4)	(4)	6.10	(4)
100,000	5.28	3.41	2.23	1.69	1.13	(4)	(4)	(4)	5.28	(4)
150,000	4.31	2.78	1.82	1.38	0.92	(4)	(4)	(4)	4.31	(4)
250,000	3.34	2.16	1.41	1.07	0.71	(4)	(4)	(4)	3.34	(4)
500,000	2.36	1.52	1.00	(4)	(4)	(4)	(4)	(4)	2.36	(4)
700,000	2.00	1.29	(4)	(4)	(4)	(4)	(4)	(4)	2.00	(4)
1,000,000	1.67	(4)	(4)	(4)	(4)	(4)	(4)	(4)	1.67	(4)
1,500,000	1.36	(4)	(4)	(4)	(4)	(4)	(4)	(4)	1.36	(4)
2,000,000	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	1.18	(4)

¹ Includes zero assets and assets not reported.

² Coefficient of variation is zero for returns with total assets of \$100,000,000 or more.

³ This percentage should normally not be used for estimates designated by a single asterisk (*) because the approximation shown here is inapplicable when the sample is too small to yield reliable confidence interval estimates.

⁴ Not applicable because the estimated number of returns was greater than the population estimate.

NOTE: Method of interpolation: Divide the estimated number of returns by 100, determine the coefficient of variation percentage in the proper column, and then divide the result by 10. EXAMPLE: To find the coefficient of variation for an estimate of 60,000 returns having total assets of \$250,000 under \$500,000 divide by ten the coefficient of variation of 28.82 percent shown for 600 (= 60,000 divided by 100) returns to obtain the answer, 2.88 percent.

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not so identified. For example, an industrial division figure could be based on 7 returns, of which 3 were not sampled at the 100 percent rate (and, thus, receive an asterisk), and a major group in this division could have 4 returns all sampled at the 100 percent rate and, thus, not receive an asterisk.

In the tables, a dash (—) in place of a frequency or an amount indicates that: (1) if returns were sampled at a rate of 100 percent, no returns had the particular characteristics or (2) if returns were sampled at a rate less than 100 percent, either no returns in the population had the characteristic or the characteristic was so rare that it did not appear on any sample returns.

SAMPLING VARIABILITY

The particular sample used in this program is one of a large number of possible samples that could have been selected using the same sample design. Estimates derived from the different samples would differ from each other. The deviation of a sample estimate from the average of all possible samples is called the sampling error. The sampling variability of an estimate is a measure of the variation among the estimates from the possible samples and, thus, is a measure of the precision with which an estimate from a particular sample approximates the average result of all possible samples.

The coefficient of variation is the standard error of the estimate expressed as a percent of the estimate (See Figure F). The sample estimate and an estimate of its standard error permit the construction of interval estimates with prescribed confidence that the interval includes the average result of all possible different samples. For example, assume an estimate of 90,339 represents the number of returns having total assets \$100,000 under \$250,000 in a 1985 Statistics of Income table. A coefficient of variation (CV) of 3.53 percent for this frequency is obtained by using column 2 of figure F and interpolating as indicated in the footnote found there.

The standard error of the estimate $SE(X)$ is needed to construct the interval estimate; it is the product of the estimate, X , and its coefficient of variation, $CV(X)$:

$$\begin{aligned} SE(X) &= X CV(X) \\ &= 90,339 (.0353) \\ &= 3,189 \text{ returns.} \end{aligned}$$

The $SE(X)$ value is then subtracted from and added to the estimate X to construct a 68 percent confidence interval estimate. The interval is computed using the formula:

$$(X - SE(X)) \leq Y \leq (X + SE(X))$$

with a 68 percent confidence level, where Y is the population value estimated by X . Based on the data for this example, the interval estimate is from 87,150 returns to 93,528 returns ($90,339 \pm 3,189$ returns). A conclusion that the average estimate of the number of returns lies within an interval computed in this way would be correct for approximately 68 percent of all possible similarly selected different samples.

To obtain the interval estimate with the two standard deviation (95 percent) confidence limits, multiply the $SE(X)$ value by two and recompute the interval. For this example, the resulting interval would be from 83,961 returns to 96,717 returns.

Coefficients of variation for selected frequency and amount estimates are shown in Table 1 (by minor industry), and are available for Table 6 (by size of total assets) from the Statistics of Income Division, for those interested. Production delays prevented the inclusion of Table 6 CV's in this volume.

SAMPLE MANAGEMENT

The totals (i.e. population and sample counts) for the number of returns filed were derived from computer counts of corporation returns (other than Form 1120-IC-DISC/FSC) produced at the ten Internal Revenue Service processing centers and the National Computer Center (NCC). The Form 1120-IC-DISC/FSC population and sample counts were from the Data Center located in Detroit, Michigan. These counts were verified during statistical processing to minimize loss of data. Returns are classified into sample strata based on their total assets, net income or deficit, return type, and industry code. For Income Year 1985, mis-stratified returns were reclassified into their correct strata classes on the basis of consistency tests made on sample returns. The population of returns which needed to be reclassified was estimated from the sample returns and the population adjusted accordingly. Only returns that were misclassified prior to statistical processing were corrected in this way. Population and sample counts totals were minimally affected by the reclassification. Under a model, reliability was increased slightly by the process. The model assumed, and an analysis of the errors made tended to confirm, that mis-stratified returns were randomly distributed in the population.

The reasons for mis-stratification can generally be attributed to transcription process errors in the return amounts, industry code, or tax return form type used for sample classification.

Because of their significant impact on the statistics, returns of the largest corporations were included, even if not in the designated sample (due to mis-stratification or un-

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availability at the time of selection), through the use of a critical case name control procedure. In a few cases when the Income Year 1985 return could not be located, a form of imputation was carried out, usually by substituting last year's return, after suitable adjustments.

ROUNDING AND MONEY AMOUNTS

Data were abstracted in whole dollars for all types of returns. Amounts of \$500 or more were rounded to the next thousand at the table level instead of at the record level. For example, \$500 was entered as \$1,000 if the weighted values of all records in the cell gave a total of \$500. Amounts under \$500 were entered into the unweighted records, but if their weighted total was under \$500, an indicator was entered instead to account for the presence of an amount greater than zero, but under \$500.

INDUSTRIAL CLASSIFICATION

Among the several classifications used in this report, tax return data are classified according to the principal business activity of the corporation. A return was classified in the "minor" industry which, in general, accounted for the largest portion of its total receipts, even though the return may have been for a company engaged in many business activities or may have been a consolidated return filed for the members of an affiliated group of corporations. Minor industries were aggregated into major industries, which in turn were aggregated into industrial divisions. (See "Codes for Principal Business Activities" in the tax form instructions in Section 6 of this volume.)

If the EIN and the PBA code on a record in the SOI Industry Code Library matched that of the current year record, the SOI Industry Code was transferred from the SOI Industry Code of the library record to the Income Year 1985 SOI record. Approximately 77 percent of the returns had industry codes assigned by this method. In general, all other records were industry coded by examining the returns for sources of taxpayer's income, the nature of expenses, and where necessary information from reference books. [3]

The industries used in this report generally conform to the Enterprise Standard Industrial Classification (ESIC) authorized by the Office of Information and Regulatory Affairs in the Office of Management and Budget. This classification, which was designed to classify companies (which are often engaged in more than one industrial activity), follows closely along the line of the more detailed Standard Industrial Classification (SIC) Manual (also authorized by the Office of Management and Budget), which was designed to classify separate "establishments" rather than the companies of which establishments were parts. Some departures from the ESIC system were made for the Statistics of Income (SOI) for the finance industries in order to reflect

particular provisions of the Internal Revenue Code. For a comparison of the ESIC and SIC industries with the SOI industries used in this report, see the complete report, *Statistics of Income—1977, Corporation Income Tax Returns*. [4]

CONSOLIDATED RETURNS

The number of returns in the population differs from the total number of profit oriented corporations in the U.S. chiefly because the Internal Revenue Code permitted single returns presenting the combined financial data of an entire "affiliated group" to be filed by parent corporations.

Although consolidated returns usually reported more than one kind of industrial activity, each return was assigned a single industry classification (the SOI Industry Code) based on the corporation's principal business activity as entered on the return. Basically, a return was classified into the SOI industry which accounted for the largest portion of its total receipts.

The fact that a consolidated corporation return was assigned a single SOI industry code constitutes a major limitation of the data. Some consolidated (and nonconsolidated) corporations were engaged in many types of business activities, so some of the data in this report are not entirely related to the industrial activity under which they are shown.

OTHER DATA LIMITATIONS

Various techniques were used to control and improve the quality of the data during the processing stages. During sampling, a comparison was made between the expected and realized number of sample returns in each of the service centers. Any differences were resolved by follow-up, to the extent feasible. During statistical editing, editors were instructed to correct tax return errors wherever possible through reference to other entries on the return or accompanying schedules and to adjust data to achieve consistency in statistical definitions. Imputation of data was also utilized when necessary.

Prior to tabulation numerous computer tests were applied to each return record to check for inconsistencies. Prior to publication, all statistics and tables were reviewed for accuracy and reasonableness, in light of the provisions of tax laws, taxpayer reporting variations and limitations, economic conditions, and comparability with other statistical series.

Part of the review process involved extensive comparison of the current year data with that of the prior year. For 1984 Income Year, the review process revealed no discrepancies or irregularities in previously published data. When adjustments or additional limitations of published data are

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deemed appropriate, the Statistics of Income Division will provide data users with additional information to place published data in proper perspective. Should discrepancies or irregularities be discovered, future editions of Statistics of Income publications will be used to disseminate such information.

A computerized process of imputation was used for a select portion of the 1985 sample. The income statement includes the summary categories of "Cost of Goods Sold", "Other Income", and "Other Deductions", all of which require a supplementary support schedule. Oftentimes these attached schedules contain items that could have been better allocated to a more specific line item for statistical purposes. For example, the taxpayer may have included \$500 worth of depreciation expense that should have been included in Depreciation, rather than Other Deductions. In the imputation process, \$500 would be subtracted from Other Deductions and moved to Depreciation.

Reviewing the supplementary schedule is a time-consuming, and therefore costly, portion of the data extraction process. Rather than analyze all schedules, some of them were left intact on selected records and other returns, similar on the basis of asset size and industry, were reviewed and their data changes used to impute changes for the unreviewed schedules.

Imputation was used on relatively small returns to minimize the impact of estimation errors. This process was first used in the 1982 program, with a high degree of success, and will continue to be used in future programs. [6]

NOTES AND REFERENCES

[1] For a description of the sample designs employed in earlier publications of *Statistics of Income, Corporation Income Tax Returns* see "Sampling Corporation Income Tax Returns for Statistics of Income, 1951 to Present" by Homer W. Jones and Paul B. McMahon, in *Statistics of Income and Related Administrative Record Research: 1984*, Internal Revenue Service or *1984 Proceedings of the Section on Survey Research Methods*, American Statistical Association.

[2] Further details on the procedures used can be found in the paper "Modified Raking Estimations" by H.L. Oh, and F.J. Scheuren, *Survey Methodology Journal*, Statistics Canada, Vol. 13, No. 2, December 1987, pp 204-219. [5]

[3] For a discussion of industry coding systems used in various statistical series, see *A Review of Industry Coding Systems, Statistical Working Paper 11*, Statistical Policy Office, Office of Information and Regulatory Affairs, Office of Management and Budget, published in March 1984 by the OMB. See also *A Review of Industry Coding Systems*, a Supplement to Statistical Policy Working Paper 11, which contains descriptions of several federal industry coding systems reviewed by the working group.

[4] More detailed statistics are available in Publication 1053, *Source Book of Statistics of Income* for the industries shown in table 1 of this report. A general description of the Source Book, including ordering information, is available from the Director, Statistics of Income Division, Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, DC 20224. Information concerning a magnetic tape version of the Source Book is also contained in this general description.

[5] In an effort to measure the variance of estimates an additional modification was made to the Raking Ratio Estimation procedure for use in the 1983-85 Income Years statistics. In addition to the Bounded Raking Ratio Estimation (Excluding Cells with 200 or more Observations) abbreviated as BRRE(200) a clustering procedure was used which ensured that each weight adopted by the above procedure would be used by 24 or more records in the sample. This was achieved by averaging the weights when ordered from the highest weight to the lowest weight. This enabled us to define new post-strata $S(1)$; $S(2)$, ... $S(L)$, each having at least 24 records, which made it possible to apply the traditional equations for computing conditional sampling variability (coefficients of variation). For further discussion refer back to the reference in [2].

[6] For further details on the imputation process, see "Imputation of Selected Items in Corporate Tax Data: Improving Upon the Earlier Hot Deck" by John L. Czajka (1986), in *Proceedings of the Section on Survey Research Methods*, American Statistical Association, pp. 304-309 or "Hot Deck Imputation Procedure Applied to a Double Sampling Design" by Susan Hinkins and Fritz Scheuren, *Survey Methodology Journal*, Statistics Canada, Vol. 12, No. 2, December 1986, pp. 181-196.

INCOME AND FINANCIAL DATA BY INDUSTRY AND SIZE

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RETURNS OF ACTIVE CORPORATIONS

Table 1—Number of Returns, Selected Receipts, Cost of Sales and Operations, Net Income, Deficit, Total Income Tax, Selected Credits, Total Assets, Depreciable Assets, Depreciation Deduction, and Coefficients of Variation, by Minor Industry

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

Minor industry	Number of returns		Total receipts		Business receipts	Cost of sales and operations	Net income	Deficit	Income subject to tax
	Total	With net income	All returns	Returns with net income					
	(1)	(2)	(3)	(4)					
Total returns of active corporations	3,277,219	1,820,120	8,398,278,428	6,420,237,212	7,369,538,953	4,894,254,081	363,867,384	123,748,365	266,060,609
Agriculture, forestry, and fishing	103,156	52,778	70,491,486	46,193,870	65,419,402	45,085,526	2,930,905	3,005,175	1,685,031
Agricultural production	70,554	35,828	49,415,864	30,625,358	45,018,007	30,494,272	2,280,534	2,360,609	1,306,518
Agricultural services (except veterinarians), forestry, fishing, hunting, and trapping	32,602	16,948	21,075,622	15,568,511	20,401,395	14,591,254	650,371	644,566	378,513
Mining	41,428	18,031	142,038,595	49,984,205	126,710,810	87,972,035	6,166,623	8,710,110	4,111,431
Metal mining	1,284	173	10,464,445	2,691,870	9,628,517	7,664,015	237,955	811,716	160,818
Iron ores	26	4	1,637,683	1,382,524	1,497,501	1,159,328	130,409	12,320	132,802
Copper, lead and zinc, gold and silver ores	831	111	2,845,316	143,857	2,504,843	1,999,671	54,038	353,695	9,086
Other metal mining	427	158	5,981,446	1,165,489	5,626,173	4,505,017	53,508	445,701	18,929
Coal mining	3,575	1,472	18,764,704	5,335,248	17,706,277	12,955,772	327,871	666,630	185,938
Oil and gas extraction	33,635	14,302	103,165,897	35,016,119	90,259,380	61,456,281	5,081,958	7,023,217	3,347,423
Crude petroleum, natural gas, and natural gas liquids	16,295	7,777	72,759,930	27,898,374	62,660,119	44,813,827	4,367,447	3,273,100	2,961,967
Oil and gas field services	17,340	6,525	30,405,967	7,117,745	27,599,261	16,642,454	714,510	3,750,116	385,456
Nonmetallic minerals, except fuels	2,932	2,084	9,643,550	6,940,968	7,116,436	5,895,967	518,839	208,547	417,252
Dimension, crushed, and broken stone; sand and gravel	2,282	1,598	6,826,239	5,292,843	6,509,521	4,176,016	365,555	70,251	291,879
Other nonmetallic minerals, except fuels	650	486	2,817,311	1,648,125	2,606,915	1,719,951	153,284	138,296	125,373
Construction	318,276	185,613	387,232,953	276,062,308	374,590,273	295,803,244	11,053,145	6,682,220	7,268,588
General building contractors and operative builders	127,775	68,866	174,477,108	124,852,209	167,147,469	142,128,799	4,456,870	3,089,509	2,816,634
General building contractors	124,178	66,702	169,536,331	123,061,863	163,760,410	140,220,333	4,209,425	2,894,227	2,643,314
Operative builders	3,597	2,164	4,940,778	1,790,345	3,387,060	1,908,466	247,446	195,282	173,319
Heavy construction contractors	18,356	10,525	63,668,646	45,540,086	60,416,163	48,227,998	2,171,605	1,216,887	1,565,801
Special trade contractors	172,145	106,221	149,087,199	105,670,013	147,026,641	105,446,447	4,424,669	2,375,824	2,886,153
Plumbing, heating, and air conditioning	35,156	23,137	33,625,492	23,562,612	33,227,864	24,645,268	1,864,648	442,197	552,773
Electrical work	26,277	17,037	26,122,350	18,301,696	25,688,419	18,941,200	735,339	468,411	464,959
Other special trade contractors and contractors not allocable	110,712	66,047	89,339,356	63,805,705	88,110,358	61,859,979	2,872,682	1,465,217	1,868,422
Manufacturing	276,545	159,778	2,831,062,496	2,314,314,383	2,856,345,750	1,797,852,805	142,541,119	28,782,474	127,806,962
Food and kindred products	16,542	8,897	323,741,966	252,491,909	311,438,786	221,011,104	12,907,015	1,700,598	11,564,999
Meat products	2,189	1,304	57,655,928	40,477,357	57,138,506	49,548,362	889,481	234,388	713,246
Dairy products	2,365	1,426	44,545,289	40,733,571	42,190,083	30,418,346	1,603,325	130,138	1,511,451
Preserved fruits and vegetables	592	346	21,611,959	15,633,028	20,879,373	14,862,125	797,977	165,216	735,950
Grain mill products	1,672	843	50,769,318	42,017,827	48,906,291	34,136,160	1,965,659	226,074	1,856,480
Bakery products	2,837	1,680	16,589,564	14,769,247	15,749,594	8,747,293	1,260,013	72,720	1,178,178
Sugar and confectionery products	1,229	484	20,298,433	11,710,662	19,875,027	13,096,172	714,841	142,800	601,627
Malt liquors and malt	84	15	15,742,940	15,207,741	15,375,510	8,836,223	529,160	25,482	*502,159
Alcoholic beverages, except malt liquors and malt	948	96	8,773,541	6,671,797	8,206,836	5,301,939	514,326	96,537	-310,662
Bottled soft drinks, and flavorings	1,507	913	37,162,665	23,535,446	35,037,994	20,307,832	1,791,557	224,585	1,518,239
Other food and kindred products	3,119	1,789	50,592,328	41,735,234	48,079,573	35,756,652	383,109	2,637,008	2,637,008
Tobacco manufactures	66	17	41,352,976	41,220,580	38,582,921	19,947,518	3,833,726	*21,981	2,849,324
Textile mill products	4,787	3,238	44,275,596	34,493,630	43,141,295	32,709,825	1,989,481	527,720	1,512,883
Weaving mills and textile finishing	1,031	722	15,716,772	11,799,679	15,188,597	11,527,050	699,904	274,762	627,680
Knitting mills	1,280	797	5,878,736	4,898,656	5,803,448	4,227,687	297,140	77,367	202,158
Other textile mill products	2,477	1,719	22,680,089	17,795,295	22,149,520	16,955,088	801,905	175,591	683,044
Apparel and other textile finishing	16,464	8,391	58,965,684	44,315,291	57,827,526	40,601,481	2,547,189	1,148,582	1,942,384
Men's and boys' clothing	1,668	1,057	16,073,070	11,030,010	15,599,021	11,129,774	759,117	396,744	617,770
Women's and children's clothing	5,948	2,866	24,344,334	18,939,089	23,899,692	16,605,663	1,148,408	441,049	805,939
Other apparel and accessories	4,693	1,929	7,028,732	5,065,043	6,940,433	4,922,307	250,900	152,600	208,722
Miscellaneous fabricated textile products; textile products, not elsewhere classified	4,154	2,539	11,519,547	9,281,149	11,368,380	7,873,737	388,764	158,189	309,953
Lumber and wood products	16,461	9,253	69,677,024	47,606,286	66,379,858	50,065,278	2,141,548	1,093,948	1,773,093
Logging, sawmills, and planing mills	6,328	3,544	26,289,616	19,822,627	24,703,991	18,643,607	814,533	344,751	656,297
Millwork, plywood, and related products	5,137	2,796	28,585,299	17,373,999	27,491,595	20,776,568	832,069	455,264	749,423
Other wood products, including wood buildings and mobile homes	4,996	2,913	14,802,109	10,409,660	14,184,272	10,645,103	494,946	293,933	367,373
Furniture and fixtures	8,575	5,492	30,048,646	25,057,138	29,303,565	20,069,859	1,782,123	418,050	1,550,917
Paper and allied products	3,567	2,616	82,387,724	56,336,175	79,767,320	53,665,570	3,483,464	803,968	1,379,388
Pulp, paper, and board mills	680	398	45,989,672	25,917,941	44,362,629	29,729,659	1,141,183	604,195	3,015,407
Other paper products	2,888	2,218	36,398,053	30,418,234	35,004,691	23,935,911	2,342,281	199,774	2,121,981
Printing and publishing	40,597	24,895	115,455,026	96,594,521	110,554,371	53,883,726	7,742,780	1,184,550	6,841,514
Newspapers	5,392	3,988	38,945,628	35,771,722	37,033,707	14,771,218	3,696,395	316,069	3,432,139
Periodicals	4,153	2,070	15,013,498	11,036,532	14,135,740	6,514,826	771,617	240,184	597,177
Books, greeting cards, and miscellaneous publishing	5,514	1,651	19,852,863	18,178,115	18,557,164	7,032,882	1,488,877	135,266	1,359,617
Commercial and other printing and printing trade services	25,538	17,187	41,643,037	31,608,151	40,827,761	25,564,800	1,785,891	493,031	1,452,582
Chemicals and allied products	10,481	6,323	266,811,575	236,790,586	250,832,475	153,406,413	17,005,789	1,814,060	16,098,216
Industrial chemicals, plastics materials and synthetics	4,145	2,509	131,902,637	116,300,011	123,327,883	80,083,234	7,256,998	727,841	6,812,668
Drugs	1,035	331	49,775,555	44,003,970	45,761,233	20,266,090	6,335,880	363,242	6,142,545
Soap, cleaners, and toilet goods	1,512	1,052	52,465,101	51,608,595	50,345,583	32,329,323	1,830,649	72,909	1,735,499
Paints and allied products	1,249	1,074	11,339,485	10,347,777	10,949,321	6,846,397	685,157	32,960	621,345
Agriculture and other chemical products	2,540	1,358	21,328,798	14,530,232	20,448,455	13,881,369	897,105	617,107	786,159
Petroleum (including integrated) and coal products	2,045	1,451	469,260,204	440,726,138	438,285,925	312,131,710	30,955,732	942,766	30,100,122
Petroleum refining (including integrated)	688	496	460,747,619	434,814,134	430,298,883	305,747,885	30,259,172	852,813	29,468,092
Petroleum and coal products, not elsewhere classified	1,357	955	8,512,585	5,912,004	7,987,042	6,383,825	696,560	89,952	632,030
Rubber and miscellaneous plastics products	10,323	6,532	58,635,818	46,030,017	56,123,059	38,323,855	3,082,165	797,028	2,437,217
Rubber products; plastics footwear, hose and belting	1,560	1,259	33,882,052	27,037,289	31,868,233	21,621,689	1,823,337	472,437	1,430,972
Miscellaneous plastics products	8,763	5,273	24,753,766	18,992,727	24,254,826	16,702,166	1,258,828	324,591	1,006,245
Leather and leather products	1,758	867	14,679,260	11,308,579	14,359,975	9,965,148	520,380	165,994	381,085
Footwear, except rubber	523	190	10,803,885	8,553,544	10,530,534	7,043,651	410,856	93,719	302,050
Leather and leather products, not elsewhere classified	1,234	677	3,875,376	2,755,035	3,829,441	2,921,498	109,524	72,275	79,035

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

Corporation Returns/1985

RETURNS OF ACTIVE CORPORATIONS

Table 1—Number of Returns, Selected Receipts, Cost of Sales and Operations, Net Income, Deficit, Total Income Tax, Selected Credits, Total Assets, Depreciable Assets, Depreciation Deduction, and Coefficients of Variation, by Minor Industry—Continued

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

Minor industry	Total income tax	Foreign tax credit	U.S. possessions tax credit	Research activities credit	General business credit	Total income tax after credits ¹	Total assets	Depreciable assets	Depreciation deduction
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Total returns of active corporations	111,340,839	24,263,487	2,450,583	1,627,997	19,607,097	63,348,204	12,773,093,888	3,174,193,649	304,380,703
Agriculture, forestry, and fishing	540,871	57,317	9,377	2,416	126,935	344,625	52,651,197	34,867,376	3,639,336
Agricultural production	430,256	57,315	—	2,202	96,219	274,520	42,904,189	27,850,840	2,857,352
Agricultural services (except veterinarians), forestry, fishing, hunting, and trapping	110,415	*3	9,377	*215	30,716	70,105	9,747,008	7,016,537	781,984
Mining	1,810,559	1,078,746	2,425	660	163,177	557,519	240,815,996	110,313,133	9,019,510
Metal mining	77,108	57,253	2,425	—	1,100	16,331	23,221,457	10,147,792	622,995
Iron ores	57,747	55,642	—	—	—	2,105	*3,224,320	*2,260,812	51,035
Copper, lead and zinc, gold and silver ores	5,848	—	—	—	117	5,731	7,459,823	3,179,769	220,322
Other metal mining	13,513	1,611	2,425	—	983	8,495	12,537,313	4,707,211	351,638
Coal mining	86,465	30,332	—	*107	13,681	41,952	25,750,388	14,368,926	1,155,836
Oil and gas extraction	1,462,895	989,971	—	*466	106,291	358,758	183,291,541	77,733,521	6,519,889
Crude petroleum, natural gas, and natural gas liquids	1,305,363	947,026	—	*55	68,447	284,358	134,634,088	46,612,754	3,279,161
Oil and gas field services	157,532	*42,946	—	*411	37,844	74,400	48,657,453	31,120,779	3,240,728
Nonmetallic minerals, except fuels	184,091	1,191	—	*87	42,105	140,788	8,562,610	8,062,882	720,789
Dimension, crushed, and broken stone; sand and gravel	126,302	1,095	—	13	35,930	89,034	5,416,814	5,234,185	463,622
Other nonmetallic minerals, except fuels	57,789	95	—	*74	6,175	51,445	3,135,797	2,828,698	257,168
Construction	2,312,846	144,531	—	3,392	501,581	1,662,564	215,297,771	71,020,270	7,818,360
General building contractors and operative builders	890,437	32,978	—	2,447	157,354	697,654	112,058,314	21,084,696	2,325,069
General building contractors	829,956	32,978	—	2,447	151,743	642,784	101,369,852	19,655,876	2,215,395
Operative builders	60,481	—	—	—	5,611	54,870	10,688,462	1,428,820	109,674
Heavy construction contractors	603,826	*103,223	—	*49	164,109	335,671	47,505,398	25,159,839	2,271,738
Special trade contractors	818,583	*8,330	—	*896	180,118	629,238	55,734,059	24,775,736	3,221,552
Plumbing, heating, and air conditioning	149,765	2	—	*37	26,477	123,250	12,633,906	3,955,432	543,008
Electrical work	137,145	—	—	*260	22,064	114,821	10,603,916	3,603,994	477,318
Other special trade contractors and contractors not allocable	531,673	*8,329	—	*599	131,577	391,167	32,496,236	17,216,309	2,201,226
Manufacturing	56,687,476	20,001,663	2,283,474	1,339,009	7,662,847	25,382,459	2,644,393,424	1,153,936,680	122,957,247
Food and kindred products	5,287,651	966,412	225,125	25,583	543,479	3,526,900	209,476,686	88,399,145	9,734,471
Meat products	312,364	93	*12,156	709	56,296	243,110	12,915,182	7,837,796	752,128
Dairy products	700,046	*251,555	271	10,883	64,574	372,762	43,636,195	12,733,948	1,535,100
Preserved fruits and vegetables	334,864	38,738	—	2,863	44,419	248,844	15,116,073	7,100,227	688,117
Grain mill products	824,546	*136,556	5,172	2,817	111,725	568,276	25,240,702	14,227,003	1,611,480
Bakery products	571,065	*18,408	333	1,510	29,788	521,027	6,313,670	4,402,610	447,699
Sugar and confectionery products	266,244	41,848	10,560	*1,351	30,209	182,276	14,990,374	6,837,896	657,225
Malt liquors and malt	230,183	185	—	973	*67,347	161,526	11,133,173	8,415,758	897,225
Alcoholic beverages, except malt liquors and malt	139,686	1,158	25,242	72	9,061	104,153	21,706,024	1,983,660	165,479
Bottled soft drinks, and flavorings	671,607	*271,270	124,902	*372	39,653	235,410	32,061,418	12,823,110	1,707,153
Other food and kindred products	1,237,044	206,601	46,488	4,031	889,518	26,363,874	12,037,336	1,272,865	1,272,865
Tobacco manufactures	1,303,683	119,577	19,359	5,834	205,210	953,704	60,951,979	12,820,238	1,776,335
Textile mill products	667,493	35,988	1,677	3,817	124,318	501,693	17,805,475	18,553,210	1,683,366
Weaving mills and textile finishing	278,622	21,652	—	*977	63,472	192,521	9,869,382	8,123,528	701,486
Knitting mills	88,743	—	935	*147	13,394	74,240	3,060,828	1,772,959	183,444
Other textile mill products	300,128	14,309	742	2,693	47,452	234,932	14,875,264	8,656,723	798,436
Apparel and other textile finishing	839,764	6,401	62,389	770	45,492	724,712	29,903,953	8,151,353	879,748
Men's and boys' clothing	285,867	2,080	*15,419	*124	8,882	259,361	11,101,755	2,463,947	217,426
Women's and children's clothing	349,239	3,981	33,601	*431	13,696	297,530	10,367,825	2,591,953	307,201
Other apparel and accessories	81,545	311	*10,709	*24	6,417	64,084	3,505,738	1,002,313	106,097
Miscellaneous fabricated textile products; textile products, not elsewhere classified	123,113	28	*2,661	*190	16,497	103,737	4,928,634	2,093,140	249,024
Lumber and wood products	653,277	30,417	161	2,251	169,550	450,899	52,402,766	32,517,578	2,587,646
Logging, sawmills, and planing mills	216,293	28,781	—	575	66,569	120,368	23,292,766	15,338,536	946,171
Millwork, plywood, and related products	297,238	1,428	—	*1,208	81,935	212,668	19,290,397	12,762,048	1,244,318
Other wood products, including wood buildings and mobile homes	139,747	209	161	*468	21,046	117,863	9,819,603	4,416,995	397,158
Furniture and fixtures	677,739	13,631	251	2,416	59,284	602,156	15,595,136	7,507,032	738,207
Paper and allied products	1,401,424	172,445	*2,631	36,499	313,027	876,822	70,764,360	52,503,203	5,011,027
Pulp, paper, and board mills	455,363	53,864	—	10,421	162,455	228,622	47,232,503	36,551,953	3,363,889
Other paper products	946,061	118,580	*2,631	26,078	150,572	648,200	23,531,857	15,951,250	1,647,138
Printing and publishing	2,974,207	105,437	*8,083	7,193	389,923	2,463,571	94,141,988	42,607,174	5,445,075
Newspapers	1,536,635	29,515	1,445	*1,156	150,236	1,354,282	41,978,340	17,866,821	2,136,049
Periodicals	255,956	*36,388	—	16	40,001	179,551	10,820,639	3,378,027	490,906
Books, greeting cards, and miscellaneous publishing	596,220	37,015	2,353	4,168	73,162	479,523	18,981,819	5,650,263	901,718
Commercial and other printing and printing trade services	585,396	2,519	*4,285	1,852	126,524	450,215	22,360,990	15,792,063	1,916,402
Chemicals and allied products	7,151,172	2,741,131	988,045	201,190	570,492	2,649,845	263,392,882	121,623,386	12,736,114
Industrial chemicals, plastics materials and synthetics	2,919,139	1,721,689	56,778	72,428	259,039	808,882	135,007,933	71,255,011	8,057,096
Drugs	2,840,679	632,063	903,012	87,774	124,874	1,092,837	62,430,667	21,387,871	2,011,743
Soap, cleaners, and toilet goods	778,364	256,598	*12,357	23,082	110,135	376,164	41,386,178	14,582,712	1,516,345
Paints and allied products	282,850	48,559	317	3,016	19,067	211,890	6,068,006	2,952,271	263,902
Agriculture and other chemical products	330,140	62,221	*15,580	14,890	57,376	160,072	18,500,098	11,445,521	887,028
Petroleum (including integrated) and coal products	13,465,767	10,137,316	43,371	28,066	1,082,843	2,157,526	545,838,542	230,392,415	20,899,518
Petroleum refining (including integrated)	13,191,447	9,930,979	41,209	27,741	1,060,870	2,114,202	540,600,161	227,202,419	20,603,982
Petroleum and coal products, not elsewhere classified	274,320	206,337	2,162	*325	22,173	43,324	5,238,381	3,189,997	295,536
Rubber and miscellaneous plastics products	1,030,859	151,895	21,843	18,176	226,490	612,359	41,605,308	23,852,261	2,078,467
Rubber products; plastics footwear, hose and belting	604,527	147,441	*6,617	13,150	168,417	268,806	27,007,256	15,254,466	1,150,566
Miscellaneous plastics products	426,332	4,454	*15,226	5,027	58,073	343,553	14,598,052	8,597,795	927,901
Leather and leather products	169,879	5,378	20,548	855	17,601	125,996	9,084,239	2,511,387	277,367
Footwear, except rubber	138,999	5,178	17,923	*175	15,643	100,081	7,279,334	1,891,872	221,567
Leather and leather products, not elsewhere classified	30,880	200	*2,625	*680	1,959	25,415	1,804,906	619,514	55,800

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

Corporation Returns/1985

RETURNS OF ACTIVE CORPORATIONS

Table 1—Number of Returns, Selected Receipts, Cost of Sales and Operations, Net Income, Deficit, Total Income Tax, Selected Credits, Total Assets, Depreciable Assets, Depreciation Deduction, and Coefficients of Variation, by Minor Industry—Continued

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

Minor industry	Total income tax	Foreign tax credit	U.S. possessions tax credit	Research activities credit	General business credit	Total income tax after credits ¹	Total assets	Depreciable assets	Depreciation deduction
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Manufacturing—Continued									
Stone, clay, and glass products	1,257,287	182,097	*2,022	11,068	193,482	868,563	55,480,507	37,162,859	3,323,915
Glass products	416,783	133,868	841	*7,928	58,786	215,359	21,890,945	13,499,350	1,213,984
Cement, hydraulic	71,835	265	—	*36	26,413	45,121	8,021,278	6,307,508	509,548
Concrete, gypsum, and plaster products	501,195	*9,473	1,181	*538	62,959	426,993	15,015,631	10,597,735	998,452
Other nonmetallic mineral products	267,475	38,491	—	2,566	45,325	181,090	10,552,652	6,758,266	601,932
Primary metal industries	559,008	35,469	—	12,700	106,956	403,830	116,794,667	63,396,284	4,516,388
Ferrous metal industries; miscellaneous									
primary mineral products	361,085	27,408	—	4,028	50,099	279,497	48,954,830	37,849,918	2,509,259
Nonferrous metal industries	197,923	8,061	—	8,672	56,857	124,333	67,839,837	25,546,366	2,007,129
Fabricated metal products	2,339,658	279,276	33,497	28,735	299,464	1,698,149	114,662,198	53,718,352	5,517,621
Metal cans and shipping containers	165,265	27,004	*11,426	*619	40,981	85,235	9,322,070	3,571,976	291,440
Cutlery, hand tools, and hardware; screw machine products, bolts, and similar products	349,262	94,367	*2,411	3,402	37,176	211,430	15,746,772	6,596,154	707,393
Plumbing and heating, except electric and warm air	221,542	8,854	—	2,706	13,442	196,541	6,793,865	2,458,991	234,652
Fabricated structural metal products	492,535	87,217	7,500	3,849	54,543	339,426	26,585,266	12,669,303	1,257,930
Metal forgings and stampings	212,916	*11,881	125	1,030	28,554	171,326	9,771,872	6,115,586	600,128
Coating, engraving, and allied services	85,560	*767	—	*1,101	9,331	74,361	3,633,433	2,307,546	247,480
Ordnance and accessories, except vehicles and guided missiles	37,474	3	—	*618	3,096	33,757	1,141,970	356,521	44,590
Miscellaneous fabricated metal products	775,104	49,183	12,036	15,410	112,341	586,074	41,666,949	19,642,275	2,134,009
Machinery, except electrical	5,534,283	3,028,277	*28,708	255,504	615,974	1,605,816	216,356,962	93,925,352	10,532,873
Farm machinery	51,012	*3,725	—	*1,354	4,996	40,937	12,617,087	4,133,249	438,904
Construction and related machinery	258,245	96,113	—	8,445	21,474	132,214	32,827,328	15,539,332	1,798,683
Metalworking machinery	221,376	8,566	932	8,768	35,807	167,303	13,458,292	7,572,600	736,078
Special industry machinery	242,577	12,565	8	4,677	23,914	201,414	12,807,546	4,972,865	491,224
General industry machinery	246,175	41,672	342	4,581	34,860	164,716	16,431,969	8,661,960	853,753
Office, computing, and accounting machines	4,090,823	2,754,607	*27,426	219,141	435,382	654,268	109,969,785	45,395,011	5,341,169
Other machinery, except electrical	424,074	111,030	—	8,538	59,541	244,965	18,244,955	7,650,335	873,061
Electrical and electronic equipment	3,839,591	543,067	531,451	236,071	376,523	2,152,479	254,103,284	100,013,671	13,382,499
Household appliances	376,125	44,465	—	4,164	48,473	279,024	12,837,797	4,524,324	418,519
Radio, television, and communication equipment	393,168	80,985	70,929	19,367	39,802	182,084	58,440,007	16,702,405	2,391,098
Electronic components and accessories	1,683,424	170,547	155,044	170,780	165,307	1,021,746	81,794,995	32,852,105	4,242,651
Other electrical equipment	1,386,874	247,070	505,479	41,760	669,624	101,030,485	45,934,837	45,934,837	6,330,231
Motor vehicles and equipment	3,915,175	693,452	1,394	259,808	1,750,151	1,210,360	266,259,352	84,463,727	13,018,612
Transportation equipment, except motor vehicles	1,406,224	271,562	*6,408	92,690	287,272	748,291	105,813,480	39,456,211	3,831,878
Aircraft, guided missiles and parts	1,239,487	270,609	1,804	90,387	270,912	605,776	94,689,658	34,496,285	3,340,026
Ship and boat building and repairing	43,377	—	204	*1,342	3,760	38,070	6,778,105	2,587,808	259,042
Other transportation equipment, except motor vehicles	123,360	*954	4,400	961	12,601	104,445	4,345,717	2,372,117	232,810
Instruments and related products	1,377,138	384,606	206,136	91,522	204,342	490,532	53,967,562	26,231,693	3,260,652
Scientific instruments and measuring devices; watches and clocks	546,619	156,313	*42,890	46,177	70,947	230,292	19,237,732	7,983,493	934,301
Optical, medical, and ophthalmic goods	604,558	171,165	162,075	24,654	35,292	211,373	20,469,906	6,839,432	746,775
Photographic equipment and supplies	225,960	57,129	1,170	*20,691	98,102	48,867	14,259,923	11,408,768	1,579,576
Miscellaneous manufacturing and manufacturing not allocable	836,199	97,828	80,377	18,264	80,975	558,755	39,992,098	14,130,150	1,725,468
Transportation and public utilities	15,214,129	301,886	62,207	162,421	6,240,492	8,432,825	1,246,426,899	1,051,070,474	70,304,523
Transportation	2,632,281	66,896	—	4,535	1,000,511	1,557,513	265,687,365	212,423,050	18,366,136
Railroad transportation	613,728	9,112	—	2,135	388,611	211,074	97,382,663	82,644,794	4,783,966
Local and interurban passenger transit	89,449	11,133	—	155	39,974	38,158	9,712,978	4,960,358	689,603
Trucking and warehousing	839,102	*3,966	—	703	241,078	593,355	45,236,158	36,882,395	4,852,718
Water transportation	81,177	2,522	—	14	20,166	58,476	26,659,714	17,968,635	1,589,483
Transportation by air	431,383	*8,738	—	454	225,669	196,523	59,854,873	48,362,024	4,591,987
Pipelines, except natural gas	398,499	*4,454	—	611	29,811	363,623	6,599,284	7,405,932	447,308
Transportation services, not elsewhere classified	178,942	26,971	—	464	55,201	96,305	20,241,695	14,198,912	1,411,071
Communication	5,282,695	160,900	62,207	132,795	2,086,649	2,840,144	365,604,419	271,621,498	25,849,634
Telephone, telegraph, and other communication services	4,744,603	*111,938	62,207	132,240	2,025,304	2,412,914	333,099,154	260,333,031	24,025,007
Radio and television broadcasting	538,092	48,962	—	555	61,345	427,230	32,505,265	11,288,467	1,824,627
Electric, gas, and sanitary services	7,299,154	*74,089	—	25,090	3,153,332	4,035,268	615,135,115	567,025,926	26,088,754
Electric services	3,237,882	5,106	—	14,334	1,696,815	1,521,626	286,832,268	286,776,154	12,977,090
Gas production and distribution	975,133	35,862	—	1,980	247,087	679,341	150,211,178	104,386,434	5,871,191
Combination utility services	2,739,399	25,657	—	8,022	1,123,209	1,582,402	164,816,018	164,130,855	6,290,476
Water supply and other sanitary services	346,739	7,464	—	*754	86,222	251,900	13,275,650	11,732,483	949,996
Wholesale and retail trade	16,392,896	613,307	73,364	27,993	2,280,877	13,396,554	1,009,965,739	310,186,973	36,279,699
Wholesale trade	7,978,332	291,914	20,547	17,651	726,312	6,921,357	492,435,457	112,134,290	13,747,960
Groceries and related products	597,654	*3,481	—	487	98,104	495,315	34,780,073	13,971,301	1,590,614
Machinery, equipment, and supplies	1,050,534	9,097	294	3,095	158,361	879,628	61,631,646	18,925,546	2,603,094
Miscellaneous wholesale trade	6,330,144	279,336	20,252	14,069	469,847	5,546,413	396,023,737	79,237,444	9,554,252
Motor vehicles and automotive equipment	1,859,878	18,501	—	1,751	124,419	1,715,207	35,404,749	8,293,642	1,341,678
Furniture and home furnishings	95,746	1	156	*253	9,268	86,067	4,652,061	1,062,208	134,686
Lumber and construction materials	270,059	*313	—	*43	25,860	243,843	13,871,985	4,199,784	465,093
Sporting, recreational, photographic, and hobby goods, toys, and supplies	153,242	332	—	409	7,970	144,530	6,442,767	1,123,136	136,033
Metals and minerals, except petroleum and scrap	202,338	3,237	83	*719	19,405	178,893	119,259,479	5,837,386	604,561
Electrical goods	581,225	3,418	6,951	839	35,496	534,521	28,174,636	4,955,966	673,591
Hardware, plumbing, and heating equipment and supplies	266,241	*51	49	*56	16,971	249,113	14,065,274	3,129,622	349,749
Other durable goods	529,395	5,034	*191	6,468	46,973	470,729	36,012,585	8,355,779	978,525
Paper and paper products	148,977	926	—	*656	9,805	137,591	7,212,475	2,175,024	214,503
Drugs, drug proprietaries, and druggists' sundries	214,838	*3,583	496	*676	18,026	192,057	9,322,006	1,905,240	264,649
Apparel, piece goods, and notions	292,382	*5,801	—	*198	9,133	277,249	13,823,572	1,771,157	249,987
Farm-product raw materials	137,354	17,301	—	*76	14,422	105,554	23,942,146	8,439,223	831,968
Chemicals and allied products	222,822	*6,422	206	*254	10,200	205,740	7,485,975	2,172,498	251,576
Petroleum and petroleum products	685,919	207,104	11,694	*325	70,397	396,212	37,260,656	14,657,974	1,739,175
Alcoholic beverages	237,473	*1,453	—	—	15,469	220,542	14,040,410	3,867,434	441,679
Miscellaneous nondurable goods; wholesale trade not allocable	432,256	5,857	*425	1,345	36,031	388,564	25,052,904	7,691,372	876,799

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

Corporation Returns/1985

RETURNS OF ACTIVE CORPORATIONS

Table 1—Number of Returns, Selected Receipts, Cost of Sales and Operations, Net Income, Deficit, Total Income Tax, Selected Credits, Total Assets, Depreciable Assets, Depreciation Deduction, and Coefficients of Variation, by Minor Industry—Continued

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

Minor Industry	Total income tax	Foreign tax credit	U.S. possessions tax credit	Research activities credit	General business credit	Total income tax after credits 1	Total assets	Depreciable assets	Depreciation deduction
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Wholesale and retail trade—Continued									
Retail trade	8,389,417	321,393	52,815	10,343	1,551,575	6,453,044	515,992,721	197,583,726	22,475,764
Building materials, garden supplies, and mobile home dealers	463,920	*2	—	*425	56,146	407,099	29,412,080	10,568,616	1,034,769
Building materials dealers	343,561	*2	—	*425	40,850	302,035	20,390,528	7,658,254	726,948
Hardware stores	73,460	—	—	—	8,505	64,955	4,738,581	1,443,098	155,424
Garden supplies and mobile home dealers	46,899	—	—	—	6,791	40,108	4,282,972	1,467,264	152,398
General merchandise stores	2,111,965	182,387	—	*4,892	429,428	1,495,257	164,632,314	41,133,940	4,365,486
Food stores	1,380,606	59,503	3,094	396	342,547	975,067	57,400,366	36,080,394	3,938,324
Grocery stores	1,310,890	59,503	3,094	374	327,387	920,532	52,981,751	32,812,305	3,549,247
Other food stores	69,716	—	—	22	15,159	54,535	4,418,615	3,268,089	389,077
Automotive dealers and service stations	961,771	32	—	*236	162,854	798,649	84,133,382	26,725,507	3,918,706
Motor vehicle dealers	688,707	26	—	*12	113,014	575,654	63,601,513	16,982,484	2,732,729
Gasoline service stations	130,390	—	—	*108	26,134	104,148	7,367,947	4,566,971	497,175
Other automotive dealers	142,674	6	—	*116	23,705	118,847	13,163,923	5,176,052	689,252
Apparel and accessory stores	648,221	3,471	172	*694	74,365	569,519	26,307,700	8,405,097	991,845
Furniture and home furnishings stores	362,286	—	—	*81	25,730	334,696	20,035,251	5,317,491	552,188
Eating and drinking places	1,036,932	62,657	*556	*908	263,531	709,280	54,628,041	41,125,305	4,346,021
Miscellaneous retail stores	1,423,716	13,341	48,993	1,930	195,974	1,163,479	79,443,586	28,227,376	3,328,426
Drug stores and proprietary stores	534,937	6,735	48,993	*504	66,050	412,655	21,441,060	7,598,371	780,077
Liquor stores	29,333	—	—	—	2,644	26,689	2,733,523	1,109,321	111,105
Other retail stores	859,447	*6,006	—	1,427	127,279	724,135	55,269,003	19,519,684	2,437,244
Wholesale and retail trade not allocable	25,147	—	3	—	2,991	22,154	1,537,561	468,956	55,976
Finance, insurance, and real estate	13,598,201	1,776,854	*8,887	23,902	1,593,044	10,193,877	7,029,452,681	239,987,908	26,893,911
Banking	4,857,101	1,313,452	—	3,825	834,509	2,705,316	3,249,956,958	65,029,182	11,001,605
Mutual savings banks	288,317	28	—	138	13,573	274,577	217,745,908	2,779,327	242,449
Bank holding companies	3,658,160	1,247,098	—	3,669	732,865	1,674,528	2,631,384,248	52,682,726	9,440,381
Banks, except mutual savings banks and bank holding companies	910,625	66,325	—	*18	88,071	756,211	400,826,801	9,567,129	1,318,775
Credit agencies other than banks	1,501,397	120,734	8,469	1,606	104,452	1,266,136	1,320,797,410	22,864,283	2,342,819
Savings and loan associations	1,058,407	983	7,405	663	64,225	985,131	1,005,369,999	16,304,322	1,377,772
Personal credit institutions	47,791	*5,445	—	—	4,797	37,549	14,187,451	501,767	105,684
Business credit institutions	35,082	*3,754	1,064	12	2,360	27,892	29,472,811	944,834	236,648
Other credit agencies; finance not allocable	360,117	*110,552	—	931	33,070	215,564	271,767,150	5,113,360	622,716
Security, commodity brokers and services	830,351	14,279	26	5,977	143,248	666,795	339,222,942	5,038,133	1,417,576
Security brokers, dealers, and flotation companies	684,213	14,081	26	4,544	119,556	545,980	322,558,791	3,818,033	1,258,231
Commodity contracts brokers and dealers; security and commodity exchanges; and allied services	146,138	*198	—	1,433	23,692	120,814	16,664,151	1,220,100	159,344
Insurance	3,163,597	130,997	—	8,529	290,225	2,733,805	1,172,181,426	21,957,905	4,030,444
Life insurance	2,540,909	100,216	—	3,746	181,518	2,255,388	786,643,523	13,102,859	2,545,024
Mutual insurance, except life or marine and certain fire or flood insurance companies	181,049	*6,032	—	3,948	46,240	124,829	112,922,073	2,257,039	502,939
Other insurance companies	441,640	24,749	—	*835	62,467	353,588	272,615,831	6,598,007	982,480
Insurance agents, brokers, and service	523,770	63,155	—	*411	42,759	417,445	33,050,768	4,666,552	816,475
Real estate	1,611,905	5,447	392	563	83,403	1,521,142	249,809,366	98,607,042	5,449,832
Real estate operators and lessors of buildings	827,834	1,373	—	*239	37,876	788,222	88,059,429	55,264,862	3,112,883
Lessors of mining, oil, and similar property	69,336	22	—	*3	942	67,544	2,253,338	476,808	26,252
Lessors of railroad property, and of real property, not elsewhere classified	21,601	—	—	—	2,078	19,522	1,575,366	700,132	52,787
Condominium management and cooperative housing associations	14,065	—	—	—	2,434	11,631	16,263,616	13,915,988	417,670
Subdividers and developers	293,808	137	392	112	10,229	282,933	75,828,170	12,976,404	668,061
Other real estate	385,261	*3,915	—	*210	29,843	351,289	65,829,447	15,272,848	1,172,179
Holding and other investment companies, except bank holding companies	1,110,080	128,790	—	2,991	94,447	883,238	664,433,811	21,824,811	1,835,160
Regulated investment companies	39	—	—	—	1	38	538,231,337	187,336	904
Real estate investment trusts	618	—	—	—	—	618	15,652,215	4,702,644	131,241
Small business investment companies	3,432	—	—	—	*275	3,157	2,305,811	170,000	10,918
Other holding and investment companies, except bank holding companies	1,105,992	128,790	—	2,991	94,172	879,426	108,244,449	16,764,831	1,692,097
Services	4,742,347	286,477	9,472	67,476	1,035,092	3,343,830	330,982,941	201,757,654	27,354,083
Hotels and other lodging places	322,854	*9,442	*5,443	*120	74,638	233,212	33,180,172	23,926,842	1,810,199
Personal services	233,551	9,654	—	*345	38,402	185,150	12,609,637	9,237,243	1,050,709
Business services	1,940,399	165,543	*3,410	47,459	383,842	1,340,144	114,315,026	59,881,889	9,365,602
Advertising	313,540	87,215	876	220	26,237	198,991	13,458,704	3,949,732	574,721
Business services, except advertising	1,626,859	78,329	*2,533	47,239	357,605	1,141,153	100,856,321	55,932,157	8,790,880
Auto repair; miscellaneous repair services	250,476	*3,451	15	*221	72,262	174,528	29,432,026	24,750,695	4,752,498
Auto repair and services	164,742	3,445	15	113	54,864	106,306	24,416,318	21,589,267	4,329,582
Miscellaneous repair services	85,734	*6	—	*108	17,398	68,222	5,015,708	3,161,428	422,916
Amusement and recreation services	472,845	77,885	*111	*15,456	99,633	279,760	48,987,690	27,712,205	3,833,964
Motion picture production, distribution, and services	164,187	67,421	—	15,055	42,631	39,080	20,128,237	3,438,878	1,305,701
Motion picture theaters	44,591	17	28	26	6,233	36,287	4,153,219	3,082,366	248,032
Amusement and recreation services, except motion pictures	264,066	*10,448	82	*375	48,769	204,392	24,706,234	21,190,960	2,280,231
Other services	1,522,223	20,501	*495	3,876	366,315	1,131,036	92,458,390	56,248,782	6,541,112
Offices of physicians, including osteopathic physicians	263,816	205	—	56	64,615	199,939	12,182,307	9,036,987	1,260,352
Offices of dentists	50,264	—	—	*19	13,094	37,150	3,017,411	3,020,592	390,991
Offices of other health practitioners	20,530	—	—	—	5,947	14,583	1,145,884	875,601	114,452
Nursing and personal care facilities	121,795	—	—	—	29,131	92,664	11,756,710	8,136,971	642,632
Hospitals	325,541	3,007	—	1,046	102,759	218,729	22,518,578	13,821,381	1,314,318
Medical laboratories	28,563	—	—	*769	4,929	22,866	1,628,693	810,446	102,201
Other medical services	192,104	11,880	32	893	28,922	150,376	9,806,492	4,229,599	543,046
Legal services	101,394	—	—	—	28,200	73,194	5,211,337	3,148,248	467,701
Educational services	65,727	*1,662	—	254	15,092	48,720	3,954,282	2,407,254	301,795
Social services	8,493	*4	—	—	1,944	6,546	1,051,822	834,242	71,641
Membership organizations	23,874	—	—	—	4,144	19,730	2,947,424	1,445,217	133,960
Architectural and engineering services	235,694	3,742	463	*538	44,127	186,825	10,669,753	4,830,439	702,234
Accounting, auditing, and bookkeeping services	38,577	—	—	30	10,285	28,262	2,313,293	1,406,140	203,921
Miscellaneous services (including veterinarians, not elsewhere classified)	45,852	(?)	—	*270	13,126	32,455	4,246,404	2,245,756	291,867
Nature of business not allocable	41,713	2,708	1,377	*727	3,052	33,852	3,107,240	1,053,180	114,034

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

Corporation Returns/1985

RETURNS OF ACTIVE CORPORATIONS

Table 1—Number of Returns, Selected Receipts, Cost of Sales and Operations, Net Income, Deficit, Total Income Tax, Selected Credits, Total Assets, Depreciable Assets, Depreciation Deduction, and Coefficients of Variation, by Minor Industry—Continued

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

Item	Coefficient of variation (Percent)								
	Number of returns		Total receipts		Business receipts	Cost of sales and operations	Net income	Deficit	Income subject to tax
	Total	With net income	All returns	Returns with net income					
(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	
Total returns of active corporations	0.19	0.64	0.20	0.20	0.22	0.30	0.16	0.46	0.18
Agriculture, forestry, and fishing	2.82	4.27	4.05	5.36	4.33	5.93	3.17	3.71	3.49
Agricultural production	2.71	4.51	3.48	3.59	3.76	5.06	3.40	4.04	3.64
Agricultural services (except veterinarians), forestry, fishing, hunting, and trapping	6.72	9.28	9.93	13.02	10.22	13.58	7.17	8.57	7.96
Mining	5.13	8.17	0.91	1.83	0.99	1.08	1.44	1.48	1.38
Metal mining	29.69	45.28	0.49	1.61	0.40	0.35	7.10	4.69	1.78
Iron ores	60.59	(9)	0.05	(9)	(9)	(9)	(9)	1.48	(9)
Copper, lead and zinc, gold and silver ores	41.51	52.53	1.41	20.48	1.14	1.21	22.12	9.44	(9)
Other metal mining	37.79	49.45	0.54	2.72	0.46	0.24	22.33	4.08	15.16
Coal mining	18.90	29.57	3.27	8.84	3.39	3.70	9.05	5.17	8.31
Oil and gas extraction	5.69	9.34	0.99	1.87	1.10	1.19	1.47	1.63	1.45
Crude petroleum, natural gas, and natural gas liquids	7.87	12.27	0.74	1.35	0.82	0.93	1.38	2.52	1.28
Oil and gas field services	8.20	14.33	2.85	7.51	3.10	3.60	6.20	2.13	7.92
Nonmetallic minerals, except fuels	16.60	20.82	4.68	5.62	4.83	5.77	5.66	8.12	5.12
Dimension, crushed, and broken stone, sand and gravel	16.96	20.44	6.14	6.89	6.29	7.64	7.22	17.99	6.66
Other nonmetallic minerals, except fuels	45.38	58.79	5.95	8.34	6.22	6.82	8.45	8.14	7.08
Construction	1.57	2.40	1.20	1.49	1.23	1.31	1.61	2.37	1.80
General building contractors and operative builders	1.91	3.68	1.72	2.25	1.77	1.87	2.40	3.26	2.66
General building contractors	1.90	3.73	1.76	2.28	1.81	1.90	2.47	3.43	2.76
Operative builders	17.60	20.74	5.18	8.41	6.42	9.14	10.16	9.65	10.02
Heavy construction contractors	6.69	8.29	2.48	3.20	2.59	2.84	3.00	4.98	3.26
Special trade contractors	2.44	3.34	2.11	2.48	2.12	2.31	2.83	4.41	3.21
Plumbing, heating, and air conditioning	6.23	7.76	4.55	5.58	4.57	4.79	6.65	10.03	7.46
Electrical work	7.19	8.92	4.84	6.08	4.87	5.06	7.08	9.34	8.14
Other special trade contractors and contractors not allocable	2.75	4.02	2.72	3.10	2.74	3.08	3.49	5.75	3.96
Manufacturing	1.88	2.33	0.23	0.25	0.24	0.28	0.23	0.89	0.22
Food and kindred products	7.96	8.91	1.19	1.38	1.23	1.50	0.85	4.00	0.77
Meat products	14.45	13.27	4.85	6.44	4.87	5.16	5.23	9.43	5.51
Dairy products	22.26	27.69	3.15	3.19	3.25	3.68	1.78	21.21	1.71
Preserved fruits and vegetables	25.13	22.70	5.04	3.42	5.19	6.68	3.75	10.24	3.86
Grain mill products	27.92	21.53	1.53	1.68	1.56	1.87	1.47	7.10	1.24
Bakery products	23.98	28.40	5.63	5.92	5.89	6.34	3.09	22.52	2.77
Sugar and confectionery products	25.49	27.43	2.88	4.03	2.91	3.52	3.50	13.65	2.64
Malt liquors and malt	69.11	25.58	1.16	1.12	1.16	1.41	1.79	22.72	1.50
Alcoholic beverages, except malt liquors and malt	42.81	39.03	4.26	5.27	4.42	4.66	5.67	13.21	6.16
Bottled soft drinks, and flavorings	21.05	14.12	2.58	3.75	2.70	3.44	2.72	6.19	2.48
Other food and kindred products	17.12	20.80	2.05	2.24	2.14	2.30	1.56	11.04	1.33
Tobacco manufactures	69.15	12.37	0.38	0.26	0.40	0.64	0.38	33.71	0.48
Textile mill products	12.62	15.25	2.09	2.36	2.13	2.22	2.45	6.98	2.29
Weaving mills and textile finishing	23.69	29.58	2.98	3.10	3.04	3.29	2.71	8.33	2.29
Knitting mills	26.66	37.41	7.67	8.47	7.71	8.17	8.12	26.77	8.78
Other textile mill products	17.56	19.24	2.92	3.35	2.96	3.04	3.94	11.45	3.81
Apparel and other textile finishing	8.36	10.24	3.01	3.75	3.05	2.94	2.95	5.67	2.79
Men's and boys' clothing	22.75	30.20	3.60	4.88	3.66	3.70	5.03	5.68	3.94
Women's and children's clothing	12.80	15.55	4.32	5.15	4.37	4.50	4.28	10.65	3.95
Other apparel and accessories	18.93	23.57	8.49	9.80	8.55	9.12	10.11	20.33	11.15
Miscellaneous fabricated textile products; textile products, not elsewhere classified	14.84	18.96	10.07	12.18	10.15	8.86	8.87	15.09	9.29
Lumber and wood products	7.63	10.09	1.88	2.44	1.95	2.01	2.87	5.08	2.67
Logging, sawmills, and planing mills	12.30	16.83	2.96	3.40	3.11	3.20	3.91	10.11	3.64
Millwork, plywood, and related products	15.25	19.67	2.56	3.84	2.63	2.71	4.33	5.74	4.07
Other wood products, including wood buildings and mobile homes	12.00	15.85	5.16	6.44	5.29	5.49	7.71	11.77	7.39
Furniture and fixtures	10.83	12.38	2.73	3.26	2.76	2.93	2.96	7.60	2.98
Paper and allied products	11.40	13.20	1.14	1.55	1.16	1.29	1.68	3.98	1.49
Pulp, paper, and board mills	26.46	26.28	1.00	1.60	1.01	1.11	2.10	2.03	1.78
Other paper products	12.63	14.83	2.25	2.52	2.28	2.55	2.28	14.80	2.06
Printing and publishing	5.34	6.71	1.25	1.32	1.28	1.60	1.09	4.98	0.96
Newspapers	15.24	18.31	1.30	1.21	1.32	1.88	1.19	5.97	1.08
Periodicals	18.94	23.96	4.09	4.38	4.19	5.30	4.54	11.15	4.00
Books, greeting cards, and miscellaneous publishing	17.57	20.60	2.68	2.74	2.82	3.40	1.77	18.64	1.43
Commercial and other printing and printing trade services	6.15	8.01	2.62	3.10	2.64	2.76	3.21	8.55	3.13
Chemicals and allied products	9.81	11.17	0.42	0.43	0.44	0.53	0.48	3.01	0.46
Industrial chemicals, plastics materials and synthetics	15.54	18.37	0.49	0.50	0.51	0.56	0.65	4.38	0.61
Drugs	28.74	15.14	0.81	0.85	0.87	1.53	0.67	7.21	0.66
Soap, cleaners, and toilet goods	24.88	23.94	0.84	0.81	0.87	0.94	1.44	20.77	1.39
Paints and allied products	26.16	30.13	4.00	3.86	4.06	4.55	8.19	26.19	8.74
Agricultural and other chemical products	21.76	25.07	2.61	3.29	2.68	3.07	3.21	5.07	2.85
Petroleum (including integrated) and coal products	21.28	25.30	0.14	0.09	0.15	0.19	0.09	2.02	0.08
Petroleum refining (including integrated)	34.30	45.57	0.12	0.04	0.12	0.17	0.07	1.65	0.07
Petroleum and coal products, not elsewhere classified	26.94	30.29	4.35	5.75	4.59	4.42	2.82	14.28	2.17
Rubber and miscellaneous plastics products	8.22	9.68	1.53	1.82	1.58	1.68	1.90	4.22	1.98
Rubber products; plastics footwear, hose and belting	17.37	17.37	1.43	1.58	1.51	1.63	1.80	3.58	2.00
Miscellaneous plastics products	9.17	11.25	3.04	3.79	3.07	3.22	3.85	8.95	3.87
Leather and leather products	19.85	23.19	4.24	4.78	4.31	5.10	4.54	15.34	4.20
Footwear, except rubber	36.20	32.43	2.80	2.67	2.84	3.18	4.13	18.96	4.21
Leather and leather products, not elsewhere classified	23.74	28.28	14.09	17.82	14.19	15.63	15.98	25.24	14.40

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

Corporation Returns/1985

RETURNS OF ACTIVE CORPORATIONS

Table 1—Number of Returns, Selected Receipts, Cost of Sales and Operations, Net Income, Deficit, Total Income Tax, Selected Credits, Total Assets, Depreciable Assets, Depreciation Deduction, and Coefficients of Variation, by Minor Industry—Continued

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

Item	Coefficient of variation (Percent)								
	Number of returns		Total receipts		Business receipts	Cost of sales and operations	Net income	Deficit	Income subject to tax
	Total	With net income	All returns	Returns with net income					
(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	
Manufacturing—Continued									
Stone, clay, and glass products	9.68	11.03	1.62	1.84	1.66	1.78	2.29	5.04	2.51
Glass products	22.02	27.16	1.82	2.15	1.87	2.02	2.46	7.44	1.78
Cement, hydraulic	39.97	49.15	3.80	5.25	4.04	4.18	7.28	5.54	10.11
Concrete, gypsum, and plaster products	14.15	15.53	3.31	3.82	3.40	3.53	3.89	9.89	4.31
Other nonmetallic mineral products	16.17	20.05	4.01	4.02	4.05	4.38	7.11	17.43	7.69
Primary metal industries	13.08	17.08	0.87	1.44	0.93	0.96	2.49	1.72	2.72
Ferrous metal industries; miscellaneous primary mineral products	17.50	23.29	1.08	1.83	1.13	1.18	2.83	2.29	2.86
Nonferrous metal industries	19.42	24.88	1.41	2.24	1.53	1.54	4.68	2.58	5.35
Fabricated metal products	4.14	5.04	1.36	1.58	1.39	1.48	1.85	3.31	1.63
Metal cans and shipping containers	42.07	53.96	2.93	2.38	3.04	3.21	2.80	50.27	2.42
Cutlery, hand tools, and hardware; screw machine products, bolts, and similar products	15.23	17.02	3.28	3.33	3.36	3.67	3.24	12.14	3.12
Plumbing and heating, except electric and warm air	21.94	27.86	5.18	5.25	5.35	5.89	4.37	20.31	4.23
Fabricated structural metal products	9.65	11.54	2.80	3.53	2.86	2.93	3.63	6.00	3.46
Metal forgings and stampings	15.28	16.83	4.52	5.97	4.58	4.72	6.60	8.35	6.71
Coating, engraving, and allied services	16.07	19.24	8.36	11.97	8.59	9.29	11.16	15.36	11.10
Ordnance and accessories, except vehicles and guided missiles	60.19	66.41	13.50	13.85	13.71	13.57	8.74	86.06	8.99
Miscellaneous fabricated metal products	5.35	6.77	2.29	2.65	2.30	2.53	2.97	4.96	3.15
Machinery, except electrical	6.03	6.62	0.65	0.78	0.75	0.84	0.87	2.20	0.61
Farm machinery	21.11	18.62	2.94	8.07	3.12	3.37	9.79	7.21	10.19
Construction and related machinery	22.19	20.55	1.47	2.31	1.51	1.58	3.72	3.09	3.07
Metalworking machinery	10.61	11.70	3.64	4.91	3.71	3.82	5.76	8.30	6.17
Special industry machinery	13.12	14.53	3.88	5.59	3.97	4.17	6.19	7.04	6.73
General industry machinery	16.33	20.23	2.76	3.12	2.82	3.04	4.62	9.34	4.66
Office, computing, and accounting machines	29.50	31.19	0.36	0.32	0.47	0.60	0.31	3.40	0.28
Other machinery, except electrical	14.05	14.69	2.65	2.82	2.70	2.61	3.56	10.98	3.49
Electrical and electronic equipment	7.11	9.23	0.55	0.62	0.58	0.62	1.03	2.42	1.00
Household appliances	55.12	55.79	1.88	2.18	1.97	2.03	2.05	2.54	1.97
Radio, television, and communication equipment	24.75	30.42	1.03	1.22	1.13	1.22	3.74	5.44	4.03
Electronic components and accessories	9.58	14.10	0.92	1.11	0.94	0.97	1.71	3.09	1.65
Other electrical equipment	11.95	12.96	1.00	1.01	1.07	1.18	1.85	5.94	1.88
Motor vehicles and equipment	20.12	22.55	0.27	0.27	0.28	0.28	0.48	5.38	0.44
Transportation equipment, except motor vehicles	13.97	19.43	0.63	0.55	0.67	0.71	0.86	6.37	1.02
Aircraft, guided missiles and parts	27.48	31.55	0.42	0.32	0.44	0.48	0.61	9.84	0.74
Ship and boat building and repairing	23.70	33.07	5.82	12.55	5.96	5.88	11.96	8.50	18.09
Other transportation equipment, except motor vehicles	21.69	34.64	5.39	5.24	5.54	5.85	6.92	19.45	6.40
Instruments and related products	13.06	16.33	1.13	1.19	1.17	1.28	2.10	5.31	2.15
Scientific instruments and measuring devices; watches and clocks	21.82	26.54	1.88	2.02	1.96	2.05	2.59	9.04	2.34
Optical, medical, and ophthalmic goods	18.53	22.28	2.19	2.58	2.28	2.60	4.50	6.32	4.87
Photographic equipment and supplies	32.95	39.08	1.42	1.21	1.48	1.64	1.81	30.78	1.32
Miscellaneous manufacturing and manufacturing not allocable	6.49	10.73	3.06	4.22	3.16	4.33	2.90	4.68	2.98
Transportation and public utilities	3.17	4.46	0.46	0.48	0.48	0.70	0.35	1.68	0.30
Transportation	3.64	5.18	1.18	1.40	1.24	1.91	1.30	3.20	1.24
Railroad transportation	33.11	42.98	0.26	0.26	0.25	0.19	0.98	0.97	0.83
Local and interurban passenger transit	13.59	19.30	6.53	6.85	7.33	10.33	8.89	18.97	8.28
Trucking and warehousing	4.68	6.70	2.44	2.76	2.49	4.30	2.75	5.38	2.54
Water transportation	13.47	19.65	3.11	4.85	3.30	3.83	8.88	4.70	9.24
Transportation by air	14.76	26.35	1.04	1.54	1.09	1.70	1.81	8.61	1.49
Pipelines, except natural gas	34.20	37.32	2.16	2.15	2.22	2.50	4.20	34.42	4.24
Transportation services, not elsewhere classified	7.78	10.59	6.04	8.11	6.30	8.19	5.82	7.89	6.57
Communication	9.14	13.32	0.35	0.31	0.36	0.54	0.53	3.14	0.43
Telephone, telegraph, and other communication services	12.65	16.82	0.33	0.28	0.34	0.59	0.39	4.55	0.34
Radio and television broadcasting	12.67	20.99	1.53	1.77	1.58	1.28	3.33	4.31	2.87
Electric, gas, and sanitary services	8.63	11.10	0.34	0.42	0.35	0.32	0.21	0.60	0.19
Electric services	33.66	44.23	0.12	0.14	0.13	0.18	0.08	0.42	0.07
Gas production and distribution	23.86	23.98	0.45	0.71	0.47	0.55	0.75	0.53	0.63
Combination utility services	43.24	35.99	0.22	0.17	0.23	0.28	0.18	6.91	0.18
Water supply and other sanitary services	9.81	12.66	7.76	8.31	8.00	5.29	3.22	18.04	3.01
Wholesale and retail trade	0.99	1.41	0.59	0.57	0.61	0.71	0.58	1.42	0.58
Wholesale trade	1.88	2.30	1.06	0.96	1.22	0.91	1.22	2.09	0.93
Groceries and related products	5.88	7.63	2.09	2.44	2.11	2.21	3.34	7.77	3.46
Machinery, equipment, and supplies	3.83	5.21	1.65	1.97	1.69	1.77	2.40	4.50	2.60
Miscellaneous wholesale trade	2.26	2.71	1.31	1.15	1.34	1.51	1.01	2.37	1.03
Motor vehicles and automotive equipment	7.27	8.50	2.06	1.89	2.08	2.24	1.07	9.89	0.96
Furniture and home furnishings	13.39	16.03	7.92	9.09	7.98	8.53	10.99	19.65	12.01
Lumber and construction materials	9.03	9.69	4.75	5.43	4.77	5.09	6.04	13.35	6.46
Sporting, recreational, photographic, and hobby goods, toys, and supplies	14.58	18.10	5.59	6.32	5.64	5.93	6.49	16.06	6.84
Metals and minerals, except petroleum and scrap	13.36	14.79	1.95	2.29	2.10	2.10	5.65	6.96	6.19
Electrical goods	8.00	9.29	2.74	3.36	2.74	2.92	3.34	6.47	3.30
Hardware, plumbing, and heating equipment and supplies	8.30	9.60	3.94	4.63	3.94	3.95	6.02	12.03	6.59
Other durable goods	5.03	6.24	2.72	3.25	2.75	2.75	3.89	6.05	4.34
Paper and paper products	13.63	15.01	6.08	6.70	6.13	6.44	6.60	16.77	7.46
Drugs, drug proprietaries, and druggists' sundries	19.36	20.66	3.69	4.00	3.71	3.67	5.00	16.13	4.74
Apparel, piece goods, and notions	9.28	11.48	4.12	6.72	4.15	4.42	5.08	10.78	5.67
Farm-product raw materials	10.91	14.48	5.50	7.40	5.60	5.87	5.26	9.52	5.74
Chemicals and allied products	13.55	16.09	6.59	7.53	6.67	7.43	5.63	16.57	5.37
Petroleum and petroleum products	7.57	8.29	5.53	3.03	5.59	5.95	2.57	6.05	2.45
Alcoholic beverages	11.45	13.09	4.65	4.96	4.67	4.80	5.55	16.90	7.42
Miscellaneous nondurable goods; wholesale trade not allocable	6.13	8.10	3.29	4.54	3.33	3.56	4.22	6.24	4.56

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 1—Number of Returns, Selected Receipts, Cost of Sales and Operations, Net Income, Deficit, Total Income Tax, Selected Credits, Total Assets, Depreciable Assets, Depreciation Deduction, and Coefficients of Variation, by Minor Industry—Continued

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

Item	Coefficient of variation (Percent)								
	Number of returns		Total receipts		Business receipts	Cost of sales and operations	Net income	Deficit	Income subject to tax
	Total	With net income	All returns	Returns with net income					
(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	
Wholesale and retail trade—Continued									
Retail trade	1.14	1.78	0.59	0.69	0.61	0.68	0.76	2.04	0.73
Building materials, garden supplies, and mobile home dealers	4.69	5.66	2.54	3.07	2.56	2.67	3.64	8.42	3.81
Building materials dealers	6.47	7.30	2.95	3.59	2.98	3.13	4.26	10.40	4.39
Hardware stores	8.73	11.21	6.64	7.78	6.68	6.78	8.89	20.28	9.36
Garden supplies and mobile home dealers	10.72	12.66	7.30	8.80	7.45	7.74	11.02	19.64	12.19
General merchandise stores	9.97	12.00	0.52	0.49	0.54	0.59	0.72	9.65	0.56
Food stores	4.79	6.90	1.43	1.46	1.44	1.51	1.76	6.53	1.52
Grocery stores	5.76	7.73	1.44	1.46	1.45	1.52	1.64	7.79	1.46
Other food stores	8.12	13.60	7.27	8.89	7.31	8.03	10.82	11.79	11.33
Automotive dealers and service stations	3.02	3.78	1.40	1.78	1.41	1.44	2.46	4.65	2.73
Motor vehicle dealers	3.74	4.56	1.42	1.90	1.43	1.46	2.92	5.57	3.28
Gasoline service stations	7.55	9.51	5.63	6.23	5.66	5.76	7.09	14.70	7.80
Other automotive dealers	5.68	7.30	4.34	5.45	4.37	4.69	5.85	9.73	6.19
Apparel and accessory stores	3.56	6.09	1.75	2.19	1.76	1.82	2.70	6.99	2.87
Furniture and home furnishings stores	5.29	6.55	2.93	3.49	2.98	3.38	3.59	8.69	3.70
Eating and drinking places	1.95	4.51	1.53	2.17	1.61	1.89	2.15	4.01	2.00
Miscellaneous retail stores	2.04	3.23	1.44	1.64	1.46	1.69	1.84	4.07	1.85
Drug stores and proprietary stores	7.06	8.15	1.67	1.65	1.69	1.81	2.32	12.76	2.07
Liquor stores	10.00	13.21	13.26	17.61	13.39	15.24	13.43	19.43	14.15
Other retail stores	2.12	3.64	1.78	2.13	1.80	2.06	2.42	4.38	2.58
Wholesale and retail trade not allocable	22.10	28.47	14.65	17.41	14.82	16.93	19.94	32.30	23.30
Finance, insurance, and real estate	1.38	1.99	0.58	0.35	1.21	2.10	0.36	0.90	0.73
Banking	1.36	1.33	0.39	0.07	2.71	0.12	0.19	1.06	0.22
Mutual savings banks	1.74	1.74	0.13	0.15	0.09	0.04	0.25	1.09	0.51
Bank holding companies	2.79	1.63	0.06	0.06	0.04	0.08	0.16	1.01	0.16
Banks, except mutual savings banks and bank holding companies	1.44	2.00	2.08	0.31	19.78	4.22	0.79	2.43	0.95
Credit agencies other than banks	6.70	8.29	0.43	0.36	2.33	8.50	0.85	1.09	1.16
Savings and loan associations	4.38	1.90	0.09	0.12	0.12	0.19	0.22	0.68	0.36
Personal credit institutions	16.29	16.39	3.26	3.56	4.05	5.87	12.81	28.38	13.29
Business credit institutions	24.81	35.59	3.32	4.05	8.54	22.20	13.16	8.63	12.34
Other credit agencies, finance not allocable	8.85	12.00	1.63	1.58	4.29	15.19	3.65	4.06	3.74
Security, commodity brokers and services	9.90	14.11	1.32	1.42	2.11	11.79	2.15	5.92	2.29
Security brokers, dealers, and flotation companies	12.99	16.85	1.28	1.41	2.01	20.28	2.07	6.30	2.40
Commodity contracts brokers and dealers; security and commodity exchanges; and allied services	14.99	20.85	5.57	5.34	7.51	3.10	6.73	13.36	6.47
Insurance	9.60	11.44	1.34	0.26	1.63	2.19	0.37	2.16	0.54
Life insurance	1.81	2.28	0.23	0.22	0.29	0.30	0.34	3.97	0.57
Mutual insurance, except life or marine and certain fire or flood insurance companies	2.01	2.80	8.53	0.91	8.85	8.98	2.99	6.19	2.21
Other insurance companies	15.28	19.22	0.68	1.83	0.83	0.98	1.77	1.98	1.89
Insurance agents, brokers, and service	2.45	4.90	3.06	3.70	3.22	9.70	3.17	3.44	3.40
Real estate	1.77	2.59	3.16	2.49	4.85	10.96	2.54	2.05	3.08
Real estate operators and lessors of buildings	2.48	3.47	2.50	3.38	4.04	5.62	3.02	3.44	3.55
Lessors of mining, oil, and similar property	30.42	34.76	8.94	11.61	10.97	15.44	12.46	28.43	12.92
Lessors of railroad property, and of real property, not elsewhere classified	19.89	29.05	13.11	19.10	15.05	11.53	22.73	22.49	23.72
Condominium management and cooperative housing associations	8.60	12.72	7.22	12.98	9.85	25.84	15.62	6.08	15.47
Subdividers and developers	4.91	7.28	3.52	5.39	6.74	10.00	6.22	3.75	6.58
Other real estate	3.05	4.77	7.13	4.62	8.88	19.82	5.33	3.97	8.28
Holding and other investment companies, except bank holding companies	4.70	6.31	1.87	2.21	2.18	2.40	0.43	3.30	5.48
Regulated investment companies	15.02	13.02	0.16	0.17	0.54	—	0.17	9.56	8.66
Real estate investment trusts	41.23	23.22	1.15	0.90	4.56	—	—	8.52	91.92
Small business investment companies	17.85	26.69	14.28	18.28	29.15	—	17.93	20.73	26.47
Other holding and investment companies, except bank holding companies	5.10	6.99	3.03	4.00	2.20	2.42	3.92	3.39	5.51
Services	1.27	1.76	1.12	1.37	1.16	1.71	1.22	1.68	1.32
Hotels and other lodging places	6.62	9.60	4.54	6.83	4.50	5.78	5.16	5.08	6.21
Personal services	4.69	7.20	4.39	5.14	4.51	7.41	5.05	8.46	5.42
Business services	2.06	3.09	1.82	2.23	1.93	2.86	1.90	2.53	2.06
Advertising	7.80	10.30	4.80	5.51	4.91	5.65	4.33	10.26	3.93
Business services, except advertising	2.12	3.24	1.97	2.44	2.10	3.28	2.09	2.61	2.32
Auto repair; miscellaneous repair services	3.92	5.54	3.08	3.87	3.28	4.02	5.08	6.65	6.07
Auto repair and services	4.67	6.79	3.37	4.39	3.70	4.59	6.08	7.70	7.33
Miscellaneous repair services	6.94	9.54	6.72	7.92	6.70	7.80	9.16	13.16	10.63
Amusement and recreation services	4.24	7.50	2.74	3.51	2.99	3.82	3.20	4.06	3.47
Motion picture production, distribution, and services	11.26	16.70	4.86	6.06	5.53	4.55	4.63	9.48	4.28
Motion picture theaters	21.75	30.04	7.04	8.72	7.25	8.44	11.73	18.74	11.96
Amusement and recreation services, except motion pictures	4.57	8.71	3.68	4.75	3.94	6.67	4.39	4.61	5.28
Other services	2.11	2.66	2.09	2.45	2.09	3.72	2.20	3.77	2.31
Offices of physicians, including osteopathic physicians	3.52	4.33	3.98	4.74	4.05	8.18	4.99	9.33	5.40
Offices of dentists	6.84	8.43	7.77	9.69	7.82	10.16	10.81	16.97	11.55
Offices of other health practitioners	11.08	14.42	13.18	16.21	13.24	17.70	16.34	23.80	17.94
Nursing and personal care facilities	10.76	13.50	5.72	6.50	5.89	10.81	7.40	12.55	7.10
Hospitals	31.77	39.62	2.62	2.70	2.81	3.90	2.41	9.56	1.73
Medical laboratories	17.46	20.37	13.18	15.30	13.41	17.56	15.89	24.53	17.09
Other medical services	8.49	11.44	9.67	11.39	8.62	11.23	6.71	9.91	6.26
Legal services	6.63	7.95	8.38	9.81	8.61	13.42	8.57	15.22	9.43
Educational services	11.20	16.58	8.94	10.77	9.17	16.39	11.18	15.25	12.55
Social services	17.58	23.20	18.36	18.23	20.02	34.21	20.55	27.30	26.94
Membership organizations	13.84	20.99	14.81	20.60	16.33	29.70	15.15	17.89	17.81
Architectural and engineering services	6.37	8.25	5.49	6.39	5.57	6.98	5.96	10.12	6.55
Accounting, auditing, and bookkeeping services	9.01	10.37	10.90	12.20	10.98	20.21	11.48	23.06	13.41
Miscellaneous services (including veterinarians), not elsewhere classified	7.97	11.28	10.78	13.85	11.01	17.37	11.47	12.53	13.01
Nature of business not allocable	9.17	15.27	11.62	15.29	12.09	13.36	14.54	13.34	15.63

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 1—Number of Returns, Selected Receipts, Cost of Sales and Operations, Net Income, Deficit, Total Income Tax, Selected Credits, Total Assets, Depreciable Assets, Depreciation Deduction, and Coefficients of Variation, by Minor Industry—Continued

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

Item	Coefficient of variation (Percent)								
	Total income tax	Foreign tax credit	U.S. possessions tax credit	Research activities credit	General business credit	Total income tax after credits ¹	Total assets	Depreciable assets	Depreciation deduction
	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)
Total returns of active corporations	0.17	0.09	(9)	0.47	0.17	0.26	0.05	0.09	0.12
Agriculture, forestry, and fishing	3.60	0.07	(4)	9.38	4.70	4.66	1.29	2.01	2.14
Agricultural production	3.77	0.07	—	9.58	4.88	5.33	1.30	2.12	2.27
Agricultural services (except veterinarians), forestry, fishing, hunting, and trapping	7.70	78.04	(4)	38.90	11.96	9.47	3.94	5.36	5.48
Mining	1.25	0.82	50.32	52.16	4.52	2.92	0.32	0.63	0.94
Metal mining	2.07	(4)	50.32	—	39.88	3.61	0.95	1.38	1.28
Iron ores	(9)	—	—	—	—	(9)	0.55	4.65	(9)
Copper, lead and zinc, gold and silver ores	0.03	(4)	—	—	(4)	0.03	2.31	2.41	2.43
Other metal mining	11.81	(4)	50.32	—	44.63	6.94	1.08	1.08	1.68
Coal mining	6.94	2.79	—	38.08	14.47	11.54	1.09	1.92	2.54
Oil and gas extraction	1.31	0.89	—	73.30	6.02	3.87	0.33	0.70	1.13
Crude petroleum, natural gas, and natural gas liquids	1.19	0.86	—	17.34	2.70	4.15	0.34	0.66	1.16
Oil and gas field services	7.22	7.50	—	83.11	16.18	9.87	0.83	1.45	1.96
Nonmetallic minerals, except fuels	4.83	(4)	—	9.28	7.24	4.94	3.21	3.77	4.02
Dimension, crushed, and broken stone, sand and gravel	6.44	(4)	—	(4)	8.08	7.07	4.49	5.25	5.67
Other nonmetallic minerals, except fuels	6.28	(4)	—	10.92	15.17	5.66	4.05	4.59	4.73
Construction	1.82	0.10	—	11.07	2.61	2.32	0.66	1.31	1.48
General building contractors and operative builders	2.87	0.17	—	1.56	3.79	3.38	0.81	2.06	2.14
General building contractors	2.99	0.17	—	1.56	3.70	3.56	0.84	2.13	2.20
Operative builders	10.20	—	—	—	35.70	10.04	2.90	8.21	8.35
Heavy construction contractors	3.35	0.10	—	40.62	5.18	4.66	1.14	2.33	2.96
Special trade contractors	3.62	0.85	—	41.62	4.41	4.18	1.70	2.33	2.46
Plumbing, heating, and air conditioning	8.02	83.10	—	96.27	8.84	8.75	3.93	5.03	5.45
Electrical work	9.29	—	—	81.01	11.27	10.33	4.07	5.48	6.15
Other special trade contractors and contractors not allocable	4.51	0.85	—	51.05	5.45	5.32	2.11	2.93	3.07
Manufacturing	0.21	(9)	3.55	3.48	4.15	2.40	1.09	0.71	(9)
Food and kindred products	0.76	0.19	2.38	3.02	1.35	1.03	0.45	0.84	0.86
Meat products	5.62	(4)	38.25	19.44	6.08	6.32	2.91	3.57	4.30
Dairy products	1.60	0.46	50.32	0.54	3.92	2.58	0.71	2.18	2.40
Preserved fruits and vegetables	4.02	(4)	—	2.48	3.01	5.15	1.89	2.42	2.15
Grain mill products	1.19	0.22	5.27	22.85	1.16	1.54	1.07	1.36	1.32
Bakery products	2.54	0.08	50.32	16.40	10.18	2.50	4.73	6.51	6.44
Sugar and confectionery products	2.48	(4)	(9)	4.37	3.07	3.29	1.68	2.70	2.73
Malt liquors and malt	1.50	(4)	—	(4)	0.17	2.08	1.04	1.09	1.46
Alcoholic beverages, except malt liquors and malt	6.49	(4)	(4)	(4)	3.34	8.56	1.02	4.90	5.38
Bottled soft drinks, and flavorings	2.60	0.25	0.62	9.29	7.78	6.86	1.19	2.54	2.22
Other food and kindred products	1.27	0.63	5.40	7.40	3.93	1.56	1.46	2.49	2.52
Tobacco manufactures	0.50	(4)	(4)	(4)	0.01	0.68	0.09	0.32	0.06
Textile mill products	2.22	0.04	19.55	4.71	1.95	2.73	1.45	1.59	1.68
Weaving mills and textile finishing	2.13	(4)	—	3.25	1.51	2.80	2.02	2.10	2.23
Knitting mills	8.68	40.11	(4)	30.32	12.72	9.36	6.47	7.93	6.59
Other textile mill products	3.73	0.06	44.20	6.36	3.04	4.48	1.93	2.25	2.55
Apparel and other textile finishing	2.67	8.21	10.52	20.60	6.01	2.84	1.88	2.77	3.21
Men's and boys' clothing	3.82	17.79	32.85	76.33	6.93	3.57	2.38	3.99	4.68
Women's and children's clothing	3.82	9.37	9.51	26.08	6.96	4.21	3.38	5.07	5.60
Other apparel and accessories	11.13	1.44	23.92	45.51	19.51	13.03	6.25	8.07	11.07
Miscellaneous fabricated textile products; textile products, not elsewhere classified	9.31	4.38	30.98	30.68	13.03	10.17	5.55	6.31	6.48
Lumber and wood products	2.84	0.01	50.32	21.64	1.99	3.80	0.96	1.21	1.77
Logging, sawmills, and planing mills	3.95	(4)	—	(4)	3.46	6.41	1.28	1.95	3.76
Millwork, plywood, and related products	4.24	0.13	—	32.39	2.24	5.50	1.41	1.32	1.58
Other wood products, including wood buildings and mobile homes	7.62	(4)	50.32	62.02	7.79	8.35	3.05	4.38	5.31
Furniture and fixtures	2.94	0.12	50.32	10.52	4.36	3.14	2.12	2.52	2.93
Paper and allied products	1.46	0.06	37.91	0.77	1.14	2.14	0.60	0.67	0.72
Pulp, paper, and board mills	1.76	0.01	—	0.87	0.65	3.25	0.56	0.69	0.73
Other paper products	1.99	0.08	37.91	1.01	2.27	2.66	1.41	1.55	1.62
Printing and publishing	0.91	0.29	22.68	16.64	1.40	1.00	0.71	1.15	1.11
Newspapers	1.07	(4)	50.32	6.27	1.11	1.17	0.67	1.23	1.11
Periodicals	3.76	0.32	—	25.16	3.57	4.97	2.34	3.64	4.02
Books, greeting cards, and miscellaneous publishing	1.31	0.77	50.32	27.28	1.68	1.44	1.31	2.55	1.99
Commercial and other printing and printing trade services	3.00	(4)	27.91	19.75	3.84	3.35	2.17	2.49	2.54
Chemicals and allied products	0.47	0.33	2.11	0.81	0.60	0.96	0.19	0.26	0.26
Industrial chemicals, plastics materials and synthetics	0.63	0.03	21.79	0.95	1.09	1.53	0.21	0.29	0.29
Drugs	0.65	0.01	1.74	1.14	0.72	0.80	0.34	0.51	0.56
Soap, cleaners, and toilet goods	1.31	0.12	32.76	0.50	0.72	2.37	0.44	0.61	0.63
Paints and allied products	9.10	18.72	50.32	17.79	3.58	8.00	3.14	2.94	3.78
Agriculture and other chemical products	2.84	0.09	29.11	6.20	2.34	4.58	1.29	1.64	1.64
Petroleum (including integrated) and coal products	0.08	(9)	2.51	3.14	0.15	0.45	0.03	0.06	0.06
Petroleum refining (including integrated)	0.07	(9)	(4)	3.11	0.08	0.41	0.02	0.04	0.04
Petroleum and coal products, not elsewhere classified	1.97	(4)	50.32	52.43	5.99	10.66	2.84	3.43	3.36
Rubber and miscellaneous plastics products	1.97	2.74	16.07	5.62	1.78	2.87	0.97	1.24	1.63
Rubber products; plastics footwear, hose and belting	2.02	2.83	40.13	5.57	1.27	3.66	0.84	0.90	1.19
Miscellaneous plastics products	3.82	2.30	15.08	14.16	5.87	4.25	2.30	3.04	3.35
Leather and leather products	3.91	0.36	16.59	10.87	3.14	4.80	2.50	3.72	3.74
Footwear, except rubber	4.05	0.04	18.41	40.53	2.85	4.37	1.95	2.66	3.00
Leather and leather products, not elsewhere classified	14.38	9.49	32.53	8.85	16.63	16.33	9.85	12.71	14.31

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 1—Number of Returns, Selected Receipts, Cost of Sales and Operations, Net Income, Deficit, Total Income Tax, Selected Credits, Total Assets, Depreciable Assets, Depreciation Deduction, and Coefficients of Variation, by Minor Industry—Continued

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

Item	Coefficient of variation (Percent)								
	Total income tax	Foreign tax credit	U.S. possessions tax credit	Research activities credit	General business credit	Total income tax after credits ¹	Total assets	Depreciable assets	Depreciation deduction
	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)
Manufacturing—Continued									
Stone, clay, and glass products	2.54	0.04	35.68	4.95	2.40	3.45	0.94	1.22	1.36
Glass products	1.73	-0.02	48.65	2.08	1.66	3.08	0.82	0.86	1.08
Cement, hydraulic	9.77	(*)	—	1.97	5.42	14.20	1.61	2.16	2.91
Concrete, gypsum, and plaster products	4.26	0.64	50.32	2.48	5.57	4.65	2.38	3.19	3.42
Other nonmetallic mineral products	8.02	0.08	—	20.34	5.52	11.32	2.91	3.54	3.64
Primary metal industries	2.74	0.24	—	1.83	2.76	3.42	0.38	0.64	0.87
Ferrous metal industries; miscellaneous									
primary mineral products	2.72	0.31	—	4.53	4.58	3.11	0.67	0.87	1.23
Nonferrous metal industries	5.92	0.03	—	1.67	3.26	8.62	0.43	0.92	1.23
Fabricated metal products	1.60	0.41	14.53	4.51	2.17	1.99	0.78	1.18	1.38
Metal cans and shipping containers	2.65	(*)	18.29	4.45	1.54	4.27	1.39	2.82	3.58
Cutlery, hand tools, and hardware; screw machine products, bolts, and similar products	2.88	0.17	35.85	20.61	5.21	4.26	1.81	3.28	3.39
Plumbing and heating, except electric and warm air	4.08	0.32	—	8.50	4.46	4.38	2.69	3.80	4.20
Fabricated structural metal products	3.38	0.16	44.65	12.92	5.04	4.42	1.69	2.11	2.67
Metal forgings and stampings	6.63	1.18	50.32	26.59	8.50	7.44	3.38	4.52	5.36
Coating, engraving, and allied services	11.23	27.44	—	36.84	17.77	11.80	5.61	7.35	8.25
Ordnance and accessories, except vehicles and guided missiles	9.24	18.24	—	7.03	17.65	9.67	8.04	15.74	16.05
Miscellaneous fabricated metal products	3.15	2.24	22.54	5.23	4.09	3.80	1.32	2.00	2.28
Machinery, except electrical	0.56	0.08	24.64	0.99	0.84	1.71	0.37	0.54	0.55
Farm machinery	9.41	57.41	—	31.42	15.12	7.99	1.60	2.52	2.49
Construction and related machinery	2.66	0.04	—	2.77	9.79	4.21	0.79	1.07	1.28
Metalworking machinery	6.23	5.47	50.32	13.27	7.39	7.29	2.89	3.90	4.22
Special industry machinery	6.85	3.45	50.32	14.26	8.01	7.70	2.84	3.64	4.09
General industry machinery	4.48	1.05	50.32	9.76	6.36	6.10	1.95	2.38	2.65
Office, computing, and accounting machines	0.27	0.01	25.72	0.90	0.29	1.12	0.21	0.22	0.24
Other machinery, except electrical	3.29	0.45	—	5.77	3.51	5.22	1.76	2.81	2.89
Electrical and electronic equipment	0.97	0.55	3.84	1.85	1.06	1.54	0.30	0.35	0.36
Household appliances	1.86	0.07	—	2.11	1.50	2.38	0.96	1.28	1.93
Radio, television, and communication equipment	3.74	1.14	14.61	5.09	3.47	5.70	0.47	0.69	0.69
Electronic components and accessories	1.60	1.63	5.78	2.16	1.91	2.16	0.64	0.76	0.82
Other electrical equipment	1.94	0.22	4.96	5.03	1.52	3.18	0.45	0.45	0.45
Motor vehicles and equipment	0.42	0.30	50.32	0.14	0.08	1.18	0.12	0.20	0.16
Transportation equipment, except motor vehicles	1.05	0.27	36.06	0.82	0.56	1.82	0.32	0.53	0.66
Aircraft; guided missiles and parts	0.76	0.12	36.19	0.40	0.33	1.46	0.23	0.38	0.46
Ship and boat building and repairing	18.81	—	50.32	47.06	23.05	20.11	2.77	5.20	6.50
Other transportation equipment, except motor vehicles	6.33	69.55	50.32	21.61	7.87	6.64	4.05	4.06	4.76
Instruments and related products	2.15	0.18	14.35	3.03	1.32	2.92	0.70	0.63	0.63
Scientific instruments and measuring devices; watches and clocks	2.28	0.40	8.79	3.64	2.50	4.54	1.41	1.37	1.24
Optical, medical, and ophthalmic goods	4.99	0.19	18.10	8.90	5.72	4.49	1.13	1.63	2.14
Photographic equipment and supplies	1.05	(*)	41.04	1.25	0.10	4.59	0.89	0.50	0.34
Miscellaneous manufacturing and manufacturing not allocable	2.97	2.40	13.71	6.89	3.83	4.21	1.28	2.06	2.41
Transportation and public utilities	0.27	1.44	(*)	0.10	0.18	0.43	0.09	0.11	0.22
Transportation	1.20	6.34	—	0.07	0.99	1.78	0.35	0.47	0.76
Railroad transportation	0.94	(*)	—	(*)	0.91	1.87	0.19	0.24	0.26
Local and interurban passenger transit	8.31	(*)	—	(*)	7.58	15.58	2.58	5.75	6.03
Trucking and warehousing	2.35	0.01	—	0.12	2.72	2.87	1.33	1.94	2.08
Water transportation	8.93	(*)	—	22.21	6.76	11.65	1.31	2.10	2.86
Transportation by air	1.31	4.66	—	(*)	0.92	2.16	0.48	0.55	0.91
Pipelines, except natural gas	4.25	88.62	—	(*)	1.84	4.46	1.84	2.40	2.67
Transportation services, not elsewhere classified	6.98	5.55	—	(*)	9.23	10.26	2.19	2.57	4.12
Communication	0.42	0.58	(*)	0.13	0.21	0.72	0.14	0.17	0.21
Telephone, telegraph, and other communication services	0.32	0.83	(*)	0.13	0.19	0.56	0.11	0.14	0.18
Radio and television broadcasting	2.97	(*)	—	(*)	2.79	3.56	1.13	2.38	1.87
Electric, gas, and sanitary services	0.17	(*)	—	0.08	0.10	0.27	0.05	0.06	0.14
Electric services	0.07	(*)	—	(*)	0.01	0.14	0.03	0.02	0.04
Gas production and distribution	0.60	(*)	—	(*)	0.41	0.80	0.10	0.13	0.25
Combination utility services	0.17	(*)	—	(*)	0.04	0.30	0.04	0.03	0.07
Water supply and other sanitary services	2.65	(*)	—	2.82	3.36	3.14	1.77	2.36	3.52
Wholesale and retail trade	0.56	1.16	0.58	5.92	0.83	0.64	0.27	0.44	0.49
Wholesale trade	0.92	2.40	1.59	8.92	1.36	0.99	0.43	0.82	0.85
Groceries and related products	3.66	77.48	—	17.60	3.87	4.13	1.59	2.23	2.34
Machinery, equipment, and supplies	2.66	33.66	50.32	21.93	3.28	2.98	1.26	1.92	2.12
Miscellaneous wholesale trade	1.00	2.03	1.44	10.08	1.59	1.08	0.48	0.99	1.01
Motor vehicles and automotive equipment	0.78	(*)	—	6.21	1.44	0.81	1.47	2.27	1.82
Furniture and home furnishings	13.39	28.71	50.32	66.31	15.65	14.01	6.65	9.96	11.27
Lumber and construction materials	6.95	94.58	—	68.03	7.66	7.32	3.75	5.04	5.06
Sporting, recreational; photographic, and hobby goods, toys, and supplies	6.73	29.33	—	12.78	12.06	6.95	4.66	9.20	8.55
Metals and minerals, except petroleum and scrap	6.32	20.63	50.32	14.42	7.79	6.87	0.36	2.91	3.26
Electrical goods	3.17	6.63	0.10	4.03	6.36	3.30	2.11	3.18	3.45
Hardware, plumbing, and heating equipment and supplies	7.28	59.22	50.32	45.23	8.07	7.58	3.66	4.40	4.96
Other durable goods	4.50	27.01	36.24	20.62	5.90	4.83	2.02	3.43	3.53
Paper and paper products	7.85	15.01	—	44.20	12.95	8.11	4.74	6.87	8.20
Drugs, drug proprietaries, and druggists' sundries	4.71	27.57	43.24	10.55	5.39	4.93	2.88	4.48	4.96
Apparel, piece goods, and notions	5.79	85.09	—	26.96	13.32	5.73	3.26	5.00	5.36
Farm-product raw materials	5.43	4.85	—	86.50	11.67	6.37	1.64	2.83	3.13
Chemicals and allied products	5.07	1.02	50.32	3.10	12.30	5.22	4.36	7.31	8.09
Petroleum and petroleum products	2.26	0.03	(*)	27.31	4.50	3.56	1.49	2.40	2.46
Alcoholic beverages	7.85	94.85	—	—	9.66	8.13	3.24	5.53	5.71
Miscellaneous nondurable goods; wholesale trade not allocable	4.71	22.98	28.43	20.18	7.93	4.98	2.42	3.55	3.72

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 1—Number of Returns, Selected Receipts, Cost of Sales and Operations, Net Income, Deficit, Total Income Tax, Selected Credits, Total Assets, Depreciable Assets, Depreciation Deduction, and Coefficients of Variation, by Minor Industry—Continued

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

Item	Coefficient of variation (Percent)								
	Total income tax	Foreign tax credit	U.S. possessions tax credit	Research activities credit	General business credit	Total income tax after credits ¹	Total assets	Depreciable assets	Depreciation deduction
	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)
Wholesale and retail trade—Continued									
Retail trade	0.68	0.43	0.55	5.01	0.68	0.80	0.32	0.50	0.59
Building materials, garden supplies, and mobile home dealers	3.95	96.03	—	2.35	4.65	4.24	2.03	2.55	2.92
Building materials dealers	4.46	96.03	—	2.35	4.99	4.79	2.26	2.70	3.25
Hardware stores	10.45	—	—	—	13.69	11.14	5.71	7.09	7.88
Garden supplies and mobile home dealers	13.74	—	—	—	16.78	14.95	6.20	9.52	9.36
General merchandise stores	0.51	(4)	—	2.86	0.24	0.68	0.22	0.41	0.35
Food stores	1.33	(4)	(4)	1.59	1.14	1.72	0.98	1.17	1.22
Grocery stores	1.25	(4)	(4)	1.68	1.06	1.62	0.93	1.10	1.11
Other food stores	11.88	—	—	(4)	11.41	14.24	6.05	6.72	7.13
Automotive dealers and service stations	3.04	(4)	—	41.37	3.35	3.47	1.13	1.73	2.02
Motor vehicle dealers	3.71	(4)	—	29.69	4.14	4.24	1.13	1.81	2.36
Gasoline service stations	8.39	—	—	13.81	8.76	9.58	4.42	5.11	5.36
Other automotive dealers	6.37	(4)	—	83.12	6.81	7.13	4.08	4.90	5.44
Apparel and accessory stores	2.40	3.74	50.27	3.42	3.18	2.61	1.30	1.83	2.10
Furniture and home furnishings stores	3.73	—	—	1.84	4.80	3.92	2.05	2.91	5.30
Eating and drinking places	1.96	0.09	49.78	18.24	2.12	2.56	0.79	1.22	1.35
Miscellaneous retail stores	1.65	10.26	—	23.78	2.23	1.89	0.98	1.53	1.75
Drug stores and proprietary stores	1.23	(4)	(4)	6.42	2.06	1.48	1.32	1.51	1.91
Liquor stores	15.08	—	—	—	20.94	15.72	7.47	9.03	9.82
Other retail stores	2.58	20.73	—	32.10	3.24	2.85	1.26	2.06	2.27
Wholesale and retail trade not allocable	26.43	—	50.32	—	35.41	20.40	11.70	16.42	16.56
Finance, insurance, and real estate	0.72	0.70	4.33	3.48	0.44	0.88	0.10	0.55	0.37
Banking	0.22	0.01	—	0.11	0.14	0.38	0.06	0.10	0.08
Mutual savings banks	0.43	0.45	—	(4)	0.37	0.44	0.12	0.15	0.19
Bank holding companies	0.17	(3)	—	(4)	0.11	0.33	0.05	0.08	0.06
Banks, except mutual savings banks and bank holding companies	0.96	0.21	—	24.42	1.00	1.15	0.33	0.51	0.56
Credit agencies other than banks	1.06	0.27	4.16	0.18	1.83	1.21	0.10	0.86	1.38
Savings and loan associations	0.34	(4)	(4)	(4)	0.24	0.36	0.09	0.13	0.14
Personal credit institutions	14.68	0.02	—	—	4.87	18.45	2.26	5.22	4.38
Business credit institutions	9.72	(3)	33.14	13.99	26.27	11.75	1.14	15.35	10.74
Other credit agencies; finance not allocable	3.76	0.29	—	0.26	5.41	5.93	0.27	2.53	3.11
Security, commodity brokers and services	2.13	0.14	50.32	2.00	0.89	2.59	0.14	2.03	1.01
Security brokers, dealers, and flotation companies	2.32	0.07	50.32	0.47	0.88	2.85	0.12	1.98	0.89
Commodity contracts brokers and dealers; security and commodity exchanges; and allied services	5.33	8.56	—	8.19	3.12	6.25	1.62	5.65	5.61
Insurance	0.61	0.01	—	0.19	0.34	0.71	0.52	0.38	0.80
Life insurance	0.66	(4)	—	0.01	0.18	0.75	0.09	0.21	0.10
Mutual insurance, except life or marine and certain fire or flood insurance companies	2.87	(3)	—	(4)	0.29	4.14	5.33	2.11	6.16
Other insurance companies	2.02	0.07	—	1.93	1.49	2.41	0.20	0.97	0.93
Insurance agents, brokers, and service	3.36	0.02	—	29.77	6.13	4.03	1.56	3.25	3.01
Real estate	3.29	3.57	39.03	24.49	5.32	3.43	0.76	1.27	1.41
Real estate operators and lessors of buildings	3.94	13.91	—	22.25	7.91	4.07	1.25	1.72	1.86
Lessors of mining, oil, and similar property	13.07	15.61	—	78.93	23.95	13.37	5.37	10.30	16.22
Lessors of railroad property, and of real property, not elsewhere classified	28.92	—	—	—	64.15	30.27	11.09	22.63	22.41
Condominium management and cooperative housing associations	15.62	—	—	—	38.67	15.84	3.66	4.05	4.68
Subdividers and developers	7.15	26.26	39.03	36.07	10.17	7.35	1.37	2.63	3.39
Other real estate	8.88	0.16	—	57.60	8.83	9.63	1.43	2.96	3.27
Holding and other investment companies, except bank holding companies	6.40	9.65	—	26.69	4.06	7.12	0.18	1.49	1.96
Regulated investment companies	7.50	—	—	—	23.06	7.62	0.13	3.40	36.08
Real estate investment trusts	65.99	—	—	—	—	65.99	0.79	1.39	2.09
Small business investment companies	25.04	—	—	—	46.86	25.62	8.09	31.02	37.20
Other holding and investment companies, except bank holding companies	6.42	9.65	—	26.69	4.07	7.15	0.84	1.87	2.11
Services	1.30	2.94	20.36	5.07	1.77	1.55	0.65	0.85	0.92
Hotels and other lodging places	6.71	27.79	29.41	76.13	10.77	6.13	3.82	3.43	3.60
Personal services	5.34	(4)	—	32.13	7.14	5.89	2.96	3.86	3.95
Business services	1.98	4.71	30.81	7.08	2.96	2.40	0.93	1.49	1.55
Advertising	3.40	0.26	50.32	(4)	7.74	5.09	2.59	4.87	6.06
Business services, except advertising	2.27	9.95	37.64	7.12	3.13	2.68	1.00	1.56	1.60
Auto repair; miscellaneous repair services	6.63	0.07	50.32	34.96	7.21	8.28	1.88	2.12	2.91
Auto repair and services	7.59	(4)	50.32	29.61	8.42	9.92	1.96	2.20	3.09
Miscellaneous repair services	12.73	41.78	—	64.53	13.81	14.49	5.59	7.11	8.12
Amusement and recreation services	3.41	0.70	35.00	2.32	5.09	4.94	1.07	2.17	1.82
Motion picture production, distribution, and services	4.00	0.23	—	(4)	7.34	12.29	1.22	5.82	2.79
Motion picture theaters	11.62	(3)	50.32	(4)	14.93	13.18	4.58	6.77	6.72
Amusement and recreation services, except motion pictures	5.23	4.99	43.75	95.73	7.78	5.89	1.72	2.48	2.51
Other services	2.22	8.23	47.15	12.56	2.45	2.68	1.15	1.47	1.69
Offices of physicians, including osteopathic physicians	5.84	(4)	—	(4)	7.64	6.86	3.38	4.28	4.47
Offices of dentists	13.73	—	—	90.94	16.54	16.54	7.08	7.88	8.27
Offices of other health practitioners	19.01	—	—	—	21.44	22.74	11.85	12.67	13.45
Nursing and personal care facilities	7.26	—	—	—	5.37	8.75	3.61	4.22	3.81
Hospitals	1.75	7.22	—	(4)	0.91	2.46	1.01	1.17	1.19
Medical laboratories	17.17	—	—	28.25	19.38	18.40	10.35	13.78	14.26
Other medical services	6.81	(4)	50.32	2.47	8.38	8.33	3.42	5.35	6.40
Legal services	10.86	—	—	—	11.99	13.40	5.93	7.58	7.47
Educational services	13.25	63.83	—	(4)	15.60	15.99	6.54	7.81	9.43
Social services	19.64	99.78	—	—	18.82	22.43	8.90	13.70	14.91
Membership organizations	18.39	—	—	—	22.77	19.97	7.70	10.80	12.67
Architectural and engineering services	6.58	34.57	50.32	78.90	8.35	7.32	3.94	5.22	6.03
Accounting, auditing, and bookkeeping services	15.51	—	50.32	51.35	17.83	18.29	8.55	10.01	10.07
Miscellaneous services (including veterinarians), not elsewhere classified	13.60	(4)	—	34.53	17.22	15.58	6.85	8.88	9.77
Nature of business not allocable	24.84	32.57	50.32	99.16	26.84	29.82	7.78	13.59	12.85

* Estimate should be used with caution because of the small number of sample returns on which it is based.
 1 Credits include foreign tax, U.S. possessions tax, nonconventional source fuel, orphan drug, research activities and general business credits.
 2 Less than \$500 per return.
 3 Coefficient of variation is less than .005 but greater than zero.
 4 Estimate is based on returns sampled at a 100 percent rate and coefficient of variation is zero.
 NOTE: 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."

Corporation Returns/1985

RETURNS OF ACTIVE CORPORATIONS

Table 2—Balance Sheets, Income Statements, Tax, and Selected Other Items, by Major Industry

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

Item	All industries	Major industry					Nonmetallic minerals, except fuels
		Agriculture, forestry, and fishing	Mining				
			Total	Metal mining	Coal mining	Oil and gas extraction	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Number of returns, total	3,277,219	103,156	41,428	1,284	3,575	33,635	2,932
Total assets	12,773,093,888	52,651,197	240,815,996	23,221,457	25,750,388	183,291,541	8,552,610
Cash	683,204,264	3,795,092	7,677,747	572,626	928,423	5,484,009	692,690
Notes and accounts receivable	3,317,635,191	5,055,827	28,359,827	1,747,800	4,906,582	20,332,166	1,372,967
Less: Allowance for bad debts	61,580,335	118,132	587,663	33,422	105,035	414,408	34,798
Inventories	714,722,928	4,698,551	8,748,729	1,726,153	1,046,861	5,225,391	750,324
Investments in Government obligations	916,550,098	234,690	694,113	61,534	182,148	808,100	131,107
Other current assets	629,136,396	1,625,425	6,993,317	876,908	887,351	4,840,628	388,430
Loans to stockholders	56,761,232	1,531,740	3,049,330	1,578,378	107,524	1,263,414	100,015
Mortgage and real estate loans	1,258,672,577	4,234,236	493,876	5,791	92,574	380,551	14,960
Other investments	2,413,551,474	3,174,193,649	89,073,896	6,702,220	5,357,611	76,570,361	443,704
Depreciable assets	3,174,193,649	34,867,376	110,313,133	10,147,792	14,368,926	77,733,532	8,062,882
Less: Accumulated depreciation	1,232,072,530	20,647,603	52,170,845	4,536,580	6,393,969	36,754,113	4,486,183
Depletable assets	112,339,389	910,788	32,305,983	1,368,834	2,868,844	27,396,964	671,341
Less: Accumulated depletion	37,203,920	261,436	12,429,684	350,691	455,914	11,361,544	261,536
Land	141,448,357	13,008,564	3,225,876	352,986	365,024	2,060,626	447,240
Intangible assets (amortizable)	145,290,625	166,366	5,803,966	1,046,412	389,933	4,326,626	40,996
Less: Accumulated amortization	42,505,240	67,222	2,066,652	192,002	89,756	1,770,826	14,067
Other assets	582,949,738	2,922,820	10,842,585	2,146,718	1,293,263	7,170,066	232,572
Total liabilities	12,773,093,888	52,651,197	240,815,996	23,221,457	25,750,388	183,291,541	8,552,610
Accounts payable	891,571,441	2,550,385	16,941,180	1,034,212	1,183,122	14,088,799	635,046
Mortgages, notes, and bonds payable in less than one year	1,001,337,795	9,733,331	18,848,427	813,835	3,205,547	14,245,708	583,338
Other current liabilities	4,234,983,432	2,210,785	13,458,821	2,095,574	1,671,789	9,194,586	496,872
Loans from stockholders	174,317,253	4,306,566	7,947,571	2,150,313	1,638,602	4,014,650	444,006
Mortgages, notes, and bonds payable in one year or more	1,699,272,481	15,861,923	57,050,533	4,617,247	4,376,221	46,280,115	1,776,950
Other liabilities	1,467,912,913	2,581,985	21,796,666	3,011,622	2,569,709	15,684,834	530,502
Capital stock	920,182,882	8,144,837	10,725,644	1,466,101	393,290	8,439,203	427,111
Paid-in or capital surplus	1,420,996,805	5,423,240	74,038,794	6,304,938	6,727,133	59,330,761	1,675,962
Retained earnings, appropriated	54,074,364	231,012	730,086	118,747	320,227	216,475	74,637
Retained earnings, unappropriated	1,311,512,589	2,417,050	21,192,950	1,751,858	3,804,099	13,248,196	2,388,797
Less: Cost of treasury stock	403,068,064	809,918	1,914,677	142,991	139,291	1,451,785	180,610
Total receipts	8,398,278,426	70,491,486	142,038,595	10,464,445	18,764,704	103,165,897	9,643,550
Business receipts	7,369,538,953	65,419,402	126,710,610	9,628,517	17,706,277	90,259,380	9,116,436
Interest	614,500,241	642,196	3,410,219	267,352	326,685	2,710,011	106,172
Interest on Government obligations:							
State and local	20,164,514	9,882	67,150	—	11,102	34,502	21,547
Nonqualifying interest and dividends	3,122,184	123,305	107,521	185	38,202	65,026	4,109
Rents	89,700,937	471,357	660,268	21,245	133,294	448,591	57,138
Royalties	15,237,421	175,466	1,151,849	18,331	38,568	1,082,086	12,864
Net short-term capital gain reduced by net long-term capital loss	-7,032,062	15,394	97,900	1,277	2,172	94,092	359
Net long-term capital gain reduced by net short-term capital loss	53,771,685	620,123	1,281,360	115,445	84,437	1,025,882	55,595
Net gain, noncapital assets	33,537,842	431,964	1,081,413	22,112	98,018	887,177	84,106
Dividends received from domestic corporations	16,967,379	66,056	1,090,760	54,454	33,135	995,017	8,154
Dividends received from foreign corporations	20,770,361	26,394	543,871	33,763	976	490,512	18,620
Other receipts	153,934,848	2,489,947	5,825,673	301,765	291,837	5,073,621	158,450
Total deductions	8,158,144,126	70,559,478	145,389,514	11,057,722	19,115,567	105,903,921	9,312,304
Cost of sales and operations	4,894,254,081	45,085,526	87,972,035	7,664,015	12,955,772	61,456,281	5,895,967
Compensation of officers	170,737,540	1,458,194	1,474,228	30,952	138,046	1,114,216	191,013
Repairs	81,496,784	1,032,700	1,768,306	92,034	188,399	1,278,789	209,084
Bad debts	43,333,588	120,269	651,279	22,380	68,912	486,592	73,394
Rent paid on business property	134,661,335	1,608,804	1,703,816	119,379	253,491	1,227,476	103,470
Taxes paid	200,977,161	1,502,284	5,682,862	418,455	876,638	4,106,272	281,498
Interest paid	568,645,475	2,758,952	7,789,995	596,683	644,763	6,291,538	257,010
Contributions or gifts	4,471,736	20,714	54,476	785	6,052	36,938	10,701
Amortization	6,133,737	14,254	116,801	1,665	11,770	104,729	1,637
Depreciation	304,380,703	3,639,336	9,019,510	622,995	1,155,836	6,519,889	720,789
Depletion	7,779,731	59,285	2,241,839	200,096	358,797	1,495,255	187,691
Advertising	91,922,667	262,071	170,528	10,318	110,252	110,252	39,940
Pension, profit-sharing, stock bonus, and annuity plans	49,588,712	164,620	894,808	57,282	47,390	714,448	75,688
Employee benefit programs	71,601,577	257,043	1,517,510	101,500	303,550	1,011,178	101,281
Net loss, noncapital assets	7,893,175	107,651	347,513	16,754	11,278	310,853	8,629
Other deductions	1,520,267,133	12,467,776	23,984,009	1,102,429	2,084,855	19,642,214	1,154,511
Total receipts less total deductions	240,134,300	-67,992	-3,350,920	-593,278	-350,863	-2,738,025	331,245
Constructive taxable income from related foreign corporations	20,299,335	28,890	884,990	19,516	23,249	840,581	1,643
Net income (less deficit)	240,119,020	-74,270	-2,543,487	-573,762	-338,758	-1,941,259	310,292
Income subject to tax	266,060,609	1,685,031	4,111,431	160,818	185,938	3,347,423	417,252
Income tax, total	111,340,839	540,671	1,810,559	77,108	86,465	1,462,895	184,091
Regular and alternative tax	109,106,358	531,787	1,736,952	67,641	77,047	1,418,636	173,629
Tax from recomputing prior-year investment credit	1,497,597	7,681	23,514	2,030	845	17,327	3,313
Additional tax for tax preferences	725,878	1,198	50,088	7,438	8,574	26,927	7,149
Foreign tax credit	24,263,487	57,317	1,078,746	57,253	30,332	989,971	1,191
U.S. possessions tax credit	2,450,583	9,377	2,425	—	—	—	—
Orphan drug credit	204	—	—	—	—	—	—
Nonconventional source fuel credit	43,267	—	8,032	—	—	—	—
Research activities credit	1,627,997	2,416	660	—	394	7,409	230
General business credit	19,607,097	126,935	163,177	1,100	107	466	87

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 2—Balance Sheets, Income Statements, Tax, and Selected Other Items, by Major Industry—Continued

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

Item	Major industry—Continued								
	Construction				Manufacturing				
	Total	General building contractors and operative builders	Heavy construction contractors	Special trade contractors	Total	Food and kindred products	Tobacco manufactures	Textile mill products	Apparel and other textile products
(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
Number of returns, total	318,276	127,775	18,356	172,145	276,545	16,542	66	4,787	16,464
Total assets	215,297,771	112,058,314	47,505,398	55,734,059	2,644,393,424	209,476,686	60,951,979	27,805,475	29,903,953
Cash	18,258,973	8,300,699	3,298,662	6,659,612	78,384,536	7,058,316	182,968	1,365,705	1,718,027
Notes and accounts receivable	53,587,587	23,666,556	9,502,693	20,418,338	597,063,668	40,346,653	5,738,252	6,320,758	7,533,014
Less: Allowance for bad debts	539,172	139,436	120,624	279,113	11,620,749	536,415	86,748	111,018	178,514
Inventories	30,964,501	22,168,125	1,896,503	6,899,873	299,379,832	24,608,972	5,392,841	5,991,211	9,087,772
Investments in Government obligations	2,488,063	1,743,690	530,737	213,636	25,212,853	1,915,730	8,252	83,630	114,765
Other current assets	21,548,167	13,084,365	3,289,708	5,174,093	119,601,764	9,017,477	2,543,494	1,706,206	1,650,816
Loans to stockholders	3,603,383	1,531,688	712,496	1,359,199	13,649,297	838,868	*745,797	508,183	179,911
Mortgage and real estate loans	9,170,855	7,058,136	13,854,941	2,337,654	587,765,540	57,507,536	*81,138	18,057	18,394
Other investments	71,020,270	21,084,696	25,159,839	24,775,736	1,153,936,680	88,399,145	12,820,238	18,553,210	8,151,353
Depreciable assets	40,084,972	9,991,547	15,067,137	15,026,287	522,795,915	38,958,031	4,321,327	10,483,301	4,072,347
Less: Accumulated depreciation	1,721,885	929,804	60,060	732,021	60,352,304	167,144	17,824	*9,571	429
Depletable assets	394,846	225,985	137,052	31,808	17,617,880	29,310	6,951	484	1
Less: Accumulated depletion	6,022,072	4,044,601	938,977	1,038,493	32,722,231	3,256,575	417,144	208,637	198,679
Land	1,049,364	658,844	168,881	221,639	85,257,126	6,438,583	*1,349,414	217,946	670,532
Intangible assets (amortizable)	249,588	150,620	25,693	73,274	27,633,072	5,177,068	*220,674	57,936	103,848
Less: Accumulated amortization	13,880,498	9,565,864	2,565,059	1,749,575	156,193,936	9,507,584	2,581,825	877,804	940,723
Total liabilities	215,297,771	112,058,314	47,505,398	55,734,059	2,644,393,424	209,476,686	60,951,979	27,805,475	29,903,953
Accounts payable	41,642,674	24,133,131	5,910,301	11,599,241	290,242,422	27,554,939	3,996,495	3,211,441	4,802,892
Mortgages, notes, and bonds payable in less than one year	28,777,539	17,827,904	4,989,235	5,960,399	245,083,041	15,279,567	2,752,125	1,661,140	3,769,446
Other current liabilities	31,946,412	16,571,115	5,211,641	10,163,657	236,575,814	16,804,161	3,939,185	2,886,490	2,666,148
Loans from stockholders	6,586,408	3,794,885	571,424	2,220,099	43,012,838	3,565,133	*1,897,312	802,535	765,557
Mortgages, notes, and bonds payable in one year or more	35,987,365	23,769,510	6,117,088	6,100,768	457,693,586	37,229,414	11,183,086	5,486,086	5,327,134
Other liabilities	15,670,104	9,002,776	3,224,945	3,442,383	272,139,846	14,436,464	2,794,364	1,392,492	606,367
Capital stock	9,173,765	3,399,265	3,057,507	2,716,994	127,862,443	9,186,917	4,857,573	1,684,450	1,741,517
Paid-in or capital surplus	17,587,676	4,326,972	11,428,667	1,832,036	409,426,317	40,506,835	17,082,022	2,225,711	3,197,577
Retained earnings, appropriated	319,318	87,180	77,580	154,558	9,533,895	338,169	115,202	27,093	42,224
Retained earnings, unappropriated	31,064,221	10,307,284	7,538,473	13,218,464	604,361,891	50,138,764	12,664,443	9,526,160	7,583,549
Less: Cost of treasury stock	3,457,710	1,161,707	621,463	1,674,540	51,538,670	5,563,678	*329,329	498,124	598,457
Total receipts	387,232,953	174,477,108	63,668,646	149,087,199	2,831,062,496	323,741,966	41,352,976	44,275,596	58,965,684
Business receipts	374,590,273	167,147,469	60,416,163	147,026,641	2,656,345,750	311,438,786	38,582,921	43,141,295	57,827,526
Interest	3,431,212	2,233,226	657,080	540,906	46,266,217	2,786,102	726,743	270,141	240,392
Interest on Government obligations:									
State and local	163,298	104,228	20,223	28,571	1,068,287	48,124	1,524	9,048	4,373
Nonqualifying interest and dividends	257,118	171,117	30,449	55,553	419,122	57,144	*843	16,039	32,257
Rents	1,736,678	1,054,588	393,739	288,350	30,423,042	1,737,553	139,236	62,482	94,798
Royalties	59,605	9,274	24,922	25,409	9,709,464	578,129	261,437	21,786	193,271
Net short-term capital gain reduced by net long-term capital loss	31,012	24,339	3,834	2,839	522,567	37,975	337	1,490	695
Net long-term capital gain reduced by net short-term capital loss	1,548,073	924,683	456,721	166,669	14,853,783	979,614	90,964	136,822	54,519
Net gain, noncapital assets	1,678,166	1,079,462	396,138	202,565	7,224,864	2,130,152	33,985	59,665	104,205
Dividends received from domestic corporations	160,159	57,961	70,875	31,323	5,407,566	382,671	*1,119,767	44,349	17,480
Dividends received from foreign corporations	151,265	27,028	109,494	14,691	17,738,191	996,822	119,238	52,651	33,246
Other receipts	3,426,094	1,633,404	1,089,008	703,682	41,083,643	2,568,892	276,082	459,827	362,921
Total deductions	382,823,113	173,019,116	62,787,744	147,016,253	2,733,105,346	313,492,209	37,760,586	43,024,523	57,591,544
Cost of sales and operations	295,803,244	142,128,799	48,227,998	105,446,447	1,797,852,805	221,011,104	19,947,518	32,709,825	40,601,481
Compensation of officers	12,913,084	4,529,792	1,300,691	7,082,601	27,276,378	2,002,208	110,241	624,928	1,449,302
Repairs	1,766,654	513,860	511,890	740,904	28,779,634	2,551,333	247,610	335,486	179,333
Bad debts	844,556	245,558	108,420	490,578	7,277,245	418,137	41,109	90,827	131,589
Rent paid on business property	3,002,512	897,204	578,042	1,527,266	31,605,080	2,671,252	263,019	335,028	849,026
Taxes paid	7,954,781	2,438,825	1,243,286	4,272,702	78,013,014	6,858,163	2,590,937	1,061,628	1,425,361
Interest paid	6,407,652	3,578,746	1,345,846	1,483,059	90,452,072	7,344,733	1,817,573	977,515	1,090,912
Contributions or gifts	127,676	59,311	25,584	42,782	2,333,202	239,135	54,502	38,884	33,097
Amortization	52,887	31,372	4,569	16,946	2,251,334	191,503	98,948	16,293	32,325
Depreciation	7,818,360	2,325,069	2,271,738	3,221,552	122,957,247	9,734,471	1,776,335	1,683,366	879,748
Depletion	107,173	27,895	68,913	10,365	4,076,302	201,837	138	1,944	*782
Advertising	1,053,590	497,769	56,269	499,552	43,444,864	12,043,756	3,474,811	280,418	833,405
Pension, profit-sharing, stock bonus, and annuity plans	1,761,107	578,635	341,852	840,621	18,123,436	1,219,130	298,289	240,731	284,539
Employee benefit programs	1,933,870	538,528	347,014	1,048,329	36,168,970	2,948,388	718,289	346,922	381,707
Net loss, noncapital assets	131,299	65,136	32,162	34,000	2,152,699	128,130	7,540	13,799	8,861
Other deductions	41,144,669	14,562,616	6,323,471	20,258,582	440,341,067	43,928,930	6,313,726	4,266,929	9,410,076
Total receipts less total deductions	4,409,840	1,457,992	880,902	2,070,946	97,957,150	10,249,757	3,592,390	1,251,073	1,374,140
Constructive taxable income from related foreign corporations	126,171	23,873	94,039	*8,260	16,907,077	1,011,121	220,878	29,204	28,840
Net income (less deficit)	4,379,224	1,367,361	954,718	2,048,845	113,758,645	11,206,417	3,811,745	1,271,229	1,398,607
Income subject to tax	7,268,588	2,816,634	1,565,801	2,886,153	127,806,962	11,756,999	2,849,324	1,512,883	1,942,384
Income tax, total	2,312,846	890,437	603,826	818,583	56,687,476	5,287,651	1,303,683	667,493	839,764
Regular and alternative tax	2,243,786	861,138	575,057	801,590	55,553,921	5,107,989	1,294,279	659,947	829,380
Tax from recomputing prior-year investment credit	31,461	11,648	9,738	10,075	768,942	162,313	5,565	7,328	9,889
Additional tax for tax preferences	37,145	17,320	18,958	866	364,436	17,287	3,840	218	*460
Foreign tax credit	144,531	32,978	*103,223	*8,330	20,001,663	966,412	119,577	35,988	6,401
U.S. possessions tax credit	—	—	—	—	2,283,474	225,125	19,359	*1,677	62,389
Orphan drug credit	—	—	—	—	*204	—	—	—	—
Nonconventional source fuel credit	*779	4	*774	1	17,820	152	—	—	—
Research activities credit	3,392	*2,447	*49	*896	1,339,009	25,583	5,834	3,817	770
General business credit	501,581	157,354	164,109	180,118	7,662,847	543,479	205,210	124,318	45,492

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

Corporation Returns/1985

RETURNS OF ACTIVE CORPORATIONS

Table 2—Balance Sheets, Income Statements, Tax, and Selected Other Items, by Major Industry—Continued

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

Item	Major industry—Continued								
	Manufacturing—Continued								
	Lumber and wood products	Furniture and fixtures	Paper and allied products	Printing and publishing	Chemicals and allied products	Petroleum (including integrated) and coal products	Rubber and miscellaneous plastics products	Leather and leather products	Stone, clay, and glass products
(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	
Number of returns, total	16,461	8,575	3,567	40,597	10,481	2,045	10,323	1,758	9,037
Total assets	52,402,768	15,595,136	70,764,360	94,141,988	263,392,882	545,838,542	41,605,308	9,084,239	55,480,507
Cash	1,856,136	891,297	1,505,898	4,826,962	7,522,070	6,065,008	1,492,690	546,266	1,620,565
Notes and accounts receivable	7,620,873	3,947,856	9,526,621	18,365,758	45,704,463	78,307,189	8,952,410	2,216,603	9,767,180
Less: Allowance for bad debts	159,134	109,977	236,168	1,073,101	1,056,865	920,141	211,933	55,178	302,597
Inventories	6,782,650	3,932,268	8,217,511	6,741,524	29,719,423	19,645,277	6,586,470	2,581,848	6,582,056
Investments in Government obligations	200,716	148,608	364,020	1,271,377	1,285,876	809,979	170,857	25,343	289,713
Other current assets	4,287,030	575,268	2,276,527	5,551,775	9,359,074	14,484,164	1,482,071	304,249	1,785,157
Loans to stockholders	180,832	113,131	88,798	637,517	2,658,577	1,897,284	242,754	13,093	202,570
Mortgage and real estate loans	1,104,684	55,167	94,190	86,444	86,041	102,445	35,535	3,287	229,386
Other investments	5,224,094	1,046,032	12,090,799	16,456,266	66,630,242	189,854,891	7,334,670	1,875,922	11,771,351
Depreciable assets	32,517,578	7,507,032	52,503,203	42,607,174	121,623,386	230,392,415	23,852,261	2,511,387	37,162,859
Less: Accumulated depreciation	15,773,350	3,498,481	21,220,947	18,256,104	55,122,198	90,280,191	11,215,712	1,275,235	17,956,139
Depletable assets	4,789,938	6,375	2,522,686	138,907	2,700,115	44,511,521	773,493	—	1,012,896
Less: Accumulated depletion	124,658	917	422,193	6,029	1,102,939	14,387,648	69,618	—	242,634
Land	914,118	236,112	793,287	1,347,912	3,889,660	8,228,427	452,775	70,554	1,261,761
Intangible assets (amortizable)	114,282	98,550	345,524	6,383,436	10,198,805	43,954,376	469,297	44,672	710,208
Less: Accumulated amortization	40,870	27,484	76,466	975,078	1,824,850	20,584,567	81,105	15,606	122,309
Other assets	2,907,844	674,299	2,391,070	10,037,308	21,122,004	33,758,113	1,338,392	237,033	1,708,482
Total liabilities	52,402,766	15,595,136	70,764,360	94,141,988	263,392,882	545,838,542	41,605,308	9,084,239	55,480,507
Accounts payable	4,097,592	1,885,917	5,616,968	7,252,073	26,853,379	64,489,696	4,692,273	957,716	5,070,493
Mortgages, notes, and bonds payable in less than one year	5,214,148	1,112,478	3,115,258	3,115,258	16,854,937	24,568,078	4,436,956	1,273,731	3,022,205
Other current liabilities	4,494,419	1,421,871	5,184,607	9,880,279	24,775,571	24,422,268	3,262,078	693,092	3,889,600
Loans from stockholders	1,061,781	255,364	312,420	2,665,952	9,861,831	2,908,906	734,287	96,790	919,460
Mortgages, notes, and bonds payable in one year or more	12,566,783	2,504,484	14,692,579	21,014,747	45,458,489	72,542,418	8,875,560	1,695,757	12,131,169
Other liabilities	3,422,592	583,746	5,900,568	8,598,712	16,738,957	102,901,954	1,810,390	366,807	3,658,798
Capital stock	3,639,521	900,296	5,292,973	4,353,547	13,539,566	13,672,222	1,755,782	606,508	3,352,411
Paid-in or capital surplus	6,377,626	1,341,553	9,589,957	8,761,918	48,762,709	126,270,743	6,192,796	985,545	9,912,500
Retained earnings, appropriated	141,990	24,443	60,099	147,250	661,776	632,393	130,088	65,152	348,679
Retained earnings, unappropriated	12,093,488	5,858,470	22,746,950	28,103,543	65,444,319	131,759,022	10,532,983	2,645,086	14,522,236
Less: Cost of treasury stock	697,174	293,446	1,748,018	1,539,605	5,558,651	18,529,159	817,965	301,946	1,347,046
Total receipts	69,877,024	30,048,646	82,387,724	115,455,026	266,811,575	469,260,204	58,635,818	14,679,260	64,318,266
Business receipts	66,379,858	29,303,565	79,767,320	110,554,371	250,832,475	438,285,925	56,123,059	14,359,975	61,508,153
Interest	915,525	134,540	575,113	1,129,708	3,456,613	8,782,811	1,404,999	90,691	727,310
Interest on Government obligations:									
State and local	7,146	11,264	7,566	54,525	60,245	3,245	11,799	2,860	3,208
Nonqualifying interest and dividends	17,886	9,646	15,713	52,081	11,405	3,826	13,319	5,729	9,777
Rents	227,333	112,568	202,815	487,075	1,282,353	2,381,441	159,238	41,792	210,674
Royalties	46,554	5,982	233,536	277,034	1,325,992	1,222,896	83,095	13,829	144,053
Net short-term capital gain reduced by net long-term capital loss	3,572	1,324	8,208	17,464	83,878	48,900	2,164	541	4,767
Net long-term capital gain reduced by net short-term capital loss	1,144,085	48,919	757,845	615,153	2,095,432	2,963,025	403,469	15,209	406,255
Net gain, noncapital assets	245,867	30,512	121,984	257,179	571,625	792,694	87,722	3,665	397,180
Dividends received from domestic corporations	25,978	29,554	70,517	155,830	491,068	915,345	54,485	49,751	63,244
Dividends received from foreign corporations	73,221	23,601	222,633	111,034	2,630,664	6,894,873	497,190	13,631	237,509
Other receipts	590,000	337,261	404,475	1,743,571	3,969,824	6,965,223	795,279	81,587	606,136
Total deductions	68,657,297	28,685,858	79,843,923	108,917,942	254,807,114	445,907,168	56,484,169	14,333,850	61,853,818
Cost of sales and operations	50,065,278	20,069,859	53,665,570	53,883,726	153,406,413	312,131,710	38,323,855	9,965,148	41,374,653
Compensation of officers	945,809	690,909	722,157	2,958,526	1,908,733	499,306	1,045,502	205,940	847,179
Repairs	1,177,429	115,465	2,011,086	742,151	3,840,995	5,477,051	50,900	1,237,037	50,900
Bad debts	203,521	92,454	119,670	723,331	465,568	502,273	168,729	45,185	217,183
Rent paid on business property	756,095	372,523	781,937	1,836,787	3,221,784	3,767,353	615,533	384,697	757,141
Taxes paid	1,600,552	772,915	1,867,306	3,390,819	5,358,306	21,509,238	1,168,714	325,946	1,714,569
Interest paid	1,812,930	443,570	1,810,253	3,084,204	7,645,789	17,119,932	1,191,202	342,450	1,811,551
Contributions or gifts	33,006	23,779	54,533	199,192	284,808	297,683	23,572	10,494	33,111
Amortization	16,179	61,701	23,359	309,500	260,890	311,189	20,043	3,354	28,315
Depreciation	2,587,646	738,207	5,011,027	5,445,075	12,736,114	20,899,518	2,078,467	277,367	3,323,915
Depletion	581,748	1,119	202,784	62,375	317,800	2,240,732	6,531	71	157,977
Advertising	314,283	407,641	1,063,985	2,090,185	8,482,996	1,197,566	621,023	306,936	458,638
Pension, profit-sharing, stock bonus, and annuity plans	367,832	187,295	433,750	998,333	1,733,857	1,553,197	486,147	58,289	375,560
Employee benefit programs	769,226	317,915	1,108,566	1,440,530	3,090,945	1,938,975	981,241	96,821	869,430
Net loss, noncapital assets	35,031	54,991	24,894	71,311	134,711	357,622	277,936	4,679	58,427
Other deductions	7,390,729	4,336,016	10,943,046	31,681,898	51,917,405	56,103,824	8,844,904	2,255,572	8,589,131
Total receipts less total deductions	1,019,727	1,362,788	2,543,801	6,537,084	12,004,461	23,353,036	2,151,649	345,411	2,464,448
Constructive taxable income from related foreign corporations	46,444	12,548	143,264	88,727	3,247,513	6,663,175	145,287	11,836	153,597
Net income (less deficit)	1,047,599	1,364,072	2,679,495	6,558,231	15,191,729	30,012,966	2,285,137	354,386	2,614,838
Income subject to tax	1,773,093	1,550,917	3,197,388	6,841,514	16,098,216	30,100,122	2,437,217	381,085	2,858,719
Income tax, total	653,277	677,739	1,401,424	2,974,207	7,151,172	13,465,767	1,030,859	169,879	1,257,287
Regular and alternative tax	619,221	674,562	1,383,035	2,940,462	6,999,573	13,241,465	1,010,273	166,654	1,223,780
Tax from recomputing prior-year investment credit	15,075	2,625	10,436	30,774	79,316	144,225	8,902	3,090	18,646
Additional tax for tax preferences	18,981	551	7,953	2,971	72,283	80,077	11,644	81	14,862
Foreign tax credit	30,417	13,631	172,445	105,437	2,741,131	10,137,316	151,895	5,378	182,097
U.S. possessions tax credit	161	251	2,631	8,083	988,045	43,371	21,843	20,548	2,022
Orphan drug credit	—	—	—	—	121	—	—	—	—
Nonconventional source fuel credit	—	—	—	—	348	16,645	96	—	55
Research activities credit	2,251	2,416	36,499	7,193	201,190	28,066	18,176	855	11,068
General business credit	169,550	59,284	313,027	389,923	570,492	1,082,843	226,490	17,601	193,482

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 2—Balance Sheets, Income Statements, Tax, and Selected Other Items, by Major Industry—Continued

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

Item	Major Industry—Continued							
	Manufacturing—Continued							
	Primary metal industries	Fabricated metal products	Machinery, except electrical	Electrical and electronic equipment	Motor vehicles and equipment	Transportation equipment, except motor vehicles	Instruments and related products	Miscellaneous manufacturing and manufacturing not allocable
(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	
Number of returns, total	5,096	45,394	26,457	22,837	3,102	4,002	7,820	21,136
Total assets	116,794,667	114,662,198	216,356,962	254,103,284	266,259,352	105,813,480	53,967,562	39,992,098
Cash	2,672,601	5,670,702	8,604,531	9,621,138	4,330,841	6,296,497	2,207,396	2,328,979
Notes and accounts receivable	22,845,157	24,340,636	57,509,811	72,808,443	128,927,853	21,567,522	14,428,572	10,288,046
Less: Allowance for bad debts	521,916	641,393	1,302,732	1,868,867	1,338,325	301,098	260,881	347,750
Inventories	14,498,428	21,134,495	37,147,406	36,506,981	15,901,596	21,266,529	9,336,967	7,717,609
Investments in Government obligations	879,993	646,957	5,386,741	3,392,893	7,103,875	126,119	800,755	186,754
Other current assets	4,360,433	7,238,665	14,551,948	19,996,118	6,563,929	7,275,002	2,578,152	2,014,210
Loans to stockholders	152,465	595,278	1,034,511	1,433,650	1,155,866	587,360	85,408	267,422
Mortgage and real estate loans	71,180	462,808	139,799	435,921	10,524,839	564,854	96,402	75,776
Other investments	20,782,427	20,065,077	33,890,409	31,367,751	39,593,461	18,872,068	7,085,153	6,027,352
Depreciable assets	63,396,284	53,718,352	93,925,352	100,013,671	84,463,727	39,456,211	26,231,693	14,130,150
Less: Accumulated depreciation	30,813,330	26,909,120	47,247,562	46,283,683	41,632,597	19,253,216	12,086,019	6,137,027
Depletable assets	1,412,522	37,080	733,728	1,385,981	15,385	*87,297	*6,625	*2,785
Less: Accumulated depletion	580,596	10,842	251,777	351,685	4,862	*14,765	*3,098	*6,572
Land	1,370,020	1,505,177	2,128,447	1,818,928	1,072,485	2,364,127	730,005	457,401
Intangible assets (amortizable)	1,630,040	1,851,808	2,692,467	3,386,617	1,037,035	1,013,945	1,539,708	1,109,882
Less: Accumulated amortization	299,597	333,685	773,269	974,381	219,507	163,086	253,955	167,731
Other assets	14,908,736	5,290,206	8,197,153	21,414,007	8,763,750	6,068,114	1,444,678	2,024,812
Total liabilities	116,794,667	114,662,198	216,356,962	254,103,284	266,259,352	105,813,480	53,967,562	39,992,098
Accounts payable	11,111,620	13,801,545	21,192,525	13,801,545	26,320,583	15,673,307	6,059,026	4,265,664
Mortgages, notes, and bonds payable in less than one year	14,930,718	9,293,997	19,431,894	29,441,807	67,279,009	7,220,630	4,260,219	5,261,124
Other current liabilities	9,784,657	12,610,167	28,669,674	22,807,799	29,140,096	20,767,457	5,457,453	3,618,741
Loans from stockholders	2,191,237	1,838,806	4,480,167	3,630,776	2,251,229	1,119,172	794,015	862,129
Mortgages, notes, and bonds payable in one year or more	26,983,590	22,407,852	39,890,883	32,829,109	55,482,922	14,823,573	6,245,277	8,322,673
Other liabilities	13,273,328	7,951,517	17,896,750	38,405,611	16,572,260	9,665,251	3,137,593	2,025,323
Capital stock	7,384,516	5,959,576	15,782,118	14,590,104	6,569,805	5,732,250	3,934,900	3,326,940
Paid-in or capital surplus	19,115,828	14,472,163	24,451,656	28,982,467	17,343,579	9,089,523	7,832,362	6,931,246
Retained earnings, appropriated	237,253	221,106	1,456,446	159,981	*3,574,607	59,965	739,948	150,031
Retained earnings, unappropriated	13,114,111	28,285,182	45,303,746	54,482,899	42,044,165	24,206,346	17,420,941	5,885,489
Less: Cost of treasury stock	1,332,192	2,177,714	2,198,899	2,573,546	318,901	2,543,994	1,913,662	657,263
Total receipts	117,346,551	150,028,244	214,033,904	248,211,170	234,619,288	116,013,722	59,003,983	52,195,869
Business receipts	109,248,541	144,810,341	183,139,307	230,999,544	218,618,760	105,528,433	55,777,202	50,118,392
Interest	3,607,181	1,552,291	4,266,313	5,271,698	7,876,166	2,235,782	636,384	579,803
Interest on Government obligations:								
State and local	17,360	31,843	132,885	506,736	96,358	22,701	22,689	12,791
Nonqualifying interest and dividends	11,509	48,453	37,232	30,663	4,497	11,423	7,631	22,049
Rents	395,964	822,205	13,176,450	3,024,129	4,117,511	911,151	624,317	211,959
Royalties	97,718	149,125	3,650,631	716,004	103,371	223,037	253,904	108,078
Net short-term capital gain reduced by net long-term capital loss	25,804	35,818	43,067	52,781	43,135	*95,759	9,004	5,882
Net long-term capital gain reduced by net short-term capital loss	467,971	523,243	806,390	1,621,891	224,115	1,029,396	285,585	183,881
Net gain, noncapital assets	423,580	270,827	414,936	541,876	409,649	112,076	115,751	99,833
Dividends received from domestic corporations	104,432	212,597	405,962	497,429	204,982	283,194	243,555	35,375
Dividends received from foreign corporations	112,748	397,845	2,646,165	811,222	872,987	479,702	368,768	142,439
Other receipts	2,833,743	1,173,655	5,314,568	4,137,198	2,047,756	5,081,068	659,191	675,387
Total deductions	116,713,195	145,660,816	207,268,829	242,898,019	226,703,031	112,373,725	56,930,140	51,197,590
Cost of sales and operations	86,424,553	100,340,616	113,583,275	148,866,426	157,864,179	79,253,599	32,080,918	32,283,099
Compensation of officers	761,211	4,000,831	2,701,898	2,676,330	473,636	606,194	805,487	1,240,053
Repairs	2,725,288	1,004,244	1,449,445	1,452,191	1,638,410	876,359	744,327	292,722
Bad debts	465,979	582,304	764,401	915,667	734,574	182,755	199,396	212,593
Rent paid on business property	1,307,390	1,509,049	3,102,620	3,323,087	3,189,056	1,165,830	755,983	639,889
Taxes paid	2,231,479	3,805,149	5,805,443	6,179,724	5,161,103	2,530,540	1,451,474	1,203,648
Interest paid	6,063,323	4,014,487	7,548,232	9,019,912	11,562,586	2,756,753	1,259,293	1,734,871
Contributions or gifts	20,612	86,617	249,236	150,453	252,480	96,812	122,868	28,828
Amortization	61,759	168,153	79,569	265,231	21,054	168,601	61,155	52,214
Depreciation	4,516,388	5,517,621	10,532,873	13,382,499	13,018,612	3,831,878	3,260,652	1,725,468
Depletion	155,531	20,182	39,137	30,250	10,651	23,355	*2,387	18,969
Advertising	399,113	1,221,939	2,025,390	3,052,866	2,041,478	422,825	1,446,657	1,258,954
Pension, profit-sharing, stock bonus, and annuity plans	981,927	1,061,568	1,769,704	1,683,205	2,178,360	1,272,681	637,447	301,597
Employee benefit programs	1,773,255	1,945,530	3,963,485	4,649,014	5,446,519	1,697,149	1,106,802	578,259
Net loss, noncapital assets	94,804	111,542	341,542	228,107	16,252	93,209	35,864	53,945
Other deductions	10,730,582	20,270,985	53,312,578	47,023,058	23,094,082	17,395,186	12,959,429	9,572,982
Total receipts less total deductions	-1,366,644	4,367,428	6,765,075	5,313,151	7,916,257	3,639,997	2,073,842	998,278
Constructive taxable income from related foreign corporations	79,156	283,750	2,695,332	675,733	592,306	257,484	425,000	95,880
Net income (less deficit)	-1,311,318	4,619,335	9,327,522	5,482,149	8,412,205	3,874,780	2,476,153	1,081,366
Income subject to tax	1,334,973	5,603,041	12,271,364	8,711,612	8,430,532	3,317,133	3,080,192	1,950,257
Income tax, total	559,008	2,339,658	5,534,283	3,839,591	3,915,175	1,406,224	1,377,138	836,199
Regular and alternative tax	538,661	2,311,602	5,433,810	3,755,087	3,835,099	1,349,349	1,355,437	824,533
Tax from recomputing prior-year investment credit	11,504	19,450	69,018	44,909	76,843	23,515	16,767	8,253
Additional tax for tax preferences	8,844	8,603	31,455	39,595	*3,232	33,358	4,909	3,193
Foreign tax credit	35,469	279,276	3,028,277	543,067	693,452	271,562	384,606	97,828
U.S. possessions tax credit	—	33,497	*28,708	531,451	1,394	*6,408	206,136	80,377
Orphan drug credit	—	*83	—	—	—	—	—	—
Nonconventional source fuel credit	55	*454	5	—	10	—	—	—
Research activities credit	12,700	28,735	255,504	236,071	259,808	92,690	91,522	18,264
General business credit	106,956	299,464	615,974	376,523	1,750,151	287,272	204,342	80,975

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

Corporation Returns/1985

RETURNS OF ACTIVE CORPORATIONS

Table 2—Balance Sheets, Income Statements, Tax, and Selected Other Items, by Major Industry—Continued

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

Item	Major industry—Continued								
	Transportation and public utilities				Wholesale and retail trade				
	Total	Transportation	Communication	Electric, gas, and sanitary services	Total	Wholesale trade			
						Total	Groceries and related products	Machinery, equipment, and supplies	Miscellaneous wholesale trade
(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	
Number of returns, total	138,337	109,580	15,630	13,127	917,301	309,935	24,934	51,778	233,223
Total assets	1,246,426,899	265,687,365	365,604,419	615,135,115	1,009,965,739	492,435,457	34,780,073	61,631,846	396,023,737
Cash	27,377,081	11,977,304	8,708,353	6,691,423	57,376,921	26,856,092	2,349,575	4,164,319	20,342,199
Notes and accounts receivable	122,344,709	34,926,646	38,561,325	48,856,739	225,427,190	132,837,726	10,053,581	18,263,276	104,520,869
Less: Allowance for bad debts	2,291,087	682,288	998,005	610,795	5,210,438	3,164,337	284,692	537,554	2,342,091
Inventories	33,925,331	6,126,340	8,034,158	19,764,833	296,465,709	143,333,171	9,268,340	19,108,897	114,955,934
Investments in Government obligations	8,736,603	3,079,061	468,353	5,189,189	40,086,408	31,145,008	66,371	72,724	31,005,914
Other current assets	39,855,213	16,112,397	8,968,563	14,774,252	54,314,894	26,521,625	1,151,465	3,426,735	21,943,425
Loans to stockholders	2,770,175	1,208,508	983,887	577,780	8,921,399	4,055,239	352,282	755,959	2,936,998
Mortgage and real estate loans	5,977,524	2,238,062	104,795	3,634,667	14,086,668	7,049,972	107,203	160,626	6,782,143
Other investments	172,810,782	39,437,344	83,466,794	49,906,644	79,820,233	36,707,741	1,750,384	3,793,403	31,163,954
Depreciable assets	1,051,070,474	212,423,050	271,621,498	567,025,926	310,186,973	112,134,290	13,971,301	18,925,546	79,237,444
Less: Accumulated depreciation	294,877,786	77,966,680	76,536,967	140,374,139	139,267,608	53,475,607	6,544,839	9,176,791	37,753,977
Depletable assets	10,427,507	1,029,370	*6,756	9,391,381	4,164,283	3,481,539	*52,029	98,959	3,330,551
Less: Accumulated depletion	4,055,539	393,631	*2,067	3,659,841	1,815,717	1,664,067	9,427	53,200	1,601,440
Land	8,125,514	2,738,761	1,703,483	3,683,270	19,989,663	6,372,407	638,111	898,729	5,035,568
Intangible assets (amortizable)	12,197,337	4,045,101	6,046,746	2,055,490	12,467,911	4,163,085	538,814	404,114	3,220,157
Less: Accumulated amortization	2,495,898	*1,267,994	617,269	610,635	3,547,150	1,074,485	146,781	120,658	807,047
Other assets	54,528,961	10,606,013	15,084,017	28,838,931	36,689,199	17,156,058	1,456,360	1,646,561	14,053,137
Total liabilities	1,246,426,899	265,687,365	365,604,419	615,135,115	1,009,965,739	492,435,457	34,780,073	61,631,846	396,023,737
Accounts payable	80,354,506	24,222,391	21,690,597	34,441,519	160,621,750	92,558,863	9,157,347	12,942,279	70,459,237
Mortgages, notes, and bonds payable in less than one year	54,750,280	14,911,262	11,789,850	28,049,169	192,927,019	116,716,014	3,920,600	11,140,316	101,655,639
Other current liabilities	90,920,195	26,657,139	25,401,665	38,861,391	141,232,054	69,016,025	2,496,856	5,288,142	61,231,027
Loans from stockholders	10,123,541	4,961,488	2,767,278	2,394,775	32,362,562	13,507,952	1,053,541	2,110,468	10,343,943
Mortgages, notes, and bonds payable in one year or more	366,167,141	68,902,395	83,092,728	214,172,018	159,615,461	58,987,785	6,364,500	9,504,337	43,118,739
Other liabilities	153,630,109	32,687,131	51,388,438	69,554,541	36,946,620	14,833,206	1,159,581	2,608,133	11,065,492
Capital stock	159,157,248	16,349,445	41,535,070	101,272,733	51,458,492	24,251,275	1,827,394	3,529,767	18,894,114
Paid-in or capital surplus	170,357,082	34,983,752	84,864,370	50,508,960	60,862,326	25,570,984	1,934,985	3,567,207	20,068,792
Retained earnings, appropriated	2,420,485	431,236	335,202	1,654,047	1,760,925	672,389	55,255	166,166	450,968
Retained earnings, unappropriated	162,561,488	43,643,992	43,857,433	75,060,062	185,787,431	82,844,604	7,501,963	12,156,618	63,186,023
Less: Cost of treasury stock	4,015,176	2,062,866	1,118,211	834,098	13,608,900	6,523,641	691,418	1,381,986	4,450,237
Total receipts	772,358,188	280,235,899	176,520,449	315,601,841	2,473,865,453	1,216,470,305	176,589,975	122,783,483	917,096,847
Business receipts	733,943,970	263,343,206	167,150,803	303,449,961	2,408,174,933	1,187,581,406	174,071,054	118,012,427	895,497,925
Interest	12,112,768	4,885,851	1,917,538	5,309,378	19,893,935	11,642,324	330,633	1,071,737	10,239,954
Interest on Government obligations:									
State and local	98,601	38,752	6,684	53,165	1,033,087	205,146	7,091	92,527	105,528
Nonqualifying interest and dividends	99,225	70,473	23,330	5,422	706,458	340,084	24,264	70,623	245,197
Rents	8,218,851	3,823,656	3,035,343	1,359,852	9,761,093	3,385,668	343,146	1,312,314	1,730,208
Royalties	387,207	212,074	91,154	83,978	965,663	286,838	35,209	91,837	159,791
Net short-term capital gain reduced by net long-term capital loss	222,472	117,586	31,914	72,972	292,442	169,684	7,263	25,835	136,586
Net long-term capital gain reduced by net short-term capital loss	3,919,855	1,564,779	837,677	1,517,400	3,943,780	1,292,313	91,983	184,606	1,015,724
Net gain, noncapital assets	3,091,284	1,935,903	455,082	700,298	2,581,333	893,369	113,136	271,522	508,711
Dividends received from domestic corporations	863,836	186,787	289,207	993,774	551,558	237,554	79,916	447,888	447,888
Dividends received from foreign corporations	231,431	76,061	115,841	39,529	837,115	473,458	6,426	24,823	442,210
Other receipts	9,168,669	3,980,770	2,565,875	2,622,044	24,681,842	9,648,457	1,536,015	1,545,517	6,567,125
Total deductions	747,836,158	278,180,305	167,204,073	302,451,780	2,440,403,373	1,200,609,929	175,360,376	120,981,938	904,267,615
Cost of sales and operations	381,028,354	134,299,417	58,365,471	188,363,466	1,869,766,621	988,682,512	151,012,992	88,094,154	749,575,366
Compensation of officers	5,602,037	3,667,764	953,807	980,466	37,810,176	18,470,521	1,729,670	3,113,227	13,627,624
Repairs	29,733,082	5,098,609	15,157,167	9,477,305	9,121,944	3,091,411	543,522	378,384	2,169,505
Bad debts	3,321,630	777,582	1,560,195	983,853	5,839,992	3,019,614	312,947	553,380	2,153,288
Rent paid on business property	20,540,487	11,814,738	6,300,755	2,424,994	38,984,049	9,231,526	1,298,221	1,319,736	6,613,569
Taxes paid	33,331,560	9,424,222	8,572,927	15,334,411	35,656,880	13,042,172	1,377,350	1,598,134	10,066,688
Interest paid	44,880,858	9,027,214	9,846,364	26,007,279	38,217,998	19,216,883	1,134,897	2,339,484	15,742,503
Contributions or gifts	512,459	111,543	255,513	145,403	633,330	252,905	30,052	32,935	189,918
Amortization	838,743	229,898	364,366	244,479	997,093	284,775	34,245	31,956	218,575
Depreciation	70,304,523	18,366,136	25,849,634	26,088,754	36,279,699	13,747,960	1,590,614	2,603,094	9,554,252
Depletion	789,815	213,694	1,660	574,461	201,773	148,694	1,496	14,006	133,191
Advertising	4,517,920	1,873,116	2,325,850	318,954	28,559,582	7,278,049	693,895	838,801	5,745,353
Pension, profit-sharing, stock bonus, and annuity plans	7,614,417	2,342,102	3,058,035	2,214,281	6,615,718	3,041,602	383,656	483,414	2,174,531
Employee benefit programs	9,292,375	3,927,217	3,494,097	1,871,060	9,722,734	3,352,533	583,239	583,766	2,185,528
Net loss, noncapital assets	1,200,669	135,213	791,845	273,011	860,503	265,951	14,066	41,868	210,018
Other deductions	134,327,829	76,871,841	30,306,387	27,149,600	321,135,286	117,482,823	14,619,515	18,955,602	83,907,707
Total receipts less total deductions	24,522,030	2,055,593	9,316,376	13,150,061	33,462,080	15,860,376	1,229,599	1,801,545	12,829,231
Constructive taxable income from related foreign corporations	664,200	156,212	276,556	231,432	699,977	333,086	*4,589	13,283	315,213
Net income (less deficit)	25,087,629	2,173,053	9,586,248	13,328,328	33,126,702	15,988,315	1,227,097	1,722,301	13,038,916
Income subject to tax	34,185,088	6,536,259	11,410,442	16,238,388	41,645,576	19,820,461	1,483,521	2,683,252	15,653,688
Income tax, total	15,214,129	2,632,281	5,282,695	7,299,154	16,392,896	7,978,332	597,654	1,050,534	6,330,144
Regular and alternative tax	14,881,470	2,576,745	5,091,338	7,213,387	16,130,885	7,892,122	586,457	1,020,787	6,284,878
Tax from recomputing prior-year investment credit	231,775	23,232	167,843	40,700	210,478	78,116	10,689	29,060	39,066
Additional tax for tax preferences	100,868	32,287	23,514	45,066	50,860	7,244	507	570	6,167
Foreign tax credit	301,886	66,896	160,900	74,089	613,307	291,914	3,481	9,097	279,336
U.S. possessions tax credit	62,207	—	62,207	—	73,364	20,547	—	294	20,252
Orphan drug credit	—	—	—	—	—	—	—	—	—
Nonconventional source fuel credit	14,199	2,825	—	11,374	800	*552	265	58	*228
Research activities credit	162,421	4,535	132,795	25,090	27,993	17,651	487	3,095	14,069
General business credit	6,240,492	1,000,511	2,086,649	3,153,332	2,280,877	726,312	98,104	158,361	469,847

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

Corporation Returns/1985

RETURNS OF ACTIVE CORPORATIONS

Table 2—Balance Sheets, Income Statements, Tax, and Selected Other Items, by Major Industry—Continued

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

Item	Major industry—Continued									
	Wholesale and retail trade—Continued									
	Retail trade									
	Total	Building materials, garden supplies, and mobile home dealers	General merchandise stores	Food stores	Automotive dealers and service stations	Apparel and accessory stores	Furniture and home furnishings stores	Eating and drinking places	Miscellaneous retail stores	Wholesale and retail trade not allocable
(43)	(44)	(45)	(46)	(47)	(48)	(49)	(50)	(51)	(52)	
Number of returns, total	603,559	40,855	12,542	48,315	89,606	45,779	35,760	131,105	199,598	3,807
Total assets	515,992,721	29,412,080	164,632,314	57,400,366	84,133,382	26,307,700	20,035,251	54,628,041	79,443,586	1,537,561
Cash	30,390,061	1,929,031	3,894,147	4,788,125	5,640,389	2,091,729	1,537,639	4,141,331	6,367,669	130,768
Notes and accounts receivable	92,168,698	6,111,479	46,302,061	4,218,647	11,071,542	3,764,991	5,105,725	4,265,017	11,329,236	420,766
Less: Allowance for bad debts	2,005,356	196,274	701,043	56,057	274,194	124,271	165,007	66,590	421,920	40,744
Inventories	152,710,454	11,131,163	33,974,483	15,233,473	42,996,751	9,866,619	7,584,181	2,640,575	29,283,209	422,084
Investments in Government obligations	8,941,400	56,855	7,734,495	344,058	113,571	83,583	82,950	43,711	482,177	—
Other current assets	27,672,431	707,732	15,123,326	2,311,793	2,480,111	990,628	880,471	2,444,619	2,733,750	120,838
Loans to stockholders	4,847,558	261,476	364,035	479,664	958,346	336,702	205,504	1,053,704	1,188,127	18,602
Mortgage and real estate loans	7,033,625	214,858	5,660,261	171,117	281,350	25,604	87,927	361,990	230,520	*3,272
Other investments	42,792,092	1,693,495	17,666,887	3,833,489	2,247,406	2,768,595	1,007,432	5,732,919	7,841,868	120,401
Depreciable assets	197,583,726	10,568,616	41,133,940	36,080,394	26,725,507	8,405,097	5,317,491	41,125,305	28,227,376	468,956
Less: Accumulated depreciation	85,561,723	5,234,764	14,799,227	16,102,752	12,475,769	3,826,039	2,427,686	16,879,264	13,816,221	230,278
Depletable assets	682,579	29,292	*172,421	*242,035	94,240	*3,491	*929	58,486	81,685	*166
Less: Accumulated depletion	151,636	*785	*41,963	*10,525	43,067	*2,132	799	26,720	20,636	*14
Land	13,603,565	1,191,800	2,621,334	2,214,520	2,191,768	220,214	364,526	3,701,483	1,457,920	22,691
Intangible assets (amortizable)	8,293,341	132,129	6,917,616	2,214,520	485,711	377,892	107,870	2,333,990	1,818,763	11,486
Less: Accumulated amortization	2,470,076	35,980	133,240	781,985	169,110	111,556	35,912	642,625	560,268	2,590
Other assets	19,461,985	856,369	5,322,784	2,294,999	1,808,830	1,436,553	382,010	4,140,108	3,220,332	71,157
Total liabilities	515,992,721	29,412,080	164,632,314	57,400,366	84,133,382	26,307,700	20,035,251	54,628,041	79,443,586	1,537,561
Accounts payable	67,754,094	4,434,185	16,212,426	11,800,120	7,767,668	4,561,423	3,407,955	4,905,441	14,664,877	308,793
Mortgages, notes, and bonds payable in less than one year	75,976,021	3,613,544	17,190,218	2,820,287	36,271,036	1,850,067	2,523,277	3,811,948	7,895,643	234,983
Other current liabilities	72,036,159	2,075,831	43,405,173	5,061,063	5,408,704	2,236,615	1,742,804	5,519,375	6,586,594	179,870
Loans from stockholders	18,743,667	1,177,469	1,365,143	1,227,754	3,052,755	1,010,264	881,756	4,764,637	5,263,889	110,943
Mortgages, notes, and bonds payable in one year or more	100,321,221	5,918,102	30,105,057	13,767,727	11,499,628	3,827,445	2,908,256	17,935,630	14,359,377	306,454
Other liabilities	22,033,143	801,470	9,695,678	2,524,200	1,647,442	926,397	1,078,258	2,544,066	2,815,631	80,271
Capital stock	27,133,806	1,895,488	4,571,926	3,072,090	4,492,975	2,435,726	1,179,235	3,723,030	5,763,335	73,410
Paid-in or capital surplus	35,025,630	3,204,059	10,259,788	4,033,436	2,419,206	2,187,507	1,005,182	6,494,826	6,321,626	265,713
Retained earnings, appropriated	1,083,536	96,290	163,389	64,381	206,400	22,069	291,235	65,743	174,388	*4,999
Retained earnings, unappropriated	102,946,650	7,847,454	32,166,006	13,899,968	12,838,480	7,586,967	5,584,663	6,211,670	16,811,441	-3,822
Less: Cost of treasury stock	7,061,207	751,812	502,490	870,661	1,470,552	336,778	567,372	1,348,326	1,213,215	24,053
Total receipts	1,253,334,930	67,279,857	191,416,254	250,955,993	350,530,468	52,724,451	40,821,154	105,162,629	194,444,124	4,060,218
Business receipts	1,216,633,488	65,584,488	179,889,829	247,064,182	343,910,480	51,380,629	39,717,297	99,244,560	189,859,883	3,960,176
Interest	8,227,949	363,349	4,147,281	587,954	1,213,673	310,075	298,666	521,889	785,263	23,662
Interest on Government obligations:										
State and local	827,908	4,579	676,173	14,589	11,603	9,580	4,773	87,769	18,842	*33
Nonqualifying interest and dividends	365,198	32,654	10,959	28,659	150,385	12,117	29,403	43,963	57,059	*1,176
Rents	6,358,269	332,320	1,423,019	707,839	1,255,792	149,827	146,066	1,450,496	892,910	17,156
Royalties	677,826	15,031	24,391	12,650	32,838	81,311	*1,830	338,256	171,518	*999
Net short-term capital gain reduced by net long-term capital loss	122,570	1,491	37,528	24,740	9,841	*2,848	1,721	1,871	42,530	*188
Net long-term capital gain reduced by net short-term capital loss	2,632,954	117,690	871,759	297,671	253,313	51,419	40,664	608,780	391,659	*18,512
Net gain, noncapital assets	1,684,000	97,052	164,958	139,864	386,605	44,714	36,526	562,362	251,899	3,964
Dividends received from domestic corporations	438,875	12,844	221,265	57,103	17,586	56,191	12,813	25,446	35,628	*3,340
Dividends received from foreign corporations	360,975	*837	198,060	*89,335	*1,267	*2,526	—	58,199	10,751	*2,681
Other receipts	15,005,057	717,522	3,751,033	1,949,407	3,287,084	623,216	531,395	2,219,216	1,926,183	28,328
Total deductions	1,235,676,025	66,099,334	186,040,551	248,043,319	348,046,847	51,603,947	39,962,463	104,228,578	191,650,985	4,117,419
Cost of sales and operations	878,230,123	47,896,639	115,308,992	190,389,074	294,897,138	40,407,973	25,099,093	44,012,542	130,218,673	2,853,985
Compensation of officers	19,193,957	1,689,632	785,338	1,580,448	4,469,367	1,290,495	1,312,540	2,845,751	5,220,385	145,698
Repairs	6,017,451	341,129	986,369	1,338,163	800,408	196,930	165,459	1,396,389	792,605	13,081
Bad debts	2,797,873	255,249	849,172	209,992	436,383	164,420	202,279	153,553	526,826	22,505
Rent paid on business property	29,681,237	1,001,149	5,454,926	4,074,040	3,073,504	3,113,281	1,375,425	5,822,658	5,766,254	71,286
Taxes paid	22,553,189	1,275,999	4,463,799	3,251,981	3,716,999	1,196,189	853,754	4,163,146	3,631,320	61,519
Interest paid	18,927,117	804,318	6,783,304	1,621,690	3,342,310	706,576	595,577	2,355,107	2,428,236	73,997
Contributions or gifts	379,294	18,875	103,779	71,446	41,351	29,860	15,114	27,556	71,314	1,031
Amortization	711,246	13,007	125,190	53,254	54,521	91,830	14,188	204,634	154,622	1,071
Depreciation	22,475,764	1,034,769	4,365,486	3,938,324	3,918,706	991,845	552,188	4,346,021	3,328,426	55,976
Depletion	53,079	6,491	6,684	11,754	3,583	*314	*3,005	4,993	16,256	—
Advertising	21,245,479	956,635	5,134,530	2,630,394	3,510,598	1,323,082	1,716,642	2,644,572	3,329,027	36,053
Pension, profit-sharing, stock bonus, and annuity plans	3,544,163	220,902	1,050,504	673,535	390,568	168,555	116,176	268,509	655,414	29,954
Employee benefit programs	6,354,630	283,754	1,152,107	2,129,356	1,071,016	243,083	143,574	530,794	800,945	15,572
Net loss, noncapital assets	593,190	14,527	28,649	43,326	49,023	41,092	26,089	284,652	105,832	*1,361
Other deductions	202,918,233	9,996,260	39,441,723	36,026,543	28,271,372	11,638,422	7,771,359	35,167,702	34,604,852	734,230
Total receipts less total deductions	17,658,905	1,180,523	5,375,703	2,912,674	2,483,621	1,120,504	858,690	934,051	2,793,139	-57,201
Constructive taxable income from related foreign corporations	362,277	—	237,338	54,867	170	1,814	37	47,294	20,758	*4,615
Net income (less deficit)	17,191,006	1,175,944	4,936,868	2,952,952	2,472,188	1,112,738	853,954	891,308	2,795,055	-52,619
Income subject to tax	21,756,357	1,351,088	4,880,949	3,278,793	2,810,755	1,681,958	1,022,280	2,646,149	4,084,386	68,757
Income tax, total	8,389,417	463,920	2,111,965	1,380,606	961,771	648,221	362,286	1,036,932	1,423,716	25,147
Regular and alternative tax	8,213,951	460,490	2,072,795	1,363,612	936,613	641,577	359,939	983,908	1,395,016	24,812
Tax from recomputing prior-year investment credit	131,327	2,794	13,360	15,426	23,545	6,026	2,291	40,787	27,098	335
Additional tax for tax preferences	43,616	636	25,809	1,565	1,512	*619	*56	11,817	1,602	—
Foreign tax credit	321,393	*2	182,387	59,503	32	3,471	—	62,657	13,341	—
U.S. possessions tax credit	52,815	—	—	3,094	—	*172	—	*556	48,993	3
Orphan drug credit	—	—	—	—	—	—	—	—	—	—
Nonconventional source fuel credit	*248	*248	—	—	—	—	—	—	—	—
Research activities credit	10,343	*425	*4,892	396	*236	*694	*861	908	1,930	—
General business credit	1,551,575	56,146	429,428	342,547	162,854	74,365	26,730	263,531	195,974	2,991

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

Corporation Returns/1985

RETURNS OF ACTIVE CORPORATIONS

Table 2—Balance Sheets, Income Statements, Tax, and Selected Other Items, by Major Industry—Continued

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

Item	Major industry—Continued							
	Finance, insurance, and real estate							
	Total	Banking	Credit agencies other than banks	Security, commodity brokers and services	Insurance	Insurance agents, brokers, and service	Real estate	Holding and other investment companies, except bank holding companies
(53)	(54)	(55)	(56)	(57)	(58)	(59)	(60)	
Number of returns, total	518,432	12,608	27,138	15,489	10,070	60,011	347,684	45,432
Total assets	7,029,452,681	3,249,956,958	1,320,797,410	339,222,942	1,172,181,426	33,050,768	249,809,366	664,433,811
Cash	456,840,952	344,454,042	53,403,347	6,403,017	13,437,155	6,056,836	15,599,343	17,487,213
Notes and accounts receivable	2,227,226,674	1,814,053,059	145,961,873	118,891,436	53,307,352	10,206,300	23,894,700	60,911,955
Less: Allowance for bad debts	38,792,775	25,445,872	11,340,260	204,871	781,024	97,140	422,437	501,170
Inventories	25,172,871	396,385	1,419,151	1,554,347	1,095,262	39,663	16,145,140	4,422,923
Investments in Government obligations	836,125,893	412,279,315	69,393,250	34,413,721	184,352,378	1,273,646	2,827,920	131,595,684
Other current assets	365,789,903	107,593,421	27,211,161	120,495	89,541,109	1,703,411	15,950,380	30,774,871
Loans to stockholders	14,329,217	2,002,285	4,002,623	120,495	849,116	585,603	4,288,588	2,480,507
Mortgage and real estate loans	1,210,529,294	206,758,080	806,901,330	1,101,989	166,201,540	515,596	19,531,497	9,519,262
Other investments	1,414,783,020	220,537,001	155,687,160	73,029,003	542,996,532	7,539,630	35,975,840	379,017,855
Depreciable assets	239,987,908	65,029,182	22,864,283	5,038,133	21,957,905	4,666,552	98,607,042	21,824,811
Less: Accumulated depreciation	73,406,834	20,927,729	6,791,497	1,782,645	3,399,611	2,273,195	31,204,987	7,027,170
Depletable assets	1,958,913	105,561	61,993	104,453	*59,249	13,421	572,558	1,041,678
Less: Accumulated depletion	467,311	14,322	34,216	37,805	*3,089	3,089	202,555	174,559
Land	47,588,543	4,974,727	4,332,598	148,496	1,057,060	179,819	33,263,619	3,632,225
Intangible assets (amortizable)	18,685,605	4,668,529	6,995,279	679,185	1,097,158	1,106,128	2,308,331	1,830,996
Less: Accumulated amortization	3,206,359	689,360	569,208	171,342	238,323	369,653	557,422	382,052
Other assets	286,307,168	114,391,656	41,308,653	6,819,782	100,649,331	1,927,242	13,231,810	7,978,784
Total liabilities	7,029,452,681	3,249,956,958	1,320,797,410	339,222,942	1,172,181,426	33,050,768	249,809,366	664,433,811
Accounts payable	269,786,382	55,451,161	36,747,398	119,150,535	22,788,362	12,090,082	8,459,026	15,099,818
Mortgages, notes, and bonds payable in less than one year	415,277,642	156,566,383	162,911,278	24,099,125	26,823,461	1,811,327	31,400,259	11,665,809
Other current liabilities	3,684,015,020	2,505,635,186	814,974,983	145,463,790	175,460,354	4,907,060	15,388,507	22,185,139
Loans from stockholders	54,526,233	20,026,311	8,609,128	1,789,348	3,635,666	474,995	15,097,421	4,893,363
Mortgages, notes, and bonds payable in one year or more	503,061,319	135,627,038	189,510,950	14,648,318	22,341,663	4,323,339	103,150,047	33,459,363
Other liabilities	940,818,076	111,650,996	47,492,055	13,291,792	735,564,837	1,747,054	19,211,144	11,860,198
Capital stock	532,896,560	47,595,966	10,489,462	2,172,514	13,840,263	1,420,689	16,734,272	440,643,394
Paid-in or capital surplus	644,636,493	96,738,673	30,019,119	10,014,020	64,733,307	2,754,496	34,617,972	405,759,905
Retained earnings, appropriated	38,483,921	3,029,706	6,387,218	149,358	21,964,637	51,880	610,280	6,290,842
Retained earnings, unappropriated	267,372,232	119,417,782	14,345,111	8,813,426	87,211,380	4,382,791	7,984,756	25,216,986
Less: Cost of treasury stock	321,421,197	1,782,246	689,292	369,885	2,182,504	92,947	2,844,317	312,640,005
Total receipts	1,182,034,309	358,468,757	155,958,230	41,424,854	382,495,940	28,187,784	90,933,788	124,564,955
Business receipts	501,993,840	35,564,223	26,898,657	21,562,819	272,199,436	25,833,298	57,723,202	62,212,205
Interest	522,845,121	285,675,528	115,312,085	11,591,114	69,068,208	958,790	5,905,533	34,333,863
Interest on Government obligations:								
State and local	17,494,863	9,150,903	405,843	220,510	4,136,912	26,446	93,805	3,460,443
Nonqualifying interest and dividends	928,209	—	90,997	87,377	9,413	61,148	542,347	136,926
Rents	29,120,939	6,874,965	1,221,395	685,224	6,151,389	152,197	12,386,574	1,649,195
Royalties	952,021	40,489	25,520	42,566	41,925	*5,433	464,379	331,709
Net short-term capital gain reduced by net long-term capital loss	5,716,701	146,833	245,759	496,858	1,763,127	14,215	149,328	2,900,581
Net long-term capital gain reduced by net short-term capital loss	25,419,842	2,405,367	1,016,952	468,754	7,626,177	214,244	3,650,567	10,037,781
Net gain, noncapital assets	15,237,091	2,743,506	4,639,980	2,802,505	296,339	48,049	4,393,123	313,589
Dividends received from domestic corporations	7,769,086	693,340	325,094	428,925	3,836,971	42,198	280,030	2,162,528
Dividends received from foreign corporations	999,202	263,432	99,672	18,415	131,745	101,850	10,524	373,564
Other receipts	53,557,393	14,910,170	5,676,276	3,019,785	17,234,297	729,915	5,334,377	6,652,572
Total deductions	1,104,572,202	340,305,708	154,876,764	39,462,042	372,314,953	27,241,706	90,731,986	79,639,042
Cost of sales and operations	237,577,803	2,496,010	4,549,977	628,414	153,171,980	5,904,170	22,796,433	48,030,818
Compensation of officers	25,686,323	9,068,892	2,094,115	2,988,274	2,017,432	3,447,212	4,687,593	1,382,804
Repairs	4,652,337	1,806,122	481,074	92,972	135,228	124,025	1,731,776	281,140
Bad debts	23,078,139	15,958,904	4,858,476	175,144	597,757	358,694	617,268	511,897
Rent paid on business property	15,866,815	5,983,456	1,716,665	1,275,244	2,483,083	918,290	2,676,656	813,420
Taxes paid	21,010,565	5,537,390	1,746,499	893,566	6,156,274	817,741	4,674,350	1,184,743
Interest paid	363,009,417	214,010,229	102,933,291	10,961,992	12,829,552	612,220	13,088,764	8,573,368
Contributions or gifts	516,938	239,275	61,201	47,544	32,920	27,720	75,041	33,237
Amortization	1,083,536	388,269	133,715	62,867	140,717	70,405	204,589	78,089
Depreciation	26,893,911	11,001,605	2,342,819	1,417,576	4,030,444	816,475	5,449,832	1,835,160
Depletion	245,970	44,049	5,199	14,136	41,263	*1,000	60,933	79,391
Advertising	7,022,603	2,115,195	1,423,619	533,797	1,013,467	234,850	1,305,824	395,851
Pension, profit-sharing, stock bonus, and annuity plans	5,396,210	1,785,619	389,160	373,282	1,570,700	506,089	514,726	256,635
Employee benefit programs	6,427,203	3,062,043	720,265	294,858	1,038,557	450,861	411,662	448,958
Net loss, noncapital assets	2,540,731	625,393	1,109,133	62,867	60,450	14,896	519,777	148,214
Other deductions	363,563,701	66,183,257	30,311,557	19,634,621	186,995,130	12,937,058	31,916,762	15,585,317
Total receipts less total deductions	77,462,107	18,163,049	1,081,466	1,962,812	10,180,986	946,078	201,802	44,925,913
Constructive taxable income from related foreign corporations	776,285	407,962	88,618	24,731	55,567	61,391	6,970	131,044
Net income (less deficit)	60,670,526	9,420,108	764,231	1,767,033	6,099,642	981,023	64,108	41,574,381
Income subject to tax	34,738,657	11,347,681	3,505,259	1,991,977	8,134,998	1,467,334	5,335,512	2,955,897
Income tax, total	13,598,201	4,857,101	1,501,397	830,351	3,163,597	523,770	1,611,905	1,110,080
Regular and alternative tax	13,369,981	4,777,162	1,469,773	819,945	3,115,591	520,902	1,583,486	1,083,123
Tax from recomputing prior-year investment credit	120,270	43,345	13,211	6,133	30,958	2,591	10,811	13,223
Additional tax for tax preferences	99,830	36,325	17,910	3,941	16,813	*275	14,228	10,338
Foreign tax credit	1,776,854	1,313,452	120,734	14,279	130,997	63,155	5,447	128,790
U.S. possessions tax credit	*8,887	—	8,469	26	—	—	—	—
Orphan drug credit	1,637	—	—	25	41	—	*958	*613
Nonconventional source fuel credit	23,902	3,825	1,606	5,977	8,529	*411	563	2,991
Research activities credit	1,593,044	834,509	104,452	143,248	290,225	42,759	83,403	94,447

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

Corporation Returns/1985

RETURNS OF ACTIVE CORPORATIONS

Table 2—Balance Sheets, Income Statements, Tax, and Selected Other Items, by Major Industry—Continued

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

Item	Major industry—Continued							Nature of business not allocable
	Services							
	Total	Hotels and other lodging places	Personal services	Business services	Auto repair, miscellaneous repair services	Amusement and recreation services	Other services	
(61)	(62)	(63)	(64)	(65)	(66)	(67)	(68)	
Number of returns, total	939,390	19,707	65,023	289,948	88,677	68,409	407,627	24,356
Total assets	330,982,941	33,180,172	12,609,637	114,315,026	29,432,026	48,987,690	92,458,390	3,107,240
Cash	33,150,421	1,936,941	1,599,427	11,156,518	2,331,406	3,075,002	13,051,126	342,540
Notes and accounts receivable	57,982,473	2,062,908	1,865,886	27,908,451	4,409,919	8,555,886	13,179,423	587,548
Less: Allowance for bad debts	2,410,753	73,683	48,165	697,257	130,317	307,155	1,154,175	9,566
Inventories	14,896,218	434,884	870,396	4,941,866	2,705,761	4,386,528	1,556,783	471,186
Investments in Government obligations	2,479,646	300,742	89,949	782,974	109,170	151,519	1,045,293	*3,054
Other current assets	19,237,075	1,048,435	720,660	8,463,201	1,292,181	2,703,179	5,009,419	170,638
Loans to stockholders	8,851,960	634,485	108,825	2,552,328	399,506	563,806	4,682,321	54,730
Mortgage and real estate loans	2,844,808	1,169,263	1,000,447	1,176,930	105,277	270,560	548,732	133,965
Other investments	41,656,151	23,926,842	9,237,243	16,132,884	1,335,675	7,886,041	10,131,860	356,886
Depreciable assets	201,757,654	88,344,560	4,983,677	59,881,889	24,750,695	27,712,205	56,248,782	1,053,180
Less: Accumulated depreciation	473,189	145,647	13,212	310,980	39,749	20,772	49,055	*24,556
Depletable assets	145,647	10,554,053	6,190	88,291	*3,240	*1,400	18,555	*15,860
Less: Accumulated depletion	10,554,053	2,757,888	471,574	1,684,803	823,407	2,079,095	2,737,286	202,842
Land	9,570,520	459,807	483,551	3,421,859	608,429	1,770,657	2,826,217	92,429
Intangible assets (amortizable)	3,011,791	143,142	133,582	974,644	95,989	998,360	666,074	27,508
Less: Accumulated amortization	21,441,544	2,566,520	1,045,362	7,171,964	906,676	3,574,721	6,176,301	143,026
Other assets								
Total liabilities	330,982,941	33,180,172	12,609,637	114,315,026	29,432,026	48,987,690	92,458,390	3,107,240
Accounts payable	28,774,077	1,189,489	1,011,531	14,097,892	2,688,541	4,263,448	5,523,177	658,066
Mortgages, notes, and bonds payable in less than one year	35,472,970	2,123,087	806,572	16,316,528	4,696,326	3,119,278	8,411,178	467,545
Other current liabilities	34,469,865	1,988,669	1,171,533	12,289,125	2,075,833	4,778,212	12,166,494	154,465
Loans from stockholders	15,001,423	1,564,959	828,238	4,652,296	1,164,988	2,816,980	3,973,961	450,112
Mortgages, notes, and bonds payable in one year or more	103,250,383	16,386,009	2,971,311	29,280,913	9,639,605	17,972,462	27,000,083	584,770
Other liabilities	24,161,859	2,164,841	950,279	8,067,183	1,652,482	5,340,594	5,986,480	167,647
Capital stock	20,362,516	1,989,071	982,908	7,676,975	1,468,871	3,261,214	4,983,478	401,377
Paid-in or capital surplus	38,352,257	3,185,432	733,548	15,199,140	1,862,131	6,523,459	10,848,548	312,621
Retained earnings, appropriated	587,402	48,737	55,199	226,702	64,083	37,549	155,131	7,320
Retained earnings, unappropriated	36,771,271	3,474,258	3,649,225	8,534,212	4,550,531	1,561,783	15,001,262	-15,946
Less: Cost of treasury stock	6,221,081	934,378	550,706	2,025,939	431,365	687,290	1,591,402	80,736
Total receipts	534,587,609	28,269,789	23,140,034	183,521,217	45,690,847	48,853,654	205,112,069	4,607,337
Business receipts	497,980,990	25,291,605	22,200,560	169,537,210	41,791,202	43,830,234	195,330,179	4,379,186
Interest	5,863,640	429,739	173,965	2,670,299	281,642	556,340	1,751,455	34,932
Interest on Government obligations:								
State and local	227,222	10,978	15,288	81,189	2,486	12,631	104,650	*2,124
Nonqualifying interest and dividends	470,439	62,168	34,090	150,750	23,861	72,722	126,848	10,787
Rents	9,257,923	938,635	173,103	4,443,816	2,058,305	770,051	874,013	50,787
Royalties	1,835,061	261,676	115,507	481,478	10,301	921,105	44,995	*1,085
Net short-term capital gain reduced by net long-term capital loss	133,183	18,899	7,076	57,341	1,986	27,286	20,595	*390
Net long-term capital gain reduced by net short-term capital loss	2,163,240	374,817	74,616	503,699	105,026	451,362	653,720	21,630
Net gain, noncapital assets	2,152,516	141,145	66,964	593,049	705,404	240,505	405,449	49,211
Dividends received from domestic corporations	611,687	59,664	27,755	211,055	16,371	158,162	138,680	4,455
Dividends received from foreign corporations	234,777	*1,473	*9,625	122,733	*12,570	68,327	30,050	*8,114
Other receipts	13,656,932	678,991	241,486	4,668,597	681,494	1,754,930	5,631,435	44,635
Total deductions	528,685,613	28,169,219	22,766,171	182,329,991	45,364,312	49,046,333	201,009,588	4,769,327
Cost of sales and operations	176,070,808	11,203,084	8,546,102	77,928,931	21,325,010	18,227,635	38,840,046	3,096,887
Compensation of officers	58,325,739	440,580	1,797,441	11,908,285	2,235,001	2,606,542	39,337,891	191,382
Repairs	4,607,334	580,336	272,052	1,274,048	495,876	632,452	1,352,571	33,793
Bad debts	2,137,555	64,582	89,170	905,316	162,091	173,235	743,159	62,924
Rent paid on business property	21,214,115	1,192,710	1,062,974	6,280,960	1,885,084	1,822,894	8,969,492	135,659
Taxes paid	17,739,620	1,310,601	946,597	5,425,701	1,549,613	1,645,389	6,861,719	85,594
Interest paid	15,027,259	2,038,035	396,671	5,084,185	1,685,605	1,864,402	3,958,360	101,273
Contributions or gifts	271,661	26,342	13,169	73,891	9,770	38,307	110,182	1,281
Amortization	765,453	38,892	34,638	260,075	27,758	187,877	216,213	13,637
Depreciation	27,354,083	1,810,199	1,050,709	9,365,602	4,752,498	3,833,964	6,541,112	114,034
Depletion	57,289	*2,830	*5,128	25,983	*6,771	2,768	13,809	*284
Advertising	6,851,481	547,417	463,642	2,741,842	525,156	1,244,464	1,328,960	40,028
Pension, profit-sharing, stock bonus, and annuity plans	8,996,557	61,280	202,322	1,689,963	222,640	357,409	6,462,943	21,838
Employee benefit programs	6,258,201	281,927	171,790	1,840,340	348,791	374,543	3,240,810	23,671
Net loss, noncapital assets	546,700	19,933	32,276	361,761	24,030	54,344	54,356	*6,009
Other deductions	182,461,761	8,550,471	7,681,490	57,163,108	10,108,618	15,980,109	82,977,965	841,035
Total receipts less total deductions	5,901,996	100,570	373,863	1,191,226	326,534	-192,678	4,102,481	-161,990
Constructive taxable income from related foreign corporations	209,062	2,357	10,014	114,201	2,962	51,892	27,838	2,683
Net income (less deficit)	5,883,782	91,948	368,589	1,224,237	327,010	-153,472	4,025,469	-161,431
Income subject to tax	14,503,334	858,212	721,869	5,370,792	885,509	1,311,711	5,355,241	115,942
Income tax, total	4,742,347	322,854	233,551	1,940,399	250,476	472,845	1,522,223	41,713
Regular and alternative tax	4,621,875	308,121	230,612	1,893,709	240,460	465,879	1,483,073	35,702
Tax from recomputing prior-year investment credit	97,471	10,407	2,580	43,727	9,339	4,072	27,345	*6,005
Additional tax for tax preferences	21,447	3,524	210	2,366	*658	2,887	11,802	*6
Foreign tax credit	286,477	*9,442	9,654	165,543	*3,451	77,885	20,501	2,706
U.S. possessions tax credit	9,472	*5,443	—	*3,410	15	*111	*495	1,377
Orphan drug credit	—	—	—	—	—	—	—	—
Nonconventional source fuel credit	—	—	—	—	—	—	—	—
Research activities credit	67,476	*120	*345	47,459	*221	*15,456	3,876	*727
General business credit	1,035,092	74,638	38,402	383,842	72,262	99,633	366,315	3,052

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

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

Corporation Returns/1985

RETURNS WITH NET INCOME

Table 3—Balance Sheets, Income Statements, Tax, and Selected Other Items, by Major Industry

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

Item	All industries	Major industry						
		Agriculture, forestry, and fishing	Total	Mining				Nonmetallic minerals except fuels
				Metal mining	Coal mining	Oil and gas extraction		
(1)	(2)	(3)	(4)	(5)	(6)	(7)		
Number of returns with net income	1,820,120	52,776	18,031	173	1,472	14,302	2,084	
Total assets	9,706,496,555	29,204,828	107,769,158	4,186,816	6,715,521	81,347,942	5,518,879	
Cash	543,731,070	2,746,169	4,109,751	316,778	483,521	2,706,221	603,231	
Notes and accounts receivable	2,608,617,799	3,027,499	10,347,805	536,473	2,669,093	6,235,884	906,356	
Less: Allowance for bad debts	45,841,184	69,143	179,408	7,431	71,603	79,515	20,859	
Inventories	502,628,738	2,825,848	2,327,075	408,636	230,940	1,214,897	472,603	
Investments in Government obligations	670,152,132	164,579	590,466	2,210	61,982	412,788	113,486	
Other current assets	487,559,638	860,219	2,241,122	190,776	301,689	1,591,469	157,188	
Loans to stockholders	38,808,156	892,214	587,542	10,637	17,736	498,573	60,595	
Mortgage and real estate loans	874,548,176	418,303	130,455	1,666	2,221	120,546	6,022	
Other investments	1,934,896,006	2,841,483	58,137,151	1,105,701	828,883	55,877,119	325,448	
Depreciable assets	2,373,046,610	17,979,624	35,856,962	2,921,665	3,363,749	24,483,507	5,088,041	
Less: Accumulated depreciation	909,393,441	10,902,207	17,366,858	1,657,659	1,842,010	11,025,572	2,841,618	
Depletable assets	71,702,749	302,703	8,754,344	259,344	418,941	7,780,107	295,952	
Less: Accumulated depletion	22,396,529	88,634	3,612,041	81,317	58,542	3,384,448	87,734	
Land	85,949,626	6,553,494	1,237,960	20,734	74,159	840,245	302,822	
Intangible assets (amortizable)	109,386,104	71,867	2,657,803	49,922	62,964	2,534,262	10,655	
Less: Accumulated amortization	35,081,414	28,002	1,177,360	5,960	14,668	1,153,057	3,675	
Other assets	418,182,324	1,608,808	3,126,389	114,640	186,465	2,694,917	130,367	
Total liabilities	9,706,496,555	29,204,826	107,769,158	4,186,816	6,715,521	81,347,942	5,518,879	
Accounts payable	648,329,412	1,354,584	5,646,834	426,626	372,200	4,412,567	435,441	
Mortgages, notes, and bonds payable in less than one year	662,085,958	3,928,119	4,048,321	150,171	1,448,509	2,141,858	307,783	
Other current liabilities	3,240,363,040	1,256,408	3,714,399	418,529	489,771	2,550,298	255,800	
Loans from stockholders	92,220,657	1,217,681	895,692	27,904	47,688	790,802	29,298	
Mortgages, notes, and bonds payable in one year or more	1,089,242,950	6,288,764	23,676,807	858,237	636,007	21,187,125	995,438	
Other liabilities	1,190,604,316	1,483,092	5,348,394	365,360	553,680	4,097,152	332,202	
Capital stock	774,531,328	4,467,645	3,840,891	356,245	174,933	3,091,716	217,997	
Paid-in or capital surplus	1,069,709,791	2,137,968	34,890,105	817,596	620,630	33,140,092	311,787	
Retained earnings, appropriated	44,471,000	176,763	290,001	54,607	23,987	154,838	56,570	
Retained earnings, unappropriated	1,277,947,969	7,402,143	26,059,207	757,226	2,428,674	20,126,782	2,746,526	
Less: Cost of treasury stock	383,009,862	508,342	641,493	45,685	80,557	345,288	169,963	
Total receipts	6,420,237,212	46,193,870	49,984,205	2,691,870	5,335,248	35,016,119	6,940,968	
Business receipts	5,634,380,316	42,747,172	43,288,429	2,426,654	4,970,274	29,271,437	6,620,064	
Interest	464,364,627	423,312	1,477,646	80,711	74,739	1,245,775	76,421	
Interest on Government obligations:								
State and local	12,454,274	7,200	26,897	—	1,213	16,350	9,335	
Nonqualifying interest and dividends	2,398,245	78,631	91,359	—	35,961	52,746	2,652	
Rents	70,392,595	275,021	209,267	2,890	33,289	145,101	27,988	
Royalties	12,632,158	149,263	558,649	2,108	19,128	528,808	8,605	
Net short-term capital gain reduced by net long-term capital loss	5,803,386	5,684	89,871	1,277	802	87,561	231	
Net long-term capital gain reduced by net short-term capital loss	45,623,717	477,975	806,170	86,674	33,195	658,671	27,630	
Net gain, noncapital assets	26,299,756	322,259	565,247	17,562	79,212	424,871	43,602	
Dividends received from domestic corporations	14,474,843	57,928	931,802	32	2,024	922,936	6,811	
Dividends received from foreign corporations	19,750,534	22,826	347,105	9,914	—	331,517	5,674	
Other receipts	111,662,763	1,626,600	1,591,762	64,049	85,412	1,330,347	111,955	
Total deductions	6,063,176,333	43,281,934	44,537,829	2,462,931	5,006,376	30,655,701	6,412,821	
Cost of sales and operations	3,683,422,533	28,907,137	26,758,587	1,707,778	3,471,485	17,452,759	4,126,564	
Compensation of officers	125,627,679	943,376	699,768	6,824	53,736	498,718	140,491	
Repairs	64,244,628	584,012	469,414	34,992	75,277	171,992	187,152	
Bad debts	26,398,566	59,760	82,071	4,944	3,073	56,981	17,074	
Rent paid on business property	95,197,433	952,558	455,451	37,586	25,694	328,932	63,238	
Taxes paid	156,366,289	965,446	1,653,794	164,971	246,366	1,048,905	193,552	
Interest paid	397,715,331	1,183,745	2,387,974	98,384	109,815	2,046,202	133,573	
Contributions or gifts	4,407,501	20,487	54,422	750	6,052	36,919	10,701	
Amortization	3,831,287	6,278	11,271	569	2,408	7,968	326	
Depreciation	225,786,025	1,859,095	2,792,169	101,160	268,917	1,949,110	472,982	
Depletion	5,209,312	10,922	928,434	105,851	118,701	558,686	145,196	
Advertising	72,405,575	192,665	62,148	1,041	1,460	26,856	32,790	
Pension, profit-sharing, stock bonus, and annuity plans	40,365,247	127,202	188,322	5,544	6,660	112,802	63,317	
Employee benefit programs	54,757,978	171,161	340,044	14,462	63,754	188,152	73,675	
Net loss, noncapital assets	3,107,176	12,592	21,893	123	503	17,602	3,665	
Other deductions	1,104,333,780	7,285,500	7,632,070	177,954	552,475	6,153,115	748,526	
Total receipts less total deductions	357,060,879	2,911,935	5,446,376	228,939	328,871	4,360,418	528,147	
Constructive taxable income from related foreign corporations	19,319,812	27,643	757,551	9,016	256	747,203	1,076	
Net income	363,867,384	2,930,905	6,166,623	237,955	327,871	5,081,958	518,839	
Income subject to tax	265,430,727	1,680,269	4,111,431	160,818	185,938	3,347,423	417,252	
Income tax, total	110,884,764	534,002	1,787,840	73,193	81,749	1,450,564	182,333	
Regular and alternative tax	108,862,636	526,823	1,736,952	67,641	77,047	1,418,636	173,629	
Tax from recomputing prior-year investment credit	1,321,080	6,189	8,917	118	446	5,741	2,612	
Additional tax for tax preferences	690,157	984	41,965	5,434	4,257	26,183	6,092	
Foreign tax credit	24,238,518	57,317	1,078,746	57,253	30,332	989,971	1,191	
U.S. possessions tax credit	2,450,583	9,377	2,425	—	—	—	—	
Orphan drug credit	204	—	—	—	—	—	—	
Nonconventional source fuel credit	43,261	—	8,032	—	394	7,409	230	
Research activities credit	1,622,991	2,416	660	—	107	466	87	
General business credit	19,537,636	126,935	163,177	1,100	13,681	106,291	42,105	

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

Corporation Returns/1985

RETURNS WITH NET INCOME

Table 3—Balance Sheets, Income Statements, Tax, and Selected Other Items, by Major Industry—Continued

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

Item	Major industry—Continued								
	Total	Construction			Total	Manufacturing			
		General building contractors and operative builders	Heavy construction contractors	Special trade contractors		Food and kindred products	Tobacco manufactures	Textile mill products	Apparel and other textile products
(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
Number of returns with net income	185,613	68,866	10,525	106,221	159,778	8,897	17	3,238	6,391
Total assets	140,324,123	67,729,837	35,145,774	37,448,713	2,164,512,478	164,260,745	60,921,176	20,518,127	19,047,460
Cash	13,722,182	6,005,030	2,462,889	5,254,263	64,659,970	5,762,780	179,070	1,137,062	1,256,955
Notes and accounts receivable	36,044,139	15,525,985	6,418,537	14,099,617	488,251,907	28,007,917	5,737,732	4,995,953	5,504,285
Less: Allowance for bad debts	372,673	91,775	97,142	183,756	8,763,077	383,022	*86,680	81,247	112,449
Inventories	17,568,664	11,869,842	1,161,127	4,537,695	231,415,308	19,030,521	5,387,704	4,574,732	6,375,065
Investments in Government obligations	980,506	362,016	490,850	127,640	23,837,748	1,816,162	8,252	70,566	67,136
Other current assets	11,370,156	6,635,058	1,803,554	2,931,543	93,783,586	7,628,135	*2,542,425	821,102	956,305
Loans to stockholders	5,041,605	921,567	558,178	904,200	10,830,909	464,486	745,092	483,035	115,713
Mortgage and real estate loans	18,133,342	3,323,002	106,641	153,962	13,971,790	438,109	*81,138	*10,550	14,337
Other investments	46,615,818	13,391,730	12,844,849	1,364,678	519,559,533	50,742,694	33,702,591	1,439,392	1,504,528
Depreciable loans	26,320,463	6,340,710	10,009,105	9,970,648	911,705,777	65,990,215	12,771,920	14,001,517	5,296,385
Less: Accumulated depreciation	1,590,363	836,685	703,077	50,601	415,190,437	28,906,054	4,285,373	7,964,227	2,678,526
Depletable assets	368,426	214,970	121,471	29,986	14,899,793	166,241	17,824	*8,265	426
Less: Accumulated depletion	3,499,932	2,116,096	676,229	707,668	24,877,709	*29,305	6,951	*463	—
Land	785,504	5,171,002	676,229	707,668	24,877,709	2,234,496	416,692	138,528	112,071
Intangible assets (amortizable)	166,172	92,015	137,844	130,652	74,933,135	4,857,163	1,348,345	187,807	312,724
Less: Accumulated amortization	9,813,642	7,583,274	20,152	54,004	25,962,717	288,889	220,261	52,386	64,612
Other assets	26,320,463	1,253,934	976,434	976,434	120,733,962	6,729,094	2,581,655	747,941	387,117
Total liabilities	140,324,123	67,729,837	35,145,774	37,448,713	2,164,512,478	164,260,745	60,921,176	20,518,127	19,047,460
Accounts payable	28,329,563	17,044,194	3,926,509	7,358,860	230,270,579	17,715,823	3,984,982	2,231,211	3,460,657
Mortgages, notes, and bonds payable in less than one year	15,618,649	9,079,239	3,300,564	3,238,846	185,181,527	9,538,040	2,732,287	1,170,560	2,015,857
Other current liabilities	19,537,145	9,863,821	3,179,223	6,494,101	195,562,145	12,452,753	3,935,929	1,650,007	1,733,659
Loans from stockholders	3,241,570	1,768,121	280,104	1,193,345	25,922,199	868,185	*1,897,312	728,476	247,529
Mortgages, notes, and bonds payable in one year or more	17,574,678	10,568,077	3,380,572	3,626,029	332,965,987	27,101,928	11,168,214	3,383,500	2,167,156
Other liabilities	8,840,216	4,819,490	2,126,452	1,894,275	235,186,126	12,900,519	17,296,364	1,109,716	1,007,662
Capital stock	6,038,179	2,169,840	2,202,128	1,666,211	88,635,603	6,834,932	4,837,295	1,373,846	1,001,806
Paid-in or capital surplus	13,791,384	2,421,387	10,501,129	868,868	329,737,033	35,156,820	17,062,425	1,272,237	1,051,188
Retained earnings, appropriated	198,914	62,516	*24,120	112,278	7,845,870	202,059	115,202	*15,790	41,645
Retained earnings, unappropriated	29,586,714	10,644,017	6,642,029	12,300,669	579,373,965	45,951,437	12,704,920	7,932,975	7,382,724
Less: Retained treasury stock	2,432,889	711,065	417,057	1,304,767	46,168,556	4,461,752	311,753	350,189	456,779
Total receipts	276,062,308	124,852,209	45,540,086	105,670,013	2,314,314,363	252,491,909	41,220,580	34,493,630	44,315,291
Business receipts	267,018,381	119,729,936	43,007,234	104,281,211	2,165,296,789	242,454,865	38,452,366	33,692,604	43,508,832
Interest	2,131,470	1,281,687	468,589	381,195	38,245,521	2,308,313	726,199	158,163	174,905
Interest on Government obligations:									
State and local	65,444	35,087	17,483	12,874	951,233	41,855	1,524	8,406	2,311
Nonqualifying interest and dividends	190,564	125,975	21,152	43,437	369,979	53,457	*843	15,838	27,860
Rents	1,214,307	767,767	280,247	166,293	27,292,842	1,191,263	139,236	41,551	58,936
Royalties	42,680	5,552	15,473	21,656	8,647,133	393,231	261,437	17,502	150,163
Net short-term capital gain reduced by net long-term capital loss	16,034	10,894	2,871	2,269	406,314	32,048	337	1,447	662
Net long-term capital gain reduced by net short-term capital loss	1,282,957	772,833	391,215	118,909	13,030,577	889,862	90,964	89,351	26,930
Net gain, noncapital assets	1,330,090	929,762	279,980	120,348	6,183,768	2,038,614	33,885	42,045	98,385
Dividends received from domestic corporations	115,072	47,575	43,366	24,031	4,849,517	365,254	1,119,571	26,118	14,693
Dividends received from foreign corporations	149,748	*27,055	*108,008	*14,684	17,186,959	978,338	119,238	51,180	17,107
Other receipts	2,505,561	1,117,987	904,468	483,106	31,853,732	1,744,810	274,981	349,426	234,510
Total deductions	265,059,533	120,382,848	43,436,585	101,240,321	2,187,119,793	240,475,351	37,606,209	32,714,376	41,790,413
Cost of sales and operations	207,932,152	101,039,838	33,679,564	73,212,750	1,438,889,298	171,204,302	19,828,793	25,099,727	30,075,778
Compensation of officers	9,258,207	3,166,599	914,901	5,176,707	20,974,921	1,591,419	102,574	472,892	1,095,431
Repairs	1,204,160	336,500	361,511	506,150	22,669,318	1,953,392	247,111	278,978	143,099
Bad debts	503,310	144,559	67,684	291,068	5,182,555	306,475	41,041	63,715	82,844
Rent paid on business property	1,990,057	580,750	395,036	1,014,272	24,588,457	1,988,247	261,772	248,502	560,203
Taxes paid	5,608,789	1,692,262	882,314	3,034,213	65,840,189	5,224,680	2,588,733	819,844	1,046,039
Interest paid	3,647,179	1,950,562	846,398	850,220	68,054,377	4,983,608	1,815,224	589,537	614,312
Contributions or gifts	125,048	59,159	25,577	40,312	2,302,671	231,347	54,502	38,817	33,025
Amortization	28,386	13,625	3,664	11,096	1,616,889	84,949	7,469	11,514	23,559
Depreciation	5,164,506	1,523,193	1,502,553	2,138,760	99,090,308	7,073,675	1,774,474	1,285,863	579,757
Depletion	91,052	24,967	55,977	10,107	3,341,189	189,675	138	*1,822	*782
Advertising	605,065	246,512	40,165	318,388	36,435,499	9,047,124	3,471,152	239,414	560,441
Pension, profit-sharing, stock bonus, and annuity plans	1,367,727	478,739	215,446	673,541	15,440,918	998,947	296,965	192,493	234,912
Employee benefit programs	1,331,256	346,933	255,170	729,153	28,909,306	2,299,204	717,706	250,973	268,378
Net loss, noncapital assets	33,315	9,656	9,320	14,338	984,040	50,846	7,469	4,981	3,681
Other deductions	26,169,325	8,768,794	4,181,285	13,219,246	352,799,857	33,247,458	6,299,843	3,115,404	6,468,172
Total receipts less total deductions	11,002,775	4,469,561	2,103,521	4,429,692	127,194,571	12,016,559	3,614,371	1,779,254	2,524,878
Constructive taxable income from related foreign corporations	115,814	22,396	85,567	7,851	16,321,071	936,071	220,878	28,101	*24,621
Net income	11,053,145	4,456,870	2,171,605	4,424,669	142,541,119	12,907,015	3,833,726	1,798,949	2,547,189
Income subject to tax	7,267,151	2,816,634	1,565,801	2,884,716	127,768,374	11,564,999	2,849,324	1,512,883	1,942,384
Income tax, total	2,304,323	887,483	601,586	815,254	56,571,599	5,277,714	1,303,683	665,760	838,635
Regular and alternative tax	2,243,702	861,138	575,057	807,507	55,542,557	5,107,277	1,294,279	659,947	829,380
Tax from recomputing prior-year investment credit	23,564	9,007	7,725	6,831	680,977	154,642	5,565	5,671	8,884
Additional tax for tax preferences	36,603	17,317	18,731	865	347,923	15,733	3,840	*141	*371
Foreign tax credit	144,531	32,978	*103,223	*8,330	20,001,663	966,412	119,577	35,988	6,401
U.S. possessions tax credit	—	—	—	—	2,283,474	225,125	19,359	*1,677	62,389
Orphan drug credit	—	—	—	—	*204	—	—	—	—
Nonconventional source fuel credit	*779	4	*774	—	17,820	152	—	—	—
Research activities credit	3,392	*2,447	*749	1	1,339,009	25,583	5,834	3,817	770
General business credit	501,581	157,354	164,109	180,118	7,662,847	543,479	205,210	124,318	45,492

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

Corporation Returns/1985

RETURNS WITH NET INCOME

Table 3—Balance Sheets, Income Statements, Tax, and Selected Other Items, by Major Industry—Continued

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

Item	Major industry—Continued								
	Manufacturing—Continued								
	Lumber and wood products	Furniture and fixtures	Paper and allied products	Printing and publishing	Chemicals and allied products	Petroleum (including integrated) and coal products	Rubber and miscellaneous plastic products	Leather and leather products	Stone, clay, and glass products
(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	
Number of returns with net income	9,253	5,492	2,616	24,895	6,323	1,451	6,532	867	6,320
Total assets	35,885,650	12,556,887	46,519,045	80,125,955	224,732,135	520,311,247	31,962,366	7,265,988	40,673,348
Cash	1,494,807	811,713	1,318,289	3,472,819	6,911,457	5,722,339	1,237,998	477,867	1,263,944
Notes and accounts receivable	5,507,011	3,255,827	6,905,648	15,578,595	38,487,660	72,442,906	6,896,780	1,671,400	7,521,268
Less: Allowance for bad debts	102,491	85,195	168,523	902,633	896,187	792,321	154,479	31,836	218,399
Inventories	4,641,634	3,038,536	5,687,339	5,608,558	25,049,462	18,070,513	4,754,907	1,916,601	5,006,746
Investments in Government obligations	178,251	125,044	353,575	1,235,505	1,092,758	796,059	170,836	16,872	253,702
Other current assets	3,365,851	413,659	1,438,319	5,033,950	8,034,906	13,943,703	1,206,291	235,504	1,229,549
Loans to stockholders	105,880	103,708	70,594	562,466	2,248,192	1,593,194	180,453	12,309	148,590
Mortgage and real estate loans	958,529	*48,226	66,286	82,770	47,315	99,804	23,794	2,937	75,463
Other investments	4,255,077	955,033	9,690,899	15,002,565	61,813,954	185,900,178	6,100,870	1,790,180	8,175,436
Depreciable loans	22,371,147	6,099,972	31,569,987	35,666,898	101,974,764	213,453,615	18,364,756	1,784,085	27,868,703
Less: Accumulated depreciation	11,775,128	2,914,476	13,452,158	15,442,149	47,003,708	82,801,780	9,143,724	878,432	13,687,781
Depletable assets	2,416,641	*6,375	1,146,027	*137,590	1,761,460	41,112,740	773,493	—	483,416
Less: Accumulated depletion	46,960	*917	163,453	*5,887	786,979	12,804,625	*69,618	—	73,539
Land	529,537	175,936	505,259	1,092,709	1,902,216	7,933,076	325,423	41,077	885,723
Intangible assets (amortizable)	83,941	58,404	272,925	4,364,710	9,235,892	43,815,308	362,455	24,760	526,464
Less: Accumulated amortization	32,737	17,051	66,795	616,501	1,649,007	20,566,710	51,268	5,322	75,024
Other assets	1,934,660	482,075	1,344,829	9,253,991	16,507,977	32,393,250	983,399	207,687	1,290,087
Total liabilities	35,885,650	12,556,887	46,519,045	80,125,955	224,732,135	520,311,247	31,962,366	7,265,988	40,673,348
Accounts payable	2,621,942	1,407,707	3,678,559	5,611,575	23,002,383	61,342,354	3,316,602	720,064	3,803,814
Mortgages, notes, and bonds payable in less than one year	3,167,286	690,311	1,564,740	3,701,976	13,858,876	21,081,693	2,919,826	852,145	1,769,965
Other current liabilities	2,853,812	1,133,286	3,818,512	8,698,798	22,455,983	22,831,402	2,509,012	524,718	2,736,276
Loans from stockholders	362,152	200,365	251,142	1,814,823	8,002,073	2,368,527	408,377	*22,052	520,743
Mortgages, notes, and bonds payable in one year or more	8,006,317	1,488,036	7,975,392	15,721,557	33,993,880	63,859,316	6,208,728	1,289,150	8,031,263
Other liabilities	1,812,756	424,884	3,818,678	7,473,914	13,757,829	100,276,809	1,538,735	302,349	2,829,774
Capital stock	1,531,603	699,028	3,491,742	3,584,167	10,511,332	13,057,271	1,074,705	441,677	2,216,838
Paid-in or capital surplus	5,159,996	996,476	6,410,284	6,859,196	42,077,838	122,462,550	3,678,492	689,344	6,747,004
Retained earnings, appropriated	45,916	*19,970	*40,731	138,573	251,878	699,661	52,663	*57,787	325,264
Retained earnings, unappropriated	10,799,272	5,775,033	16,880,832	27,854,042	62,119,553	130,668,126	10,974,133	2,601,826	12,903,875
Less: Cost of treasury stock	475,403	278,229	1,411,567	1,332,666	5,299,488	18,336,461	718,907	235,125	1,211,468
Total receipts	47,606,286	25,057,138	56,336,175	96,594,521	236,790,586	440,726,138	46,030,017	11,308,579	50,537,772
Business receipts	45,299,676	24,449,245	54,559,117	92,378,535	222,446,483	411,017,783	43,821,141	11,042,858	48,266,731
Interest	699,358	106,718	407,809	960,382	2,954,184	8,051,955	310,535	72,645	557,013
Interest on Government obligations:									
State and local	5,609	11,158	7,554	51,360	56,725	2,995	11,012	*2,051	2,966
Nonqualifying interest and dividends	13,692	9,093	15,108	36,519	11,182	*3,547	11,774	5,729	8,420
Rents	90,960	99,637	168,243	405,950	1,033,031	2,326,844	137,910	39,856	138,421
Royalties	20,477	3,864	202,084	252,131	1,239,353	1,215,662	67,469	4,975	111,716
Net short-term capital gain reduced by net long-term capital loss	*683	*1,288	5,378	16,888	83,524	48,900	1,426	*541	4,739
Net long-term capital gain reduced by net short-term capital loss	864,303	38,169	396,737	574,535	2,023,834	2,801,637	353,411	14,753	372,811
Net gain, noncapital assets	146,844	27,116	76,190	215,690	473,159	771,636	76,360	3,274	356,897
Dividends received from domestic corporations	21,394	27,929	58,277	146,434	434,269	881,850	51,071	49,241	24,169
Dividends received from foreign corporations	*45,825	23,555	208,676	109,346	2,586,382	6,857,569	484,936	*13,553	227,224
Other receipts	397,466	259,366	231,003	1,446,752	3,448,461	6,745,759	702,972	59,105	466,666
Total deductions	45,490,231	23,276,098	52,965,513	88,874,256	222,933,916	416,402,443	43,074,642	10,793,953	47,292,702
Cost of sales and operations	33,903,842	16,550,503	35,357,650	43,283,101	133,386,522	290,957,013	29,913,189	7,517,094	31,823,047
Compensation of officers	661,136	566,387	581,994	2,342,212	1,595,643	437,186	855,911	144,161	692,952
Repairs	684,684	97,169	1,239,273	634,082	3,533,515	5,285,282	582,826	38,627	1,060,569
Bad debts	119,406	70,523	79,790	575,454	354,144	448,665	118,812	24,649	160,580
Rent paid on business property	453,623	288,507	554,165	1,508,027	2,746,699	3,620,696	495,655	314,539	544,833
Taxes paid	1,060,908	639,982	1,333,632	2,947,445	4,789,834	20,187,100	956,890	246,009	1,383,456
Interest paid	1,111,727	248,670	1,008,756	2,330,951	6,283,860	15,512,729	732,409	244,166	1,180,244
Contributions or gifts	32,937	23,774	54,530	199,019	282,687	290,085	21,079	10,386	32,990
Amortization	12,838	4,776	16,845	233,858	190,374	306,539	13,303	1,807	10,977
Depreciation	1,606,500	582,206	3,047,918	4,626,805	10,970,022	19,454,534	1,576,605	219,350	2,427,159
Depletion	428,474	*1,119	94,604	36,642	227,716	2,053,546	5,944	*71	116,244
Advertising	224,453	341,738	978,926	1,811,457	8,067,560	1,161,866	498,190	225,920	370,406
Pension, profit-sharing, stock bonus, and annuity plans	279,934	173,443	321,713	905,708	1,601,613	1,513,975	372,255	44,031	316,776
Employee benefit programs	518,857	236,729	679,565	1,217,148	2,821,165	1,894,073	810,379	71,835	726,049
Net loss, noncapital assets	10,524	9,281	15,142	29,198	78,896	267,811	8,078	2,033	21,589
Other deductions	4,380,389	3,441,291	7,601,010	26,193,148	46,003,667	53,011,343	6,113,115	1,689,274	6,424,833
Total receipts less total deductions	2,116,056	1,781,040	3,370,662	7,720,265	13,856,670	24,323,695	2,955,375	514,627	3,245,070
Constructive taxable income from related foreign corporations	31,101	12,241	120,360	86,932	3,205,844	6,635,033	137,802	7,804	147,599
Net income	2,141,548	1,782,123	3,483,464	7,742,780	17,005,789	30,955,732	3,082,165	520,380	3,389,703
Income subject to tax	1,773,093	1,550,917	3,197,388	6,841,514	16,098,216	30,100,122	2,437,217	381,085	2,858,719
Income tax, total	643,773	677,193	1,398,912	2,968,020	7,144,434	13,455,336	1,030,153	169,669	1,253,382
Regular and alternative tax	616,126	674,562	1,383,035	2,940,462	6,999,573	13,241,465	1,010,273	166,654	1,023,780
Tax from recomputing prior-year investment credit	8,706	2,080	8,605	24,714	73,665	139,591	8,238	2,899	15,278
Additional tax for tax preferences	18,941	*551	7,273	2,843	71,197	74,280	1,642	*62	14,324
Foreign tax credit	30,417	13,631	172,445	105,437	2,741,131	10,137,316	151,895	5,378	182,097
U.S. possessions tax credit	161	251	*2,631	*8,083	988,045	43,371	21,843	20,548	*2,022
Orphan drug credit	—	—	—	—	—	—	—	—	—
Nonconventional source fuel credit	—	—	—	—	*348	16,645	96	—	55
Research activities credit	2,251	2,416	36,499	7,193	201,190	28,066	18,176	855	11,068
General business credit	169,550	59,284	313,027	389,923	570,492	1,082,843	226,490	17,601	193,482

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

Corporation Returns/1985

RETURNS WITH NET INCOME

Table 3—Balance Sheets, Income Statements, Tax, and Selected Other Items, by Major Industry—Continued
 [All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Major Industry—Continued							
	Manufacturing—Continued							
	Primary metal industries	Fabricated metal products	Machinery, except electrical	Electrical and electronic equipment	Motor vehicles and equipment	Transportation equipment, except motor vehicles	Instruments and related products	Miscellaneous manufacturing and manufacturing not allocable
(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	
Number of returns with net income	3,577	27,151	14,144	12,290	1,572	2,036	4,153	10,560
Total assets	39,436,928	84,274,427	149,122,053	211,500,905	253,336,013	95,294,130	43,153,530	23,614,385
Cash	1,493,495	4,699,500	6,518,948	7,361,653	4,157,935	5,934,587	1,789,119	1,657,631
Notes and accounts receivable	7,341,526	17,850,267	35,557,002	63,328,210	124,257,926	19,587,373	10,659,751	6,956,872
Less: Allowance for bad debts	154,776	483,631	637,809	1,544,125	1,278,483	260,591	174,569	212,631
Inventories	5,888,198	15,394,420	26,928,165	28,658,556	13,921,391	19,576,561	7,237,794	4,667,904
Investments in Government obligations	683,258	620,097	5,052,169	3,265,424	7,078,338	126,084	688,672	138,989
Other current assets	1,222,548	5,888,163	8,031,646	16,793,234	5,551,124	6,296,938	2,042,973	1,106,960
Loans to stockholders	59,471	347,135	514,423	1,278,325	1,102,661	539,516	95,838	59,829
Mortgage and real estate loans	13,718	293,247	62,976	426,312	10,523,954	561,946	*95,416	44,963
Other investments	8,394,415	15,331,964	23,611,236	26,781,825	38,123,319	16,969,034	5,941,662	3,332,682
Depreciable loans	23,562,640	37,096,702	69,380,192	78,990,608	79,800,034	35,192,563	22,260,856	8,208,218
Less: Accumulated depreciation	12,003,390	18,943,671	34,675,218	37,116,406	39,837,426	17,512,289	10,350,540	3,817,982
Depletable assets	578,721	28,709	*706,271	1,301,629	8,377	*87,135	*3,059	*22,770
Less: Accumulated depletion	311,942	*5,435	*235,905	*330,431	4,556	*14,763	*1,493	*6,571
Land	482,078	1,071,345	1,684,660	1,277,037	985,791	2,262,992	577,710	243,352
Intangible assets (amortizable)	485,920	1,152,723	1,988,349	2,783,824	785,883	845,717	1,033,542	403,280
Less: Accumulated amortization	79,123	231,366	581,662	857,824	114,817	142,239	153,189	95,933
Other assets	1,780,171	4,164,259	5,216,609	19,103,053	8,274,562	5,240,567	1,242,927	868,051
Total liabilities	39,436,928	84,274,427	149,122,053	211,500,905	253,336,013	95,294,130	43,153,530	23,614,385
Accounts payable	4,436,347	9,762,476	11,828,264	25,117,267	24,886,768	14,487,849	4,530,221	2,323,714
Mortgages, notes, and bonds payable in less than one year	1,563,434	5,521,530	10,296,292	25,168,182	65,718,259	5,848,131	2,756,076	3,246,062
Other current liabilities	3,958,177	9,930,541	21,684,789	18,567,239	27,751,499	19,578,714	4,545,659	2,211,381
Loans from stockholders	230,756	804,560	1,189,232	2,473,797	2,059,158	767,292	380,489	325,160
Mortgages, notes, and bonds payable in one year or more	8,291,317	14,442,437	24,601,522	25,415,684	49,994,012	12,116,833	4,314,734	3,395,010
Other liabilities	2,983,666	5,348,820	13,957,216	35,637,964	15,796,630	8,612,314	2,302,213	1,104,958
Capital stock	2,506,564	3,743,502	11,678,888	7,033,444	3,628,640	5,345,391	2,670,004	1,372,927
Paid-in or capital surplus	7,637,202	8,290,778	12,804,812	19,170,587	16,015,156	7,540,847	5,348,870	3,304,931
Retained earnings, appropriated	*75,445	202,859	1,228,609	122,729	*3,333,760	49,670	*728,842	96,818
Retained earnings, unappropriated	8,665,999	27,857,076	41,405,582	55,037,928	44,425,015	23,408,636	17,359,712	6,605,271
Less: Cost of treasury stock	911,979	1,630,151	1,553,155	2,303,916	272,884	2,461,547	1,783,290	371,847
Total receipts	58,003,695	110,042,221	157,087,389	198,400,728	215,913,966	106,248,990	48,593,175	36,535,576
Business receipts	54,811,858	106,018,103	130,491,010	184,180,517	200,841,496	96,292,567	45,980,165	35,290,839
Interest	1,574,246	1,260,868	2,726,831	4,748,373	7,639,106	2,049,034	501,861	257,023
Interest on Government obligations: State and local	17,039	29,262	109,348	446,758	96,313	21,439	20,022	5,527
Nonqualifying interest and dividends	10,959	43,637	32,787	29,030	4,100	10,570	6,771	18,886
Rents	169,256	577,491	12,413,506	2,701,858	3,988,061	846,687	563,490	160,655
Royalties	28,941	123,020	3,432,505	528,040	99,477	200,907	215,363	78,825
Net short-term capital gain reduced by net long-term capital loss	22,961	35,249	38,701	47,435	42,806	*9,731	7,637	3,933
Net long-term capital gain reduced by net short-term capital loss	351,441	400,015	597,629	1,512,276	210,458	1,023,219	252,437	145,803
Net gain, noncapital assets	258,211	198,098	253,295	476,400	378,795	99,036	92,036	67,803
Dividends received from domestic corporations	49,539	194,635	260,502	402,413	190,997	278,859	224,720	27,583
Dividends received from foreign corporations	88,746	385,029	2,483,070	689,682	871,415	477,770	338,222	130,098
Other receipts	620,499	776,815	4,228,205	2,637,946	1,550,942	4,838,999	390,451	348,602
Total deductions	56,289,479	103,422,558	146,388,620	188,541,788	207,434,186	101,871,647	45,528,207	34,153,206
Cost of sales and operations	42,612,689	70,914,952	78,153,134	115,300,814	142,476,885	71,838,202	25,925,570	22,766,493
Compensation of officers	491,218	3,109,536	1,945,253	1,921,902	406,047	503,429	589,248	868,390
Repairs	869,778	727,635	906,833	1,102,772	1,610,090	798,621	686,002	189,079
Bad debts	172,212	357,413	463,446	710,967	679,869	147,507	91,545	113,499
Rent paid on business property	406,183	1,061,682	2,081,656	2,512,831	2,961,443	1,045,427	579,295	354,473
Taxes paid	1,110,897	2,876,149	4,387,639	4,974,210	4,983,466	2,301,124	1,163,199	818,951
Interest paid	2,133,344	2,520,974	4,265,843	7,684,416	10,808,630	2,303,042	913,138	768,796
Contributions or gifts	20,421	85,014	247,669	150,239	252,474	95,988	118,600	27,089
Amortization	26,035	75,029	175,006	209,319	6,987	162,322	55,333	25,996
Depreciation	1,883,734	3,895,064	7,666,661	10,550,449	12,692,205	3,347,641	2,833,333	996,354
Depletion	64,474	14,249	28,982	29,422	10,651	*23,350	*2,387	10,897
Advertising	146,995	1,014,041	1,406,310	2,411,779	1,885,962	352,084	1,330,958	888,722
Pension, profit-sharing, stock bonus, and annuity plans	423,535	847,203	1,459,534	1,543,294	1,933,431	1,218,014	532,418	230,724
Employee benefit programs	734,797	1,475,228	2,705,915	3,549,177	5,151,784	1,565,635	850,812	363,897
Net loss, noncapital assets	65,413	24,095	175,006	79,747	15,207	83,695	18,605	12,743
Other deductions	5,127,753	14,424,292	40,448,920	35,810,449	21,559,057	15,885,568	9,837,764	5,717,105
Total receipts less total deductions	1,714,216	6,619,664	10,678,769	9,858,940	8,479,780	4,577,344	3,064,969	2,382,370
Constructive taxable income from related foreign corporations	53,459	268,352	2,571,222	553,894	568,573	226,340	394,337	90,507
Net income	1,744,166	6,858,754	13,140,642	9,966,075	8,952,039	4,782,245	3,439,284	2,467,349
Income subject to tax	1,283,205	5,603,041	12,259,412	8,711,612	8,430,532	3,342,264	3,080,192	1,950,257
Income tax, total	555,591	2,336,864	5,506,146	3,820,237	3,914,853	1,404,720	1,374,621	831,900
Regular and alternative tax	538,661	2,311,602	5,426,255	3,755,087	3,835,099	1,349,349	1,355,437	824,253
Tax from recomputing prior-year investment credit	8,500	17,002	49,976	28,016	76,522	22,273	14,782	5,369
Additional tax for tax preferences	8,429	8,257	29,916	37,134	*3,232	33,098	4,378	2,279
Foreign tax credit	35,469	279,276	3,028,277	543,067	693,452	271,562	384,606	97,828
U.S. possessions tax credit	—	33,497	*28,708	531,451	1,394	*6,408	206,136	80,377
Orphan drug credit	—	*83	—	—	—	—	—	—
Nonconventional source fuel credit	—	*454	5	—	10	—	—	—
Research activities credit	12,700	28,735	255,504	236,071	259,808	92,690	91,522	18,264
General business credit	106,956	299,464	615,974	376,523	1,750,151	287,272	204,342	80,975

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

Corporation Returns/1985

RETURNS WITH NET INCOME

Table 3—Balance Sheets, Income Statements, Tax, and Selected Other Items, by Major Industry—Continued

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

Item	Major industry—Continued								
	Transportation and public utilities				Wholesale and retail trade				
	Total	Transportation	Communication	Electric, gas, and sanitary services	Total	Wholesale trade			
						Total	Groceries and related products	Machinery, equipment, and supplies	Miscellaneous wholesale trade
(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	
Number of returns with net income	69,938	54,259	7,821	7,858	510,825	185,963	14,583	31,278	140,102
Total assets	999,209,624	176,613,455	334,153,166	488,443,003	708,043,794	285,853,383	28,174,135	43,951,294	213,727,954
Cash	21,379,466	8,744,153	7,838,192	4,797,121	45,802,816	21,214,394	2,023,504	3,342,931	15,847,959
Notes and accounts receivable	96,392,629	23,175,047	35,814,891	37,402,691	169,953,732	90,918,874	8,029,151	13,367,193	69,522,530
Less: Allowance for bad debts	1,777,210	395,557	847,237	534,415	3,436,919	2,041,275	194,060	309,258	1,537,956
Inventories	27,226,766	4,031,331	7,245,699	15,949,736	197,925,941	76,756,998	7,444,738	13,194,984	56,117,275
Investments in Government obligations	7,475,264	2,233,700	353,054	4,888,509	10,549,393	1,660,818	44,890	56,876	1,559,052
Other current assets	28,723,740	9,816,004	7,689,087	11,218,649	38,115,424	13,715,016	912,479	2,226,361	10,576,176
Loans to stockholders	2,196,642	753,214	96,298	370,536	7,221,213	657,846	95,836	75,485	486,525
Mortgage and real estate loans	1,285,809	24,194,353	77,092,331	36,119,695	63,892,645	25,788,394	1,475,307	2,717,602	21,595,485
Other investments	137,396,379	141,585,516	256,769,040	461,269,670	229,389,209	77,820,091	11,090,998	13,178,185	53,543,125
Depreciable loans	232,882,583	48,760,531	71,971,721	112,150,331	102,218,543	37,637,538	5,182,493	6,275,156	26,179,889
Less: Accumulated depreciation	6,702,865	946,624	2,232	5,754,009	2,387,925	1,786,769	51,887	73,719	1,661,162
Depletable assets	1,921,200	362,302	414	1,558,484	1,082,971	970,034	9,427	34,789	925,817
Less: Accumulated depletion	6,248,905	1,580,350	1,391,652	3,276,903	15,267,845	4,363,209	516,704	436,904	3,409,604
Land	5,895,295	2,690,926	1,304,926	1,899,443	7,563,792	2,190,161	407,193	269,241	1,513,725
Intangible assets (amortizable)	1,539,082	737,309	238,830	561,943	2,336,825	594,604	84,606	87,041	422,957
Less: Accumulated amortization	36,781,712	6,308,962	10,705,348	19,767,403	22,361,486	7,391,109	1,278,800	1,159,237	4,953,791
Other assets	999,209,624	176,613,455	334,153,166	488,443,003	708,043,794	285,853,383	28,174,135	43,951,294	213,727,954
Total liabilities	61,812,573	16,688,043	20,049,913	25,074,617	116,465,516	63,172,169	7,189,275	9,041,001	46,941,893
Accounts payable	38,456,027	7,410,353	8,997,330	22,048,344	95,113,567	39,160,960	2,749,428	6,359,960	30,051,573
Mortgages, notes, and bonds payable in less than one year	66,830,350	15,754,737	22,989,618	28,085,996	88,844,061	23,726,575	2,004,851	3,881,877	17,839,846
Other current liabilities	5,255,271	1,952,005	1,638,565	1,664,701	16,151,694	7,469,677	478,421	1,100,654	5,890,601
Loans from stockholders	270,987,090	38,923,216	71,017,311	161,046,563	105,211,408	32,857,866	5,028,463	5,826,142	22,003,262
Mortgages, notes, and bonds payable in one year or more	130,454,211	25,037,032	46,632,950	58,784,229	27,174,014	8,469,885	946,839	2,024,760	5,498,266
Other liabilities	136,175,578	8,172,447	38,631,155	89,371,976	34,200,777	15,849,010	1,439,952	1,964,649	12,444,409
Capital stock	136,516,684	19,336,290	78,120,447	39,059,947	14,322,865	14,830,187	1,380,599	2,091,071	11,358,517
Paid-in or capital surplus	1,256,980	372,755	315,716	568,509	1,443,651	485,892	47,565	128,808	309,519
Retained earnings, appropriated	154,377,088	44,192,826	46,622,410	63,561,852	192,719,789	84,829,569	7,407,354	12,585,062	64,837,153
Retained earnings, unappropriated	2,912,228	1,226,249	862,248	823,731	10,603,547	4,998,407	498,612	1,052,690	3,447,105
Less: Cost of treasury stock	588,673,824	185,564,708	162,698,523	240,410,593	1,906,726,202	895,118,663	144,442,641	95,358,452	655,317,570
Total receipts	560,961,767	174,035,462	154,224,014	232,702,291	1,858,382,529	878,116,936	142,280,251	91,868,919	643,967,765
Business receipts	7,437,772	3,227,813	1,579,348	2,630,611	11,639,111	4,298,214	288,310	870,197	3,139,707
Interest	89,113	33,244	6,497	49,372	1,008,790	193,519	7,023	92,083	94,414
Interest on Government obligations:									
State and local	76,157	55,956	16,520	3,681	563,453	261,301	23,206	32,955	205,140
Nonqualifying interest and dividends	6,828,944	2,809,886	2,881,308	1,137,750	7,725,341	2,570,358	318,434	921,023	1,330,901
Rents	353,131	205,042	86,876	61,213	704,816	196,362	9,756	65,667	120,939
Royalties									
Net short-term capital gain reduced by net long-term capital loss	192,333	112,726	27,694	51,913	201,475	88,895	6,911	21,578	60,406
Net long-term capital gain reduced by net short-term capital loss	3,501,777	1,370,513	761,262	1,370,002	3,307,541	893,250	76,111	136,915	680,225
Net gain, noncapital assets	2,231,258	1,213,414	387,918	629,927	2,062,960	621,762	101,641	198,243	321,879
Dividends received from domestic corporations	687,322	117,395	268,461	301,467	856,213	433,590	19,151	75,464	338,975
Dividends received from foreign corporations	200,259	61,766	109,320	29,174	743,178	389,607	6,426	22,091	361,090
Other receipts	6,113,991	2,321,492	2,349,307	1,443,192	19,530,796	7,054,870	1,305,423	1,053,318	4,696,129
Total deductions	551,264,344	177,319,288	150,800,454	223,144,821	1,854,943,217	870,470,182	142,574,287	91,815,076	636,080,819
Cost of sales and operations	279,321,672	87,954,871	85,857,769	136,509,032	1,427,570,869	720,382,989	123,472,866	68,251,510	528,658,614
Compensation of officers	3,805,469	2,379,367	670,928	755,174	28,693,391	14,272,971	1,325,110	2,437,035	10,510,826
Repairs	26,575,171	3,225,056	14,978,939	8,371,176	6,718,122	2,154,987	430,135	254,486	1,470,366
Bad debts	2,609,519	416,387	1,414,379	778,753	3,924,641	1,899,774	228,119	300,642	1,371,013
Rent paid on business property	14,395,748	7,365,194	5,687,395	1,343,159	28,549,382	6,358,102	991,496	849,022	4,517,584
Taxes paid	27,836,692	6,362,241	8,122,676	13,351,775	27,920,835	10,149,579	1,127,482	1,184,269	7,837,827
Interest paid	31,371,537	5,332,348	7,962,636	18,076,553	22,598,023	8,441,818	846,376	1,482,918	6,112,525
Contributions or gifts	509,722	110,785	255,415	143,523	623,732	252,364	30,022	32,915	189,427
Amortization	533,286	101,406	216,977	214,903	555,798	150,934	24,606	18,728	107,600
Depreciation	54,772,694	11,114,760	23,577,672	20,080,263	26,884,191	9,824,506	1,280,346	1,881,972	6,662,187
Depletion	520,658	191,394	926	328,338	115,074	85,655	1,376	9,734	74,545
Advertising	3,212,184	1,008,308	2,020,082	183,793	22,382,841	5,535,989	496,125	575,948	4,463,915
Pension, profit-sharing, stock bonus, and annuity plans	6,463,297	1,598,257	2,981,415	1,883,625	5,883,088	2,630,362	337,061	434,524	1,858,777
Employee benefit programs	7,244,449	2,551,691	3,304,284	1,388,475	7,879,388	2,449,609	477,090	416,307	1,556,212
Net loss, noncapital assets	909,440	24,343	767,297	117,800	296,525	118,347	9,086	15,413	93,847
Other deductions	91,182,805	47,582,860	23,981,665	19,618,280	244,349,319	85,762,197	11,496,989	13,669,654	60,595,555
Total receipts less total deductions	37,409,480	8,245,440	11,898,069	17,265,971	51,782,986	24,648,482	1,868,354	3,543,376	19,236,751
Constructive taxable income from related foreign corporations	559,777	116,717	276,508	166,552	660,304	298,760	4,589	11,695	282,476
Net income	37,880,144	8,328,913	12,168,080	17,383,151	51,434,500	24,753,722	1,865,921	3,462,988	19,424,813
Income subject to tax	34,185,088	6,536,259	11,410,442	16,238,388	41,644,117	19,820,427	1,483,521	2,683,252	15,653,655
Income tax, total	15,198,420	2,626,286	5,279,739	7,292,394	16,368,543	7,965,202	597,088	1,045,828	6,322,286
Regular and alternative tax	14,881,470	2,576,745	5,091,338	7,213,387	16,130,046	7,892,117	586,457	1,020,787	6,284,872
Tax from recomputing prior-year investment credit	219,603	17,868	165,797	35,939	189,232	66,346	10,172	24,355	31,819
Additional tax for tax preferences	97,331	31,657	22,605	43,068	48,647	6,590	458	570	5,563
Foreign tax credit	301,886	66,896	160,900	74,089	613,307	291,914	3,481	9,097	279,336
U.S. possessions tax credit	62,207	—	62,207	—	73,364	20,547	—	294	20,252
Orphan drug credit	14,199	2,825	—	11,374	795	547	265	58	223
Nonconventional source fuel credit	162,421	4,535	132,795	25,090	27,587	17,651	487	3,095	14,069
Research activities credit	6,240,492	1,000,511	2,086,649	3,153,332	2,280,877	726,312	98,104	158,361	469,847
General business credit									

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

Corporation Returns/1985

RETURNS WITH NET INCOME

Table 3—Balance Sheets, Income Statements, Tax, and Selected Other Items, by Major Industry—Continued

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

Item	Major industry—Continued									
	Wholesale and retail trade—Continued									
	Retail trade									Wholesale and retail trade not allocable
	Total	Building materials, garden supplies, and mobile home dealers	General merchandise stores	Food stores	Automotive dealers and service stations	Apparel and accessory stores	Furniture and home furnishings stores	Eating and drinking places	Miscellaneous retail stores	
(43)	(44)	(45)	(46)	(47)	(48)	(49)	(50)	(51)	(52)	
Number of returns with net income	323,369	24,437	6,755	24,936	56,532	23,950	20,686	58,179	107,894	1,493
Total assets	421,055,716	20,480,978	158,192,233	49,746,154	60,690,417	20,896,161	15,307,213	35,933,023	59,809,537	1,134,695
Cash	24,490,417	1,609,766	3,692,883	3,514,810	4,658,834	1,693,748	1,260,392	2,816,785	5,243,199	98,005
Notes and accounts receivable	78,790,519	4,211,582	45,049,956	3,656,503	8,069,387	3,791,277	3,077,210	2,792,940	8,141,665	244,339
Less: Allowance for bad debts	1,389,942	130,369	545,385	39,458	187,550	103,988	122,368	38,831	221,993	5,702
Inventories	120,828,322	7,943,995	31,580,956	13,395,747	31,370,877	7,503,641	5,983,879	1,746,413	21,302,813	340,621
Investments in Government obligations	—	53,317	7,732,544	342,074	96,713	77,403	79,713	40,678	466,132	—
Other current assets	24,289,391	477,794	14,978,891	2,053,515	1,759,977	780,544	730,505	1,444,629	2,063,536	111,016
Loans to stockholders	3,842,918	203,341	342,908	407,743	194,905	261,887	159,424	715,988	1,015,531	11,559
Mortgage and real estate loans	6,560,112	139,121	5,656,763	107,502	194,905	24,266	66,334	199,741	171,479	—
Other investments	37,997,649	881,799	17,140,607	3,572,099	1,621,156	2,585,560	803,236	4,902,463	6,490,729	3,254
Depreciable loans	151,258,229	7,366,932	38,533,816	31,293,882	17,382,684	6,436,597	3,781,576	25,323,365	21,139,376	106,602
Less: Accumulated depreciation	64,422,583	3,630,258	13,638,665	13,815,701	7,996,573	2,862,476	1,741,465	10,264,033	10,273,411	310,889
Depletable assets	601,157	28,332	*172,421	*241,868	48,330	*2,720	*915	*45,117	61,454	—
Less: Accumulated depletion	112,937	*5,072	*41,963	*10,464	22,890	*1,597	799	*24,429	6,534	—
Land	10,890,393	907,928	2,061,357	1,975,745	1,648,918	172,553	237,457	2,704,699	1,182,236	14,243
Intangible assets (amortizable)	5,363,953	58,803	652,964	1,925,951	282,940	167,865	43,046	1,050,225	1,182,159	9,678
Less: Accumulated amortization	1,740,353	21,139	117,933	735,204	115,957	57,729	16,018	323,118	353,256	1,869
Other assets	14,919,898	385,107	5,140,113	1,142,362	1,137,855	1,137,855	250,108	2,800,391	2,204,422	50,479
Total liabilities	421,055,716	20,480,978	158,192,233	49,746,154	60,690,417	20,896,161	15,307,213	35,933,023	59,809,537	1,134,695
Accounts payable	53,104,907	3,184,096	15,030,715	10,415,940	5,477,974	3,449,042	2,482,230	2,633,617	10,431,295	188,440
Mortgages, notes, and bonds payable in less than one year	55,785,335	2,261,845	16,479,598	2,231,779	25,197,534	1,083,598	1,642,177	1,926,723	4,962,081	167,272
Other current liabilities	65,031,789	1,315,692	43,049,780	4,454,120	4,025,028	1,829,377	1,452,399	3,724,939	5,180,455	85,697
Loans from stockholders	8,663,103	675,334	1,183,130	576,139	1,732,245	417,702	413,090	1,055,844	2,609,620	*18,914
Mortgages, notes, and bonds payable in one year or more	72,146,846	3,390,030	27,997,529	10,770,132	6,712,974	2,588,271	1,842,274	9,666,539	9,179,097	206,696
Other liabilities	18,651,953	425,603	9,348,078	2,385,245	1,130,333	575,075	784,296	1,571,375	2,249,966	52,176
Capital stock	18,299,093	1,166,279	4,060,426	2,323,160	2,997,843	1,524,194	782,733	1,869,010	3,575,447	52,674
Paid-in or capital surplus	26,378,838	973,860	9,837,015	3,422,237	1,592,988	1,741,253	643,345	4,187,029	3,981,109	113,839
Retained earnings, appropriated	952,774	86,797	163,317	61,785	167,323	18,731	271,963	61,456	121,401	*4,985
Retained earnings, unappropriated	107,626,741	7,554,524	31,491,037	13,804,081	12,716,456	7,740,831	5,486,196	10,373,455	18,460,101	263,470
Less: Cost of treasury stock	5,585,662	553,083	448,391	698,466	1,060,280	253,894	493,489	1,137,024	941,034	*19,478
Total receipts	1,009,129,475	50,699,759	180,402,386	215,867,561	268,772,918	41,951,806	31,732,443	68,640,860	151,061,743	2,478,064
Business receipts	977,851,990	49,585,543	169,120,554	212,531,694	263,834,095	40,832,570	30,911,541	63,625,504	147,410,489	2,413,603
Interest	7,322,516	262,895	4,100,718	458,853	948,422	276,071	247,491	403,395	624,670	18,381
Interest on Government obligations:										
State and local	815,238	3,970	675,846	13,900	11,255	9,209	4,721	86,046	10,291	*33
Nonqualifying interest and dividends	300,977	23,594	9,797	17,753	135,346	11,251	21,664	33,532	48,041	*1,176
Rents	5,148,506	215,077	1,384,367	613,851	820,593	105,377	80,044	1,285,903	643,294	*6,477
Royalties	507,496	10,791	16,668	9,064	9,413	69,737	*1,643	259,089	131,092	*958
Net short-term capital gain reduced by net long-term capital loss	112,392	1,129	35,998	23,914	7,543	*2,800	1,295	1,588	38,124	*188
Net long-term capital gain reduced by net short-term capital loss	2,396,285	98,534	841,326	268,242	225,177	38,633	24,051	568,157	332,164	*18,006
Net gain, noncapital assets	1,439,736	68,908	158,932	123,714	298,010	39,065	27,362	503,003	220,742	1,461
Dividends received from domestic corporations	419,366	11,361	220,677	48,502	15,877	55,392	12,149	29,821	31,587	*3,258
Dividends received from foreign corporations	353,572	*351	192,970	*89,335	*1,239	*1,526	*5,568	*10,583	*10,583	—
Other receipts	12,461,402	417,607	3,644,534	1,668,741	2,465,947	510,173	400,481	1,793,253	1,560,666	14,524
Total deductions	982,088,520	48,957,300	174,710,901	212,190,908	264,924,679	40,016,317	30,417,571	65,021,168	145,849,676	2,384,515
Cost of sales and operations	705,492,927	35,769,590	107,966,338	163,755,096	226,249,417	24,109,904	19,403,558	28,005,599	100,233,425	1,694,954
Compensation of officers	14,330,572	1,333,898	641,071	1,158,452	3,574,298	915,418	942,469	1,846,837	3,918,129	89,848
Repairs	4,553,743	247,631	922,458	1,103,049	596,198	143,642	110,103	829,502	601,160	9,392
Bad debts	2,012,018	172,792	799,763	135,600	271,049	118,924	132,903	56,193	324,795	12,848
Rent paid on business property	22,153,958	697,313	5,090,910	3,318,820	2,207,389	2,305,329	1,019,485	3,503,951	4,010,761	37,322
Taxes paid	17,735,909	959,318	4,232,109	2,744,752	2,831,529	922,317	658,547	2,626,581	2,760,755	35,348
Interest paid	14,116,453	668,845	6,504,890	1,170,577	2,099,521	449,281	385,116	1,288,214	1,550,007	37,752
Contributions or gifts	370,237	18,691	103,779	71,056	41,160	29,733	14,938	25,784	65,096	1,131
Amortization	404,217	4,543	122,618	34,686	31,024	34,127	7,888	87,903	81,429	*647
Depreciation	17,027,003	767,977	4,164,653	3,398,345	2,458,192	757,826	387,108	2,642,241	2,450,660	32,682
Depletion	29,420	5,917	*725	8,815	2,109	*282	*1,719	4,423	5,430	—
Advertising	16,825,432	672,605	4,750,708	2,175,209	2,562,277	1,031,235	1,337,475	1,821,638	2,474,285	21,421
Pension, profit-sharing, stock bonus, and annuity plans	3,230,337	179,715	1,038,471	617,734	344,610	148,706	96,143	208,453	596,507	22,389
Employee benefit programs	5,422,015	213,015	1,103,699	1,977,411	807,956	196,419	99,534	362,359	661,621	7,765
Net loss, noncapital assets	178,167	7,145	19,084	14,647	12,157	11,026	5,398	32,406	76,303	*11
Other deductions	158,206,114	7,238,305	37,249,625	30,506,659	20,835,794	8,842,145	5,815,187	21,679,084	26,039,315	381,007
Total receipts less total deductions	27,040,955	1,742,459	5,691,485	3,676,653	3,848,238	1,935,488	1,314,872	3,619,692	5,212,067	93,549
Constructive taxable income from related foreign corporations	361,545	—	237,338	54,867	170	1,814	37	46,650	*20,669	—
Net income	26,587,262	1,738,489	5,252,977	3,717,620	3,837,153	1,928,093	1,310,187	3,580,296	5,222,446	93,516
Income subject to tax	21,754,933	1,349,663	4,880,949	3,278,793	2,810,755	1,681,958	1,022,280	2,646,149	4,084,386	68,757
Income tax, total	8,378,449	462,863	2,111,275	1,379,856	959,470	647,823	361,720	1,033,397	1,422,046	24,892
Regular and alternative tax	8,213,117	460,084	2,072,795	1,363,612	936,613	641,577	359,939	983,480	1,395,016	24,812
Tax from recomputing prior-year investment credit	122,806	2,481	13,096	14,815	21,299	5,634	1,732	38,321	25,428	*80
Additional tax for tax preferences	42,056	298	25,384	1,426	1,457	*611	*49	11,229	1,602	—
Foreign tax credit	321,393	*2	182,387	59,503	32	3,471	—	62,657	13,341	—
U.S. possessions tax credit	52,815	—	—	3,094	—	*172	—	*556	48,993	3
Orphan drug credit	—	—	—	—	—	—	—	—	—	—
Nonconventional source fuel credit	—	*248	—	—	—	—	—	—	—	—
Research activities credit	9,937	*20	*4,892	396	*236	*694	*861	908	1,930	—
General business credit	1,551,575	56,146	429,428	342,547	162,854	74,365	26,730	263,531	195,974	2,991

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

Corporation Returns/1985

RETURNS WITH NET INCOME

Table 3—Balance Sheets, Income Statements, Tax, and Selected Other Items, by Major Industry—Continued

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

Item	Major industry—Continued							
	Finance, insurance, and real estate							
	Total	Banking	Credit agencies other than banks	Security, commodity brokers and services	Insurance	Insurance agents, brokers, and service	Real estate	Holding and other investment companies except bank holding companies
(53)	(54)	(55)	(56)	(57)	(58)	(59)	(60)	
Number of returns with net income	285,273	8,663	14,531	7,020	6,610	37,098	184,198	27,155
Total assets	5,342,542,218	2,659,181,463	875,845,909	254,702,531	846,884,226	22,947,181	115,148,602	567,832,306
Cash	366,448,999	282,448,123	40,684,300	4,177,749	8,090,508	4,922,082	10,678,477	15,447,760
Notes and accounts receivable	1,764,065,366	1,482,040,622	101,329,932	66,960,311	41,285,153	7,203,253	12,932,645	52,313,451
Less: Allowance for bad debts	29,575,620	20,238,622	8,033,077	139,033	698,306	58,633	178,303	229,606
Inventories	13,220,415	393,507	883,325	1,624,496	893,629	38,676	6,737,755	2,649,028
Investments in Government obligations	624,854,413	336,356,716	52,382,369	30,692,772	105,278,001	582,120	1,749,415	97,813,020
Other current assets	9,020,137	1,950,382	2,997,395	68,195	248,783	431,472	2,377,888	946,023
Loans to stockholders	844,459,743	170,223,671	510,037,668	925,751	147,856,827	464,901	10,651,220	4,299,705
Mortgage and real estate loans	1,107,512,592	172,526,929	116,619,507	52,824,145	394,764,124	4,856,284	15,571,187	350,350,416
Other investments	149,471,385	50,751,834	15,385,716	2,942,687	3,283,299	3,283,299	46,346,278	13,818,809
Depreciable loans	49,848,548	16,193,989	4,573,495	1,075,211	2,635,440	1,605,481	19,255,652	4,509,278
Less: Accumulated depreciation	937,364	89,652	43,286	*97,270	49,493	*7,034	292,662	357,968
Depletable assets	309,773	9,593	*25,746	*35,657	385	*3,007	110,978	124,407
Less: Accumulated depletion	22,065,179	3,701,756	2,653,519	98,087	564,391	106,396	13,049,983	1,891,047
Land	12,244,608	3,644,121	4,359,641	373,532	740,029	839,614	1,257,135	1,030,537
Intangible assets (amortizable)	2,104,744	696,813	308,771	102,750	196,722	320,404	267,391	211,894
Less: Accumulated amortization	209,713,734	93,359,361	24,821,996	5,135,488	74,567,547	1,097,827	5,849,115	4,882,399
Total liabilities	5,342,542,218	2,659,181,463	875,845,909	254,702,531	846,884,226	22,947,181	115,148,602	567,832,306
Accounts payable	185,543,393	49,913,784	31,904,701	68,753,078	10,657,848	8,773,645	4,376,818	11,163,518
Mortgages, notes, and bonds payable in less than one year	301,208,122	144,599,754	95,378,739	19,320,205	22,760,139	959,571	11,691,278	6,498,436
Other current liabilities	2,841,080,394	2,032,664,417	564,231,610	131,424,442	85,352,285	2,470,994	8,851,881	16,084,764
Loans from stockholders	34,513,371	18,104,828	6,868,109	1,241,235	2,289,942	243,319	4,443,104	1,322,835
Mortgages, notes, and bonds payable in one year or more	278,156,530	106,468,898	92,882,951	9,472,758	13,029,696	2,930,909	36,929,716	16,441,601
Other liabilities	767,517,248	91,066,646	33,322,064	11,314,523	613,313,405	1,109,105	9,135,427	8,256,078
Capital stock	490,596,173	37,928,231	5,297,148	1,472,619	8,101,181	740,575	7,691,905	429,374,515
Paid-in or capital surplus	489,748,535	74,914,036	19,131,031	4,567,685	20,760,967	1,197,206	13,858,534	355,319,078
Retained earnings, appropriated	32,818,579	2,699,620	4,524,040	138,069	19,141,086	36,964	413,096	5,865,704
Retained earnings, unappropriated	236,816,493	102,221,657	22,587,899	7,244,947	52,753,842	5,246,490	19,696,628	27,065,029
Less: Cost of treasury stock	315,456,621	1,400,407	282,383	247,031	1,276,165	761,596	1,929,784	309,559,254
Total receipts	855,050,619	282,048,957	105,711,376	29,722,568	261,988,330	19,818,093	54,399,602	101,361,693
Business receipts	338,163,431	27,389,124	19,991,863	14,938,851	178,936,410	18,329,511	33,472,427	45,105,165
Interest	399,276,622	223,872,003	75,294,534	8,369,269	55,596,960	686,373	3,139,284	32,318,199
Interest on Government obligations:								
State and local	10,117,695	6,816,724	333,568	155,623	1,275,500	20,512	62,198	1,453,570
Nonqualifying interest and dividends	646,136	—	75,288	60,276	*8,198	51,816	348,164	102,394
Rents	21,330,048	5,646,424	704,528	483,757	5,486,163	63,013	7,788,292	1,157,871
Royalties	673,495	-35,769	-21,847	-42,146	-38,553	*5,422	20,226	-209,532
Net short-term capital gain reduced by net long-term capital loss	4,805,753	132,869	208,734	397,041	1,124,081	4,749	98,406	2,839,873
Net long-term capital gain reduced by net short-term capital loss	21,498,601	2,165,118	747,921	400,794	5,397,118	47,217	2,901,711	9,838,722
Net gain, noncapital assets	12,018,577	2,166,351	4,141,359	2,424,231	184,753	43,942	2,811,150	246,790
Dividends received from domestic corporations	6,457,783	648,521	280,383	407,728	2,830,787	31,030	2,035,633	2,035,633
Dividends received from foreign corporations	875,504	247,858	99,196	15,439	64,204	*99,793	9,990	339,024
Other receipts	39,186,976	12,928,196	3,812,153	2,027,411	11,045,604	434,636	3,224,054	5,714,921
Total deductions	755,049,273	261,485,830	99,029,971	26,869,789	248,677,628	17,760,387	45,330,437	55,895,231
Cost of sales and operations	148,785,989	2,320,863	2,608,117	244,136	94,109,532	3,242,317	10,445,954	35,815,062
Compensation of officers	19,309,015	7,384,987	1,476,512	2,067,292	1,409,517	2,735,859	3,240,558	994,289
Repairs	3,116,985	1,372,163	355,931	56,682	84,198	85,747	979,194	183,090
Bad debts	12,803,778	9,233,724	2,569,448	74,213	246,058	117,966	251,321	311,049
Rent paid on business property	10,484,115	4,535,327	1,185,860	858,581	1,479,570	630,987	1,321,067	472,722
Taxes paid	14,055,294	4,538,569	1,290,186	670,766	3,497,608	606,465	2,657,462	794,238
Interest paid	260,511,311	165,627,754	65,059,036	7,807,275	10,982,480	324,039	4,910,486	5,800,240
Contributions or gifts	501,808	238,230	59,140	47,433	28,711	27,516	70,290	30,488
Amortization	674,567	310,790	73,505	42,390	75,143	54,669	78,255	39,825
Depreciation	18,492,955	8,877,576	1,522,940	852,628	3,078,796	544,220	2,587,931	1,028,865
Depletion	163,377	37,388	1,759	13,987	23,547	*926	40,497	44,274
Advertising	5,049,698	1,707,861	1,102,842	369,961	783,575	150,883	717,749	216,646
Pension, profit-sharing, stock bonus, and annuity plans	4,194,076	1,509,211	314,933	264,848	1,123,444	441,973	354,970	184,639
Employee benefit programs	4,494,453	2,471,806	502,616	190,707	467,157	336,794	257,226	268,147
Net loss, noncapital assets	660,619	326,994	129,160	22,125	37,194	5,978	69,560	69,608
Other deductions	251,751,236	50,992,587	20,777,985	13,286,794	131,249,918	8,454,050	17,347,920	9,641,982
Total receipts less total deductions	100,001,346	20,563,127	6,681,406	2,852,779	13,310,702	2,057,706	9,069,165	45,466,462
Constructive taxable income from related foreign corporations	687,147	369,297	*88,116	8,217	34,776	*59,155	6,568	121,019
Net income	90,546,934	14,115,700	6,435,943	2,705,373	12,069,978	2,096,349	9,011,814	44,111,776
Income subject to tax	34,155,021	11,345,345	3,505,259	1,979,537	7,613,213	1,465,757	5,290,014	2,955,897
Income tax, total	13,352,427	4,850,797	1,500,404	826,730	2,944,984	522,518	1,598,735	1,108,259
Regular and alternative tax	13,143,509	4,776,357	1,469,773	816,588	2,903,876	520,180	1,573,611	1,083,123
Tax from recomputing prior-year investment credit	104,133	39,964	12,564	5,901	24,280	2,060	7,949	11,415
Additional tax for tax preferences	96,689	34,205	17,563	3,908	16,593	*275	13,819	10,325
Foreign tax credit	1,751,885	1,313,357	120,734	*0,923	109,482	63,151	5,447	128,790
U.S. possessions tax credit	*8,887	—	8,469	26	—	—	*392	—
Orphan drug credit	—	—	—	—	—	—	—	—
Nonconventional source fuel credit	1,637	—	—	25	41	—	*958	*613
Research activities credit	19,301	3,825	1,606	5,977	3,928	*411	563	2,991
General business credit	1,523,583	834,011	104,452	143,248	221,270	42,751	83,403	94,447

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

Corporation Returns/1985

RETURNS WITH NET INCOME

Table 3—Balance Sheets, Income Statements, Tax, and Selected Other Items, by Major Industry—Continued

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

Item	Major industry—Continued							
	Services							Nature of business not allocable
	Total	Hotels and other lodging places	Personal services	Business services	Auto repair, miscellaneous repair services	Amusement and recreation services	Other services	
(61)	(62)	(63)	(64)	(65)	(66)	(67)	(68)	
Number of returns with net income	529,337	10,161	31,739	157,704	50,371	27,853	251,508	8,550
Total assets	213,505,990	17,754,979	8,676,500	70,095,918	16,886,251	31,226,447	68,865,896	1,384,345
Cash	24,870,752	1,449,010	1,301,752	7,966,951	1,617,348	2,087,576	10,248,114	190,964
Notes and accounts receivable	40,263,977	1,190,290	1,345,171	18,698,440	2,609,524	6,630,266	9,790,287	270,745
Less: Allowance for bad debts	1,665,549	44,296	36,154	358,245	69,596	215,922	941,336	*1,586
Inventories	9,860,766	229,879	601,560	3,289,338	1,787,862	2,877,240	1,074,888	257,954
Investments in Government obligations	1,699,291	96,514	89,392	5,211,350	14,484	125,311	828,140	*473
Other current assets	12,036,142	491,730	488,042	1,392,247	857,360	414,287	3,429,488	62,283
Loans to stockholders	6,183,589	271,568	181,005	1,392,247	287,153	1,558,172	3,637,329	25,546
Mortgage and real estate loans	1,925,178	475,524	62,480	662,676	69,392	232,936	422,170	94,079
Other investments	27,309,135	2,881,273	688,179	9,304,843	786,286	5,406,682	8,241,872	113,747
Depreciable loans	121,929,580	12,971,749	5,969,053	33,760,010	13,394,885	15,440,383	40,393,500	474,029
Less: Accumulated depreciation	54,436,212	5,057,989	3,262,016	17,084,482	5,795,011	6,902,394	16,334,321	227,590
Depletable assets	238,908	39,346	*596	155,790	*1,257	*3,741	38,177	*21,106
Less: Accumulated depletion	99,830	27,927	—	53,681	*951	—	16,922	*15,860
Land	6,140,051	1,395,061	309,777	808,932	349	1,206,438	1,922,728	58,490
Intangible assets (amortizable)	5,214,544	149,240	287,010	1,819,910	497,215	898,093	1,728,823	19,556
Less: Accumulated amortization	1,758,906	47,777	80,511	563,385	45,428	552,615	469,190	7,606
Other assets	13,994,575	1,291,784	731,164	4,539,874	543,003	2,016,602	4,872,149	48,015
Total liabilities	213,505,990	17,754,979	8,676,500	70,095,918	16,886,251	31,226,447	68,865,896	1,384,345
Accounts payable	18,665,168	630,200	512,560	8,393,755	1,923,842	1,242,697	5,508,347	202,269
Mortgages, notes, and bonds payable in less than one year	18,329,355	748,153	512,560	8,393,755	1,923,842	1,242,697	5,508,347	202,269
Other current liabilities	23,472,945	1,000,264	659,384	8,183,995	1,349,655	3,405,195	8,874,453	65,193
Loans from stockholders	4,881,128	305,416	233,562	1,746,522	525,744	493,651	1,576,233	142,051
Mortgages, notes, and bonds payable in one year or more	54,260,424	7,211,338	1,707,634	12,658,978	4,568,643	9,783,507	18,330,325	121,261
Other liabilities	14,509,901	991,791	708,103	3,834,184	945,293	3,415,261	4,615,268	91,113
Capital stock	10,481,661	888,017	530,591	3,411,733	954,099	1,949,512	2,747,709	94,821
Paid-in or capital surplus	21,500,919	1,525,843	411,803	7,304,108	1,243,782	3,290,493	7,724,891	64,298
Retained earnings, appropriated	433,834	*38,475	54,271	163,152	43,359	27,934	106,643	*6,407
Retained earnings, unappropriated	51,208,284	5,005,314	3,809,743	16,302,127	4,104,996	5,081,130	16,904,973	404,286
Less: Cost of treasury stock	4,237,630	589,833	408,734	1,371,451	310,414	390,146	1,167,052	*48,556
Total receipts	380,450,410	18,195,373	15,454,466	131,832,867	30,748,802	32,963,241	151,255,661	2,781,410
Business receipts	355,913,397	16,260,187	14,787,484	122,609,946	29,028,282	29,469,281	143,758,217	2,608,421
Interest	3,712,147	189,805	131,019	1,499,008	166,986	396,471	1,328,858	21,026
Interest on Government obligations:								
State and local	186,970	10,967	11,648	57,826	*300	10,705	95,524	*931
Nonqualifying interest and dividends	371,651	41,005	31,564	121,329	16,802	59,206	101,746	10,316
Rents	5,478,942	558,112	119,551	2,966,232	603,434	591,468	640,145	37,883
Royalties	1,501,905	255,501	*39,848	388,760	8,748	776,869	32,180	*1,085
Net short-term capital gain reduced by net long-term capital loss	85,564	11,167	6,994	38,908	*1,244	8,068	19,184	*359
Net long-term capital gain reduced by net short-term capital loss	1,697,149	284,482	67,222	347,025	40,411	352,733	605,276	20,970
Net gain, noncapital assets	1,540,306	111,199	60,137	433,491	444,549	152,338	338,591	45,293
Dividends received from domestic corporations	516,044	34,915	26,366	193,535	118,467	13,314	129,447	*3,161
Dividends received from foreign corporations	220,783	*1,054	*7,324	117,989	*12,570	52,328	29,519	4,172
Other receipts	9,225,552	436,979	165,310	3,058,819	412,163	975,308	4,176,974	27,793
Total deductions	359,326,802	16,949,568	14,486,776	124,105,843	29,366,183	30,901,122	143,517,310	2,593,607
Cost of sales and operations	123,492,927	7,359,334	5,180,655	57,218,645	14,701,405	11,705,916	27,326,972	1,763,900
Compensation of officers	41,824,758	313,340	1,297,569	8,278,547	1,579,553	1,737,261	28,618,488	118,775
Repairs	2,850,813	331,170	167,701	733,749	311,905	371,977	974,311	16,633
Bad debts	1,230,966	35,506	56,917	405,718	84,631	88,607	559,587	1,966
Rent paid on business property	13,726,001	765,764	548,250	3,843,691	1,251,775	1,046,662	6,269,859	55,665
Taxes paid	12,430,025	821,600	648,884	3,800,422	1,059,216	1,044,778	5,055,125	55,226
Interest paid	7,930,373	819,901	202,434	2,469,764	802,756	963,942	2,671,575	32,812
Contributions or gifts	268,339	26,222	13,143	72,816	9,467	38,257	108,432	1,273
Amortization	404,368	8,704	22,411	133,024	20,897	82,205	137,126	*444
Depreciation	16,677,175	1,006,521	653,645	5,554,445	2,286,250	2,458,176	4,718,138	52,933
Depletion	38,320	*900	*419	14,822	*6,416	2,643	13,120	*284
Advertising	4,449,208	328,592	281,484	1,911,167	358,045	787,566	782,354	16,267
Pension, profit-sharing, stock bonus, and annuity plans	6,684,300	42,044	158,112	1,344,833	166,176	231,709	4,741,425	16,317
Employee benefit programs	4,375,667	192,208	119,364	1,230,732	230,029	217,072	2,386,262	12,252
Net loss, noncapital assets	188,344	822	7,895	132,356	9,631	7,987	29,653	*408
Other deductions	122,715,218	4,896,939	5,127,892	36,961,111	6,488,032	10,116,363	59,124,881	448,451
Total receipts less total deductions	21,123,608	1,245,805	967,690	7,727,024	1,382,619	2,062,119	7,738,351	187,803
Constructive taxable income from related foreign corporations	187,822	—	9,511	110,798	2,480	38,193	26,839	2,683
Net income	21,124,460	1,234,838	965,553	7,779,997	1,384,799	2,089,607	7,669,666	189,554
Income subject to tax	14,503,334	858,212	721,869	5,370,792	885,509	1,311,711	5,355,241	115,942
Income tax, total	4,725,948	322,249	233,209	1,932,884	249,006	471,040	1,517,560	41,664
Regular and alternative tax	4,621,875	308,121	230,612	1,893,709	240,480	465,879	1,483,073	35,702
Tax from recomputing prior-year investment credit	82,509	9,913	2,264	36,279	7,937	2,651	23,465	*5,956
Additional tax for tax preferences	20,011	3,413	*186	2,300	588	2,504	11,019	*6
Foreign tax credit	286,477	*9,442	9,654	165,543	*3,451	77,885	20,501	2,706
U.S. possessions tax credit	9,472	*5,443	—	*3,410	15	*111	*495	1,377
Orphan drug credit	—	—	—	—	—	—	—	—
Nonconventional source fuel credit	—	—	—	—	—	—	—	—
Research activities credit	67,476	*120	*345	47,459	*221	*15,456	3,876	*727
General business credit	1,035,092	74,638	38,402	383,842	72,262	99,633	366,315	3,052

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

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

Corporation Returns/1985

RETURNS OF ACTIVE CORPORATIONS

Table 4.—Balance Sheets, Income Statements, and Selected Other Items by Size of Total Assets

[All figures are estimates based on samples—money amounts are in thousands of dollars and size of total assets are in whole dollars]

Item	Total returns of active corporations	Size of total assets				
		Zero assets	\$1 under \$100,000	\$100,000 under \$250,000	\$250,000 under \$500,000	\$500,000 under \$1,000,000
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns	3,277,219	141,720	1,691,731	593,156	338,200	221,125
Total assets	12,773,093,888	—	57,338,285	95,799,427	119,781,108	155,093,396
Cash	683,204,264	—	12,398,231	16,251,379	17,327,422	18,509,749
Notes and accounts receivable	3,317,635,191	—	6,739,199	14,989,792	22,205,284	32,071,753
Less: Allowance for bad debts	61,580,335	—	135,222	211,743	358,265	558,300
Inventories	714,722,928	—	6,996,498	15,257,471	20,480,439	30,247,770
Investments in Government obligations	916,550,098	—	77,131	229,411	398,030	860,101
Other current assets	629,136,396	—	2,325,828	3,957,784	5,684,708	7,001,621
Loans to stockholders	56,781,232	—	4,350,772	5,066,432	4,247,731	3,728,497
Mortgage and real estate loans	1,258,672,577	—	434,448	1,220,856	1,924,085	2,150,049
Other investments	2,413,551,474	—	1,657,518	4,333,499	6,172,481	8,752,529
Depreciable assets	3,174,193,649	—	47,464,951	58,728,443	66,793,984	80,897,745
Less: Accumulated depreciation	1,232,072,530	—	30,366,526	34,237,245	37,656,407	44,652,649
Depletable assets	112,339,389	—	201,356	239,193	470,931	362,994
Less: Accumulated depletion	37,203,920	—	92,127	75,821	182,239	103,302
Land	141,448,357	—	1,867,448	4,968,472	6,994,344	9,751,103
Intangible assets (amortizable)	145,290,625	—	1,349,476	1,688,355	1,721,976	1,870,376
Less: Accumulated amortization	42,505,240	—	684,040	691,583	676,699	691,641
Other assets	582,949,738	—	2,753,345	4,084,731	4,233,301	4,895,005
Total liabilities	12,773,093,888	—	57,338,285	95,799,427	119,781,108	155,093,396
Accounts payable	891,571,443	—	8,157,958	12,431,633	17,633,287	23,435,467
Mortgages, notes, and bonds payable in less than one year	1,001,337,795	—	7,447,956	9,697,998	14,161,056	20,502,038
Other current liabilities	4,234,983,432	—	6,766,459	7,986,820	9,966,249	12,733,915
Loans from stockholders	174,317,253	—	16,652,290	12,778,164	11,871,589	10,499,510
Mortgages, notes, and bonds payable in one year or more	1,699,272,481	—	13,415,236	19,988,224	24,401,609	31,447,919
Other liabilities	1,467,912,913	—	2,091,851	2,994,746	3,788,386	4,806,622
Capital stock	920,182,882	—	12,510,938	11,855,030	12,347,207	13,414,701
Paid-in or capital surplus	1,420,996,805	—	7,976,491	6,179,771	6,466,031	9,455,822
Retained earnings, appropriated	54,074,364	—	230,917	351,047	492,318	668,682
Retained earnings, unappropriated	1,311,512,589	—	-15,436,405	15,033,236	23,257,603	33,294,917
Less: Cost of treasury stock	403,068,064	—	2,475,405	3,508,254	3,604,226	5,166,196
Total receipts	8,398,278,426	119,659,188	275,540,367	276,036,845	287,189,508	349,213,000
Business receipts	7,369,538,953	78,724,023	267,680,817	266,710,496	277,514,806	337,683,621
Interest	614,500,241	29,717,112	894,362	1,366,159	1,645,219	2,110,771
Interest on Government obligations:						
State and local	20,164,514	639,309	13,391	11,606	25,257	61,871
Nonqualifying interest and dividends	3,122,184	68,811	161,536	184,133	207,384	228,686
Rents	89,700,937	1,216,883	1,263,216	1,705,537	2,438,197	2,528,818
Royalties	15,237,421	187,371	268,619	171,470	284,534	258,412
Net short-term capital gain reduced by net long-term capital loss	7,032,062	123,264	39,523	35,545	31,004	34,251
Net long-term capital gain reduced by net short-term capital loss	53,771,685	1,447,920	475,095	757,501	579,785	855,084
Net gain, noncapital assets	33,537,842	3,800,393	916,884	731,517	-1,119,277	-1,083,351
Dividends received from domestic corporations	16,967,379	190,153	40,182	102,996	115,507	159,673
Dividends received from foreign corporations	20,770,361	425,379	*38	*101	3,229	11,204
Other receipts:	153,934,848	3,118,571	3,786,702	4,259,785	3,225,311	4,197,259
Total deductions	8,158,144,126	116,960,775	276,175,011	273,643,908	283,756,072	345,743,289
Cost of sales and operations	4,894,254,081	52,424,795	119,467,710	143,937,641	169,834,048	226,374,852
Compensation of officers	170,737,540	1,431,695	36,056,468	25,987,997	18,358,831	16,176,488
Repairs	81,495,784	583,093	2,248,871	2,148,126	2,186,833	2,320,693
Bad debts	43,333,588	1,017,238	588,785	723,007	837,291	1,155,719
Rent paid on business property	134,661,335	1,814,142	11,360,693	8,507,272	6,886,255	6,745,920
Taxes paid	200,977,161	2,072,291	8,388,233	7,789,404	7,451,313	8,483,051
Interest paid	568,645,475	29,418,122	2,592,354	3,588,375	4,338,811	5,743,580
Contributions or gifts	4,471,736	43,389	60,959	76,461	83,373	100,461
Amortization	6,133,737	139,163	192,738	181,120	177,347	176,153
Depreciation	304,380,703	2,420,411	6,693,356	7,232,771	7,712,168	8,996,472
Depletion	7,779,731	136,227	27,865	23,535	59,487	60,371
Advertising	91,922,667	1,491,224	2,386,111	2,366,177	2,561,967	3,508,779
Pension, profit-sharing, stock bonus, and annuity plans	49,588,712	310,657	3,845,160	3,073,961	1,956,674	2,021,114
Employee benefit programs	71,601,577	714,914	1,568,106	1,489,684	1,365,721	1,911,399
Net loss, noncapital assets	7,893,175	417,502	317,418	125,015	166,083	213,609
Other deductions	1,520,267,133	22,525,910	80,390,184	66,393,363	59,779,868	61,754,630
Total receipts less total deductions	240,134,300	2,698,414	-634,644	2,392,937	3,433,436	3,469,711
Constructive taxable income from related foreign corporations	20,299,335	294,256	*14,499	—	*196	*4,821
Net income (less deficit), total	240,119,020	2,353,360	-633,536	2,368,181	3,404,973	3,367,904
Net income	363,867,384	9,523,304	9,533,916	9,037,156	9,539,830	10,316,705
Deficit:	123,748,365	7,169,944	10,167,452	6,668,975	6,134,857	6,928,801
Income subject to tax	266,060,609	7,184,372	4,347,917	5,986,081	6,555,779	7,230,658
Income tax, total	111,340,839	3,374,629	737,697	1,107,099	1,426,688	1,925,169
Regular and alternative tax	109,106,358	3,087,465	724,965	1,086,355	1,401,105	1,891,079
Tax from recomputing prior-year investment credit	1,497,597	278,101	11,599	18,599	23,044	29,407
Additional tax for tax preferences	725,878	9,061	*698	*1,316	*732	*2,691
Foreign tax credit	24,263,487	347,672	*1,711	*42	3,181	4,679
U.S. possessions tax credit	2,450,583	74,820	*13	—	*286	5,665
Orphan drug credit	*204	—	—	—	—	—
Nonconventional source fuel credit	43,267	64	—	—	—	*244
Research activities credit	1,627,997	6,576	*802	*2,328	4,048	9,698
General business credit	19,607,097	81,716	177,848	260,810	313,609	405,691

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

Corporation Returns/1985

RETURNS OF ACTIVE CORPORATIONS

Table 4.—Balance Sheets, Income Statements, and Selected Other Items by Size of Total Assets—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars and size of total assets are in whole dollars]

Item	Size of total assets—Continued						
	\$1,000,000 under \$5,000,000	\$5,000,000 under \$10,000,000	\$10,000,000 under \$25,000,000	\$25,000,000 under \$50,000,000	\$50,000,000 under \$100,000,000	\$100,000,000 under \$250,000,000	\$250,000,000 or more
	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Number of returns	215,730	29,622	20,920	10,354	6,200	4,391	4,052
Total assets	443,209,527	206,840,158	325,747,315	366,883,129	440,358,429	710,189,800	9,851,852,669
Cash	41,289,202	16,467,984	23,738,409	24,029,496	27,423,133	39,521,910	446,247,282
Notes and accounts receivable	99,742,327	48,549,070	87,936,719	113,817,078	131,049,445	178,544,581	2,581,989,555
Less: Allowance for bad debts	2,208,677	1,312,765	2,183,841	2,760,888	3,085,689	5,281,532	43,483,409
Inventories	96,781,458	39,903,185	46,246,487	34,362,930	30,228,626	43,718,233	350,499,833
Investments in Government obligations	3,733,512	4,144,504	20,861,655	39,765,975	55,164,227	71,987,938	719,327,524
Other current assets	23,404,796	12,514,339	18,021,356	18,306,452	20,482,769	31,296,112	486,140,630
Loans to stockholders	6,522,626	1,857,371	2,018,596	1,473,753	1,440,231	1,812,268	24,242,955
Mortgage and real estate loans	5,933,275	3,678,853	8,796,617	21,381,501	46,131,323	111,980,982	1,055,040,589
Other investments	27,722,220	16,650,386	34,406,226	37,796,515	52,263,371	106,072,227	2,117,724,457
Depreciable assets	201,330,199	85,453,172	110,145,824	93,187,510	89,211,726	139,965,809	2,201,014,257
Less: Accumulated depreciation	102,342,005	39,352,554	48,926,212	38,834,006	36,295,181	55,254,277	764,155,453
Depletable assets	2,426,995	1,870,956	3,397,701	3,675,846	2,963,695	7,794,577	88,935,145
Less: Accumulated depletion	909,738	681,445	1,269,634	1,411,395	1,077,673	3,224,990	38,175,556
Land	23,127,583	8,405,089	9,597,121	7,438,674	6,796,895	8,615,560	53,886,063
Intangible assets (amortizable)	5,078,228	2,668,295	3,454,239	4,270,468	5,000,176	7,919,155	110,269,880
Less: Accumulated amortization	1,667,730	820,318	1,100,755	1,149,499	1,189,188	1,759,473	32,074,313
Other assets	13,245,258	6,844,037	10,606,807	11,532,720	13,850,545	26,480,719	484,423,230
Total liabilities	443,209,527	206,840,158	325,747,315	366,883,129	440,358,429	710,189,800	9,851,852,669
Accounts payable	70,834,202	29,839,918	36,266,796	29,477,701	26,640,574	42,583,853	594,270,053
Mortgages, notes, and bonds payable in less than one year	73,673,180	34,541,272	38,926,616	32,240,333	28,379,167	43,889,392	697,878,787
Other current liabilities	39,449,399	26,252,972	76,625,981	140,994,746	203,942,025	307,370,577	3,403,893,678
Loans from stockholders	16,602,799	5,158,915	5,138,977	3,464,342	3,702,379	5,998,039	80,450,249
Mortgages, notes, and bonds payable in one year or more	37,291,623	40,567,611	56,756,541	52,626,887	53,328,553	88,048,502	1,231,388,768
Other liabilities	17,781,351	10,212,991	16,564,657	18,361,606	22,080,748	42,845,041	1,326,384,915
Capital stock	30,465,039	15,075,943	21,243,370	18,878,735	21,117,121	44,234,530	719,040,256
Paid-in or capital surplus	29,644,124	17,273,703	27,761,807	33,792,760	43,644,118	83,470,490	1,155,331,668
Retained earnings, appropriated	1,736,484	469,303	1,011,676	1,338,181	1,476,048	3,167,823	43,132,083
Retained earnings, unappropriated	83,884,255	32,887,784	50,560,657	39,298,074	41,121,600	61,886,450	945,723,743
Less: Cost of treasury stock	10,153,929	5,440,254	5,109,763	3,590,236	5,073,902	13,304,698	345,641,531
Total receipts	959,773,722	385,062,352	432,615,174	313,101,687	299,726,112	474,942,981	4,224,395,372
Business receipts	927,610,374	369,747,459	406,614,973	282,457,552	261,622,478	413,416,078	3,479,169,427
Interest	5,874,487	3,354,630	9,741,570	16,950,780	23,470,993	39,608,132	479,694,918
Interest on Government obligations:							
State and local	209,910	118,414	480,372	821,193	1,166,745	1,763,754	14,851,497
Nonqualifying interest and dividends	833,128	390,071	468,071	207,850	189,989	77,246	105,082
Rents	6,719,967	2,913,246	3,599,150	3,079,113	2,999,641	4,204,332	57,009,747
Royalties	452,468	314,134	414,681	375,454	296,638	674,123	11,539,426
Net short-term capital gain reduced by net long-term capital loss	159,681	147,063	107,087	210,159	253,382	456,794	5,434,310
Net long-term capital gain reduced by net short-term capital loss	2,543,639	1,158,152	2,003,635	1,624,631	2,006,278	3,549,641	36,439,446
Net gain, noncapital assets	2,926,875	1,173,858	1,507,460	1,258,972	1,141,500	1,877,589	15,999,150
Dividends received from domestic corporations	665,039	302,483	506,495	422,635	588,050	1,035,694	12,838,428
Dividends received from foreign corporations	85,269	20,712	77,887	102,058	209,942	760,849	19,073,691
Other receipts	11,692,887	5,422,131	7,093,792	5,591,290	5,780,470	7,518,748	92,240,249
Total deductions	947,565,490	380,158,100	424,087,787	306,557,047	291,847,178	459,443,781	4,051,511,226
Cost of sales and operations	678,890,815	277,914,101	298,324,262	200,610,227	187,770,595	296,286,747	2,241,910,109
Compensation of officers	27,989,529	7,711,656	6,926,114	4,482,093	3,392,359	3,893,228	18,327,050
Repairs	5,074,578	1,742,930	2,007,229	1,649,914	1,605,556	57,088,599	2,835,806
Bad debts	3,181,857	1,306,219	2,039,562	2,157,571	2,121,108	2,902,255	25,301,406
Rent paid on business property	12,797,542	4,463,563	5,444,989	4,113,064	4,022,306	5,797,903	62,698,704
Taxes paid	18,995,922	6,838,006	8,140,747	5,955,481	5,810,424	8,598,396	112,443,220
Interest paid	15,930,223	7,371,711	12,844,027	16,398,122	20,631,909	35,226,647	414,507,582
Contributions or gifts	269,803	125,346	182,136	141,017	174,409	240,441	2,973,913
Amortization	391,977	203,607	254,638	229,827	269,367	335,161	3,582,431
Depreciation	21,219,543	8,863,050	11,281,168	9,557,094	8,843,749	14,258,555	197,272,440
Depletion	230,223	140,462	249,665	301,155	257,062	421,637	5,871,350
Advertising	7,913,623	3,134,433	4,034,279	3,350,338	3,528,591	5,594,306	52,047,370
Pension, profit-sharing, stock bonus, and annuity plans	4,407,612	1,466,180	1,519,110	1,191,062	1,159,324	1,963,557	26,673,159
Employee benefit programs	5,012,847	2,400,008	2,941,961	2,634,254	2,414,340	3,892,057	45,255,196
Net loss, noncapital assets	566,103	292,130	353,075	413,540	346,333	546,249	4,135,938
Other deductions	144,693,295	56,184,699	67,544,828	53,372,288	49,499,753	76,650,836	781,422,758
Total receipts less total deductions	12,208,232	4,904,252	8,527,387	6,544,641	7,878,927	15,499,200	172,884,146
Constructive taxable income from related foreign corporations	42,264	10,195	43,436	71,193	142,055	476,971	19,199,449
Net income (less deficit), total	11,981,786	4,792,273	8,052,437	5,786,436	6,854,224	14,212,417	177,232,039
Net income	26,821,761	11,554,799	16,435,848	12,887,186	13,080,568	21,917,353	218,873,552
Deficit	14,839,976	6,762,526	8,383,411	7,100,750	6,226,344	7,704,936	35,641,454
Income subject to tax	18,496,199	8,121,482	11,525,059	9,486,620	9,486,103	15,541,873	162,092,657
Income tax, total	6,999,742	3,474,090	5,054,425	4,240,677	4,241,789	6,993,554	72,062,620
Regular and alternative tax	6,596,653	3,428,427	4,988,899	4,185,919	4,185,527	6,902,776	70,624,546
Tax from recomputing prior-year investment credit	83,948	32,551	45,674	37,143	37,988	60,753	838,770
Additional tax for tax preferences	16,789	11,867	19,032	17,285	17,359	29,997	599,050
Foreign tax credit	63,602	15,145	40,342	62,661	132,059	563,863	23,028,531
U.S. possessions tax credit	37,303	85,438	241,085	385,180	185,251	530,381	904,669
Orphan drug credit	*83	—	—	—	—	—	121
Nonconventional source fuel credit	*270	*2,378	*2,300	2,318	1,642	1,944	32,108
Research activities credit	44,563	30,600	46,886	33,726	44,658	79,693	1,324,420
General business credit	1,019,285	413,773	539,267	468,292	459,842	746,299	14,720,287

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

NOTE: 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."

RETURNS WITH NET INCOME

Table 5—Balance Sheets, Income Statements, and Selected Other Items by Size of Total Assets

[All figures are estimates based on samples—money amounts are in thousands of dollars and size of total assets are in whole dollars]

Item	Total returns with net income	Size of total assets				
		Zero assets	\$1 under \$100,000	\$100,000 under \$250,000	\$250,000 under \$500,000	\$500,000 under \$1,000,000
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns	1,820,120	52,649	830,815	368,871	220,600	149,510
Total assets	9,706,496,555	—	31,838,202	59,877,667	78,400,745	104,683,596
Cash	543,731,070	—	8,271,476	12,450,710	13,789,394	14,714,464
Notes and accounts receivable	2,608,617,799	—	3,679,013	9,753,417	15,502,362	23,333,976
Less: Allowance for bad debts	45,841,184	—	26,960	123,635	207,194	368,668
Inventories	502,628,738	—	3,375,205	9,043,952	13,102,235	20,742,438
Investments in Government obligations	670,152,132	—	50,746	182,228	296,134	646,106
Other current assets	487,559,638	—	1,341,176	2,525,004	3,718,912	4,397,225
Loans to stockholders	38,808,156	—	2,889,778	3,497,519	2,924,709	2,471,849
Mortgage and real estate loans	874,548,176	—	287,261	906,359	1,345,355	1,689,572
Other investments	1,934,896,006	—	974,268	2,858,282	4,201,571	5,807,656
Depreciable assets	2,373,046,610	—	23,844,089	33,526,494	40,120,573	51,155,276
Less: Accumulated depreciation	909,393,441	—	15,449,212	20,173,770	23,327,757	29,224,724
Depletable assets	71,702,749	—	74,410	128,480	185,671	216,201
Less: Accumulated depletion	22,396,529	—	35,097	44,807	79,492	70,564
Land	85,949,626	—	917,544	2,707,640	3,826,316	5,626,117
Intangible assets (amortizable)	109,386,104	—	552,220	778,731	826,149	1,124,474
Less: Accumulated amortization	35,081,414	—	310,484	352,269	371,285	457,242
Other assets	418,182,324	—	1,402,769	2,213,333	2,547,093	2,879,438
Total liabilities	9,706,496,555	—	31,838,202	59,877,667	78,400,745	104,683,596
Accounts payable	648,329,412	—	3,446,777	6,958,748	10,738,694	15,714,646
Mortgages, notes, and bonds payable in less than one year	662,085,958	—	2,749,294	4,461,209	7,180,442	10,735,452
Other current liabilities	3,240,363,040	—	3,319,544	4,943,656	5,976,188	8,590,542
Loans from stockholders	92,220,657	—	4,588,995	4,525,419	4,807,664	4,741,548
Mortgages, notes, and bonds payable in one year or more	1,089,242,950	—	4,603,076	9,471,867	11,777,275	15,582,643
Other liabilities	1,190,604,316	—	966,667	1,605,185	2,335,803	3,101,011
Capital stock	774,531,328	—	5,179,241	6,351,282	6,797,516	7,749,451
Paid-in or capital surplus	1,069,709,791	—	2,439,901	2,175,200	2,647,219	3,835,537
Retained earnings, appropriated	49,471,000	—	130,909	280,246	208,934	570,716
Retained earnings, unappropriated	1,277,947,969	—	5,761,459	21,691,819	28,442,534	37,573,970
Less: Cost of treasury stock	383,009,862	—	1,347,659	2,586,964	2,491,525	3,511,918
Total receipts	6,420,237,212	65,568,136	167,555,841	185,938,048	204,493,541	260,119,729
Business receipts	5,634,380,316	—	162,433,032	179,185,753	197,359,258	251,749,727
Interest	464,364,627	17,210,015	592,867	1,016,368	1,290,948	1,636,628
Interest on Government obligations:						
State and local	12,454,274	495,337	12,912	7,721	18,374	34,616
Nonqualifying interest and dividends	2,398,245	39,631	114,503	141,623	162,262	178,672
Rents	70,392,595	459,595	736,173	1,140,539	1,695,661	1,848,892
Royalties	12,632,158	78,742	153,647	163,238	219,022	198,819
Net short-term capital gain reduced by net long-term capital loss	5,803,386	55,778	30,542	33,523	22,787	27,583
Net long-term capital gain reduced by net short-term capital loss	45,623,717	1,203,852	394,443	473,003	445,886	630,131
Net gain, noncapital assets	26,299,756	3,049,680	708,925	532,002	695,644	820,123
Dividends received from domestic corporations	14,474,843	160,031	35,514	89,122	104,840	142,172
Dividends received from foreign corporations	19,750,534	381,802	7	79	3,221	7,624
Other receipts	111,662,763	2,115,609	2,343,276	3,155,077	2,275,638	2,844,744
Total deductions	6,063,176,333	56,719,162	158,023,512	176,879,869	194,932,205	249,818,448
Cost of sales and operations	3,683,422,533	24,694,771	69,229,777	93,616,611	117,797,770	166,887,536
Compensation of officers	125,627,679	827,647	22,505,177	18,808,224	14,213,503	12,728,040
Repairs	64,244,628	279,712	1,194,880	1,238,981	1,441,867	1,569,574
Bad debts	26,398,566	339,121	186,396	310,809	487,261	712,502
Rent paid on business property	95,197,433	865,759	6,049,379	5,196,589	4,442,075	4,623,343
Taxes paid	156,366,289	1,180,867	4,761,420	5,106,109	5,221,840	6,163,145
Interest paid	397,715,331	15,735,646	1,190,536	1,819,034	2,264,901	3,039,528
Contributions or gifts	4,407,501	38,218	54,715	73,036	79,138	96,552
Amortization	3,831,287	64,295	77,963	69,353	88,210	102,056
Depreciation	225,786,025	937,890	3,342,266	4,225,289	4,741,916	5,703,039
Depletion	5,209,312	41,711	17,045	20,105	44,741	46,755
Advertising	72,405,575	841,144	1,206,016	1,418,325	1,715,570	2,479,637
Pension, profit-sharing, stock bonus, and annuity plans	40,365,247	169,228	2,521,054	2,279,930	1,632,312	1,758,605
Employee benefit programs	54,757,978	300,264	945,936	996,220	934,335	1,375,263
Net loss, noncapital assets	3,107,176	34,642	33,249	35,963	38,769	55,912
Other deductions	1,104,333,780	10,368,248	44,707,705	41,665,292	39,787,997	42,482,962
Total receipts less total deductions	357,060,879	8,848,974	9,532,329	9,058,179	9,561,336	10,301,281
Constructive taxable income from related foreign corporations	19,319,812	279,608	14,499	196	196	3,573
Net income	366,867,384	9,128,582	9,546,828	9,037,308	9,539,756	10,268,113
Income subject to tax	265,430,727	6,306,428	4,347,917	5,986,112	6,555,755	7,165,869
Income tax, total	110,884,764	2,921,519	733,355	1,103,443	1,419,882	1,887,874
Regular and alternative tax	108,862,636	2,684,722	724,965	1,086,359	1,401,101	1,863,985
Tax from recomputing prior-year investment credit	1,321,080	229,528	7,595	14,939	16,250	20,002
Additional tax for tax preferences	690,157	7,267	360	1,316	723	1,950
Foreign tax credit	24,238,518	330,330	1,711	42	3,181	4,679
U.S. possessions tax credit	2,450,583	73,114	13	491	286	5,665
Orphan drug credit	204	—	—	—	—	—
Nonconventional source fuel credit	43,261	64	—	—	—	244
Research activities credit	1,622,991	5,745	802	2,328	4,048	9,698
General business credit	19,537,636	79,843	177,848	260,815	313,605	405,691

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

Corporation Returns/1985

Table 5—Balance Sheets, Income Statements, and Selected Other Items by Size of Total Assets—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars and size of total assets are in whole dollars]

Item	Size of total assets—Continued						
	\$1,000,000 under \$5,000,000	\$5,000,000 under \$10,000,000	\$10,000,000 under \$25,000,000	\$25,000,000 under \$50,000,000	\$50,000,000 under \$100,000,000	\$100,000,000 under \$250,000,000	\$250,000,000 or more
	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Number of returns	147,680	19,275	13,577	6,902	4,252	3,074	2,893
Total assets	302,080,755	134,058,534	212,219,350	245,588,886	307,458,202	504,939,081	7,725,337,098
Cash	32,987,248	12,505,321	17,578,842	17,201,202	19,879,329	29,441,418	364,911,640
Notes and accounts receivable	73,947,430	34,226,512	57,798,123	78,529,319	91,190,850	128,017,322	2,092,639,260
Less: Allowance for bad debts	1,420,434	857,041	1,272,936	1,698,140	2,042,104	3,565,570	34,258,503
Inventories	69,146,589	28,256,141	32,503,091	23,333,570	20,917,930	30,686,082	251,518,519
Investments in Government obligations	2,827,894	3,053,739	15,178,813	29,519,525	41,864,594	54,719,234	521,813,121
Other current assets	14,788,540	7,007,277	10,940,165	11,491,553	13,661,853	21,180,910	396,507,023
Loans to stockholders	4,305,337	1,232,804	1,325,666	877,979	764,870	966,996	18,172,411
Mortgage and real estate loans	3,973,384	2,222,714	5,433,965	15,493,991	35,946,990	84,775,818	72,472,767
Other investments	18,781,218	11,006,407	23,672,561	26,030,482	37,563,890	80,189,945	1,723,807,030
Depreciable assets	130,953,862	53,293,050	67,671,429	58,323,681	59,465,683	88,135,722	1,768,510,134
Less: Accumulated depreciation	70,436,455	26,645,805	31,781,079	25,854,886	25,592,279	35,364,173	605,504,340
Depletable assets	950,665	832,099	1,222,970	1,204,908	1,487,110	3,399,212	62,000,054
Less: Accumulated depletion	392,857	383,725	559,794	425,953	680,563	1,550,707	18,172,411
Land	12,421,026	3,829,755	4,913,789	3,709,943	3,416,651	5,197,928	39,392,919
Intangible assets (amortizable)	2,480,571	1,337,972	2,047,119	2,246,339	2,516,973	4,401,121	91,071,272
Less: Accumulated amortization	919,825	471,086	719,839	680,466	719,257	862,708	29,214,242
Other assets	7,686,564	3,612,401	6,266,466	6,285,839	7,815,682	15,170,531	362,302,209
Total liabilities	302,080,755	134,058,534	212,219,350	245,588,886	307,458,202	504,939,081	7,725,337,098
Accounts payable	49,172,442	20,657,766	24,651,837	19,687,499	17,908,210	29,583,679	449,808,871
Mortgages, notes, and bonds payable in less than one year	43,926,653	19,389,490	20,905,573	17,442,060	15,971,234	25,233,079	494,112,367
Other current liabilities	27,225,609	17,100,002	49,168,208	99,436,859	147,193,537	225,412,408	2,651,994,824
Loans from stockholders	8,340,812	2,012,185	1,760,373	1,105,206	1,476,039	3,113,956	55,748,460
Mortgages, notes, and bonds payable in one year or more	45,259,269	19,612,121	26,840,134	25,224,934	26,739,738	47,929,264	854,402,458
Other liabilities	10,543,689	5,773,334	10,172,607	11,228,378	13,709,186	27,992,000	1,103,173,785
Capital stock	17,596,743	8,959,662	13,538,055	11,744,877	14,811,001	34,399,143	647,397,938
Paid-in or capital surplus	11,940,860	6,575,504	12,840,981	18,780,030	27,988,089	59,254,280	921,229,313
Retained earnings, appropriated	1,385,155	399,725	793,830	1,004,688	1,185,273	2,526,276	35,985,249
Retained earnings, unappropriated	94,707,160	38,123,803	53,781,779	42,651,360	44,856,529	61,980,762	848,376,505
Less: Cost of treasury stock	8,017,637	4,544,057	4,034,026	2,717,007	4,380,633	12,485,766	336,892,672
Total receipts	743,853,881	279,460,887	319,613,498	224,727,569	222,251,768	346,290,370	3,395,608,859
Business receipts	720,612,874	268,937,379	301,942,947	203,451,900	194,366,876	299,775,364	2,816,662,682
Interest	4,463,329	2,314,230	6,311,171	11,916,996	16,969,829	30,189,251	370,375,452
Interest on Government obligations:							
State and local	146,149	78,641	355,185	542,729	838,423	1,234,566	8,687,705
Nonqualifying interest and dividends	636,984	307,465	380,048	173,245	129,314	55,301	69,198
Rents	4,617,393	1,868,215	2,111,609	1,936,581	2,000,971	2,974,575	48,946,150
Royalties	321,926	210,062	306,864	271,051	184,036	529,329	9,985,341
Net short-term capital gain reduced by net long-term capital loss	117,909	37,122	87,865	118,025	220,966	402,420	4,648,528
Net long-term capital gain reduced by net short-term capital loss	2,081,193	965,710	1,630,941	1,273,308	1,764,851	2,958,026	31,464,700
Net gain, noncapital assets	2,078,511	855,334	1,137,983	885,521	754,799	1,360,432	12,621,191
Dividends received from domestic corporations	640,815	227,116	445,372	356,097	502,393	898,625	10,870,191
Dividends received from foreign corporations	72,044	19,627	63,114	91,077	139,429	719,551	18,220,867
Other receipts	8,064,755	3,639,986	4,840,399	3,711,038	4,379,885	5,182,929	69,056,853
Total deductions	716,870,710	287,863,244	302,814,460	211,201,657	207,915,668	323,706,515	3,192,957,918
Cost of sales and operations	525,299,131	198,917,307	218,733,412	142,675,851	138,504,760	210,509,201	1,774,766,457
Compensation of officers	22,611,310	6,038,169	5,080,938	3,186,050	2,410,432	2,748,718	14,454,533
Repairs	3,577,014	1,216,281	1,404,977	1,099,132	1,210,934	1,894,316	48,108,964
Bad debts	1,962,801	734,749	964,248	934,016	939,835	1,554,138	17,269,951
Rent paid on business property	9,045,925	2,905,290	3,455,110	2,554,552	2,543,540	3,967,849	49,520,123
Taxes paid	14,452,386	4,952,012	5,956,313	4,332,215	4,233,580	6,552,355	93,327,998
Interest paid	9,113,135	3,929,555	6,971,491	9,926,581	13,303,465	24,456,451	305,826,770
Contributions or gifts	265,387	123,019	178,271	142,491	183,463	232,973	2,936,051
Amortization	208,226	104,724	140,243	118,868	127,868	158,197	2,567,934
Depreciation	14,161,152	5,474,475	6,973,620	5,889,522	5,620,268	8,863,862	159,821,815
Depletion	157,793	90,990	153,679	157,061	224,049	231,514	4,022,400
Advertising	5,673,067	2,252,040	2,894,382	2,376,608	2,511,405	4,369,114	44,260,223
Pension, profit-sharing, stock bonus, and annuity plans	3,920,454	1,238,100	1,225,836	958,117	973,284	1,555,193	22,113,569
Employee benefit programs	3,742,201	1,663,944	2,083,725	1,745,223	1,802,213	2,845,834	36,230,122
Net loss, noncapital assets	131,885	71,165	80,835	95,908	117,439	202,634	2,208,601
Other deductions	102,548,844	38,151,424	46,517,382	35,009,462	33,209,133	53,564,168	615,522,406
Total receipts less total deductions	26,983,171	11,597,643	16,799,038	13,525,912	14,336,097	22,583,855	202,650,941
Constructive taxable income from related foreign corporations	36,375	9,440	33,185	58,734	119,674	462,202	18,296,339
Net income	26,863,685	11,524,683	16,455,793	13,036,292	13,617,335	21,811,491	212,259,575
Income subject to tax	18,488,668	8,112,264	11,532,341	9,588,403	9,958,293	15,527,386	160,929,132
Income tax, total	6,677,790	3,460,882	5,053,766	4,280,161	4,436,899	6,963,612	71,478,970
Regular and alternative tax	6,591,806	3,424,062	4,996,204	4,232,189	4,387,851	6,888,840	70,152,881
Tax from recomputing prior-year investment credit	66,137	25,056	39,267	30,922	31,884	45,001	755,644
Additional tax for tax preferences	17,516	10,555	17,476	16,721	16,249	29,743	570,197
Foreign tax credit	61,543	15,145	40,342	62,664	196,759	571,140	22,932,657
U.S. possessions tax credit	41,104	84,061	238,661	385,180	185,251	530,381	904,669
Orphan drug credit	83	—	—	—	—	—	121
Nonconventional source fuel credit	*270	*2,378	*2,300	2,318	2,467	1,119	32,102
Research activities credit	44,563	30,600	47,396	34,214	44,355	80,223	1,318,189
General business credit	1,021,179	412,780	542,501	475,462	474,819	742,259	14,628,584

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

RETURNS OF ACTIVE CORPORATIONS

Table 6—Selected Balance Sheet, Income Statement, and Tax Items, by Industrial Division, by Size of Total Assets

[All figures are estimates based on samples—money amounts are in thousands of dollars and size of total assets are in whole dollars]

Industrial division, item	Total returns of active corporations	Size of total assets											
		Zero assets	\$1 Under \$100,000	\$100,000 under \$250,000	\$250,000 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 under \$5,000,000	\$5,000,000 under \$10,000,000	\$10,000,000 under \$25,000,000	\$25,000,000 under \$50,000,000	\$50,000,000 under \$100,000,000	\$100,000,000 under \$250,000,000	\$250,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
All Industries													
Number of returns	3,277,219	141,720	1,691,731	593,156	338,200	221,125	215,730	29,622	20,920	10,354	6,200	4,391	4,052
Total assets	12,773,093,888	—	57,338,285	95,799,427	119,781,108	155,093,396	443,209,527	206,840,158	325,747,315	366,883,129	440,358,429	710,189,800	9,851,852,669
Notes and accounts receivable, net	3,256,054,856	—	6,603,977	14,778,050	21,847,019	31,513,453	97,530,650	47,236,305	85,752,878	111,056,190	127,963,756	173,263,049	2,538,556,146
Inventories	714,722,928	—	6,996,498	15,257,471	20,480,439	30,247,770	96,781,458	39,903,185	46,246,487	34,362,930	30,228,626	43,718,233	350,499,833
Cash, Government obligations and other current assets	2,228,890,757	—	14,801,190	20,438,574	23,410,160	26,371,471	68,427,510	33,126,827	62,621,420	82,101,923	103,070,129	142,805,960	1,651,715,436
Other investments and loans	3,728,985,283	—	6,442,738	10,620,787	12,344,297	14,631,075	40,178,121	22,186,610	45,221,439	60,651,769	99,834,925	219,865,477	3,197,008,001
Depreciable assets	3,174,193,649	—	47,464,951	58,728,443	66,793,984	80,897,745	201,330,199	85,453,172	110,145,824	93,187,510	89,211,726	139,965,609	2,201,014,257
Less: Accumulated depreciation	1,232,072,530	—	30,366,526	34,237,245	37,656,407	44,662,649	102,342,005	39,352,554	48,926,212	38,834,006	36,295,181	55,254,277	764,155,453
Other capital assets less reserves	319,369,211	—	2,642,113	6,128,616	8,328,313	11,189,530	28,555,338	11,442,577	14,078,672	12,824,094	12,493,905	19,344,829	192,841,219
Accounts and notes payable	1,892,909,237	—	15,605,914	22,129,631	31,794,343	43,937,505	144,507,382	64,381,190	75,193,412	61,718,034	55,019,741	86,473,245	1,292,146,840
Other current liabilities	4,234,983,432	—	6,766,459	7,986,830	8,966,249	12,733,915	39,449,399	26,252,972	76,625,981	140,994,746	203,942,025	307,370,577	3,403,693,878
Mortgages, notes, and bonds payable in one year or more	1,699,272,481	—	13,415,236	19,999,224	24,401,609	31,447,919	87,291,623	40,567,611	56,756,541	52,626,887	53,328,553	88,048,502	1,231,388,768
Net worth	3,303,698,575	—	2,806,536	29,910,830	38,958,933	51,667,926	135,576,973	60,266,479	95,467,747	89,717,514	102,284,985	179,454,395	2,517,586,219
Cost of property used for investment credit	299,052,731	1,679,862	4,889,864	6,482,993	6,879,362	8,414,497	19,966,932	8,850,256	10,579,452	8,547,226	7,577,601	12,455,955	202,315,903
Total receipts	8,398,278,426	119,659,188	275,540,367	276,036,845	287,189,508	349,213,000	959,773,722	385,062,352	432,615,174	313,101,687	299,726,112	474,942,981	4,224,395,372
Business receipts	7,369,538,953	78,724,023	267,680,817	266,710,496	277,514,806	337,683,621	927,610,374	399,747,459	406,614,973	282,457,552	261,622,478	413,416,078	3,479,169,427
Cost of sales and operations	4,894,254,081	52,424,795	119,467,710	143,937,641	169,834,048	226,374,852	678,890,815	277,914,101	298,324,282	200,610,227	187,770,595	296,286,747	2,241,910,109
Taxes paid	200,977,161	2,072,291	8,388,233	7,789,404	7,451,313	8,483,051	18,995,922	6,838,006	8,140,747	9,955,481	5,810,424	8,598,396	112,443,220
Interest paid	568,645,475	29,418,122	2,592,354	3,588,375	4,338,811	5,743,580	15,330,223	7,371,711	12,844,027	16,398,122	20,631,909	35,226,647	414,507,582
Depreciation	304,380,703	2,420,411	6,693,356	7,232,771	7,127,168	8,996,472	21,219,453	8,863,050	11,281,168	9,557,094	8,843,749	14,258,555	197,272,440
Pension, profit-sharing, stock bonus, and annuity plans	49,588,712	310,657	3,845,160	3,073,961	1,956,674	2,021,114	4,407,612	1,466,180	1,519,110	1,191,062	1,159,324	1,963,557	26,673,159
Employee benefit programs	71,601,577	714,914	1,568,106	1,489,684	1,365,721	1,911,399	5,012,847	2,400,008	2,941,961	2,634,254	2,414,340	3,892,057	45,255,196
Net income (less deficit)	240,119,020	2,353,360	-633,536	-2,368,181	3,404,973	3,387,904	11,981,786	4,792,273	8,052,437	5,786,436	6,854,224	14,212,417	177,232,099
Income subject to tax, total	266,060,609	7,184,372	4,347,917	5,986,081	6,555,779	7,230,568	18,496,199	8,121,482	11,525,059	9,486,620	9,486,103	15,541,873	162,902,657
Income tax, total	111,340,839	3,374,629	737,697	1,107,099	1,426,688	1,925,169	6,699,742	3,474,090	5,054,425	4,240,677	4,241,789	6,993,554	72,062,620
Additional tax for tax preferences	725,878	9,061	698	1,316	732	2,691	16,789	11,867	19,032	17,285	17,359	29,997	599,050
Foreign tax credit	24,263,487	347,672	1,711	1,42	3,181	4,679	63,602	15,145	40,342	62,661	132,059	563,863	23,028,531
U.S. possessions tax credit	2,450,583	74,820	13	491	286	5,665	37,303	85,438	241,085	385,180	185,251	503,381	904,669
Orphan drug credit	124	—	—	—	—	—	83	—	—	—	—	—	121
Research activities credit	1,627,997	6,576	802	2,328	4,048	9,698	44,563	30,600	46,886	33,726	44,658	79,693	1,324,420
General business credit	19,607,097	81,716	177,848	260,810	313,609	405,691	1,019,285	413,773	539,267	468,292	459,842	746,299	14,720,287
Agriculture, Forestry, and Fishing													
Number of returns	103,156	3,260	37,974	21,115	17,821	13,263	8,875	483	236	75	33	16	5
Total assets	52,651,197	—	1,430,190	3,614,038	6,343,340	9,240,005	15,594,226	3,260,880	3,549,783	2,482,267	2,244,589	2,232,344	2,659,535
Notes and accounts receivable, net	4,937,695	—	75,083	226,470	414,107	556,031	1,353,375	522,858	308,154	409,040	356,892	425,424	290,263
Inventories	4,698,551	—	80,810	238,551	344,407	662,076	1,374,794	389,905	404,240	197,753	295,851	221,508	488,655
Cash, Government obligations and other current assets	5,655,207	—	247,427	489,935	904,754	943,686	1,448,819	351,678	380,293	202,492	209,527	141,210	335,184
Other investments and loans	6,460,090	—	107,009	290,496	705,325	939,652	1,715,419	361,545	597,478	431,803	363,170	353,135	595,059
Depreciable assets	34,867,376	—	2,153,947	3,533,037	5,487,768	6,380,783	9,082,298	1,804,590	1,860,540	1,249,391	931,341	1,287,141	1,096,622
Less: Accumulated depreciation	20,647,603	—	1,531,902	2,257,321	3,479,803	3,977,897	5,422,291	926,782	910,811	559,396	423,603	570,877	586,920
Other capital assets less reserves	13,757,061	—	1,024,546	1,620,546	1,690,500	3,072,589	5,165,697	628,713	712,215	440,687	360,621	300,858	122,073
Accounts and notes payable	12,283,717	—	687,030	711,862	1,196,518	1,818,435	3,610,823	1,001,397	925,577	677,201	646,030	730,860	277,984
Other current liabilities	2,210,785	—	201,707	97,113	145,838	222,659	565,261	165,216	191,911	117,329	155,864	191,082	196,805
Mortgages, notes, and bonds payable in one year or more	15,861,923	—	485,448	932,452	1,869,353	2,822,462	5,240,622	940,061	1,253,749	667,536	807,359	411,067	431,815
Net worth	15,406,222	—	-587,950	1,149,520	2,154,789	3,411,709	4,390,529	780,815	878,402	762,530	434,276	697,772	1,333,630
Cost of property used for investment credit	2,649,823	49,667	160,574	288,460	419,401	452,200	626,500	165,211	114,494	90,347	42,585	153,201	87,363
Total receipts	70,491,486	2,354,393	4,660,259	6,958,446	8,637,854	8,146,564	16,180,808	4,221,519	4,145,674	2,747,612	2,922,585	4,686,045	4,829,727
Business receipts	65,419,402	2,199,834	4,345,161	6,582,647	8,014,469	7,349,669	14,852,435	3,970,803	3,809,301	2,500,471	2,726,995	4,529,657	4,537,959
Cost of sales and operations	45,085,526	1,828,645	2,495,877	4,509,127	5,286,230	4,554,156	10,554,258	2,984,740	3,014,371	1,821,076	2,262,012	2,859,620	2,915,415
Taxes paid	1,502,284	33,045	146,817	142,488	207,662	219,389	360,361	71,984	73,096	48,688	29,659	65,653	103,442
Interest paid	2,758,952	64,354	137,532	194,857	296,209	470,708	844,978	150,748	168,886	123,225	119,191	104,546	83,719
Depreciation	3,639,336	64,206	271,052	389,811	561,440	641,364	879,511	181,074	195,713	121,062	90,912	145,987	97,202
Pension, profit-sharing, stock bonus, and annuity plans	164,620	1,711	12,747	3,247	19,911	22,769	41,602	8,969	6,161	6,161	6,374	12,327	20,446
Employee benefit programs	257,043	2,359	7,360	18,826	23,536	33,336	61,716	15,961	13,759	11,738	11,738	29,878	19,923
Net income (less deficit)	-74,270	1,458	-123,029	-30,337	61,397	-51,444	-240,384	-10,028	-26,070	-12,050	-5,291	53,841	297,085
Income subject to tax, total	1,685,031	30,675	64,220	150,147	220,240	223,102	312,744	91,645	106,042	63,470	60,537	69,881	292,248
Income tax, total	540,671	8,368	10,339	26,188	44,529	50,204	101,627	38,480	45,817	26,618	25,484	31,832	131,183
Additional tax for tax preferences	1,198	—	—	—	—	108	595	96	—	—	29	195	—
Foreign tax credit	57,317	—	—	—	—	31	1	—	—	43	—	5,928	51,313
U.S. possessions tax credit	9,377	—	—	—	—	—	—	—	—	—	—	9,377	—
Orphan drug credit	4	—											

RETURNS OF ACTIVE CORPORATIONS

Table 6—Selected Balance Sheet, Income Statement, and Tax Items, by Industrial Division, by Size of Total Assets—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars and size of total assets are in whole dollars]

Industrial division, item	Total returns of active corporations	Size of total assets											
		Zero assets	\$1 Under \$100,000	\$100,000 under \$250,000	\$250,000 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 under \$5,000,000	\$5,000,000 under \$10,000,000	\$10,000,000 under \$25,000,000	\$25,000,000 under \$50,000,000	\$50,000,000 under \$100,000,000	\$100,000,000 under \$250,000,000	\$250,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Mining													
Number of returns	41,426	1,660	19,295	6,329	5,118	3,427	3,784	781	502	249	130	78	74
Total assets	240,815,996	—	606,292	1,011,684	1,861,146	2,451,313	7,879,333	787,218	1,225,848	8,841,180	9,152,999	13,898,675	182,007,029
Notes and accounts receivable, net	27,771,851	—	95,239	204,699	317,115	340,225	1,252,053	139,171	284,894	1,180,655	1,115,468	1,836,665	19,416,563
Inventories	8,748,729	—	14,369	21,837	70,640	58,100	229,707	176,738	315,806	388,618	624,180	6,601,406	7,089,922
Cash, Government obligations and other current assets	15,853,952	—	162,090	211,429	332,637	562,026	1,391,929	977,029	1,149,744	1,586,719	1,290,791	1,213,691	8,221,891
Other investments and loans	92,617,102	—	59,356	172,852	237,387	437,502	1,163,639	618,872	928,531	1,223,621	1,213,621	2,145,651	64,338,905
Depreciable assets	110,313,133	—	613,855	783,680	1,572,050	1,851,655	5,481,763	3,590,223	4,521,390	5,484,641	4,885,816	8,463,381	73,064,680
Less: Accumulated depreciation	52,170,845	—	424,247	500,707	1,040,335	1,176,236	3,424,383	2,203,023	2,722,606	2,986,976	2,447,897	3,955,702	31,288,733
Other capital assets less reserves	26,839,488	—	35,263	99,890	270,363	293,960	1,362,608	1,278,028	1,953,229	2,073,219	1,848,511	2,827,434	14,796,982
Accounts and notes payable	35,789,607	—	683,670	421,248	630,179	691,881	2,161,108	1,518,733	2,166,231	1,905,415	1,593,779	1,682,499	22,334,864
Other current liabilities	13,458,821	—	68,485	86,971	143,652	190,732	508,937	439,214	468,367	606,993	649,252	912,236	9,384,883
Mortgages, notes, and bonds payable in one year or more	57,050,533	—	210,210	533,663	350,987	561,102	1,581,496	1,368,096	1,775,591	2,453,477	2,238,424	4,338,915	41,644,574
Net worth	104,772,798	—	677,050	770,858	378,377	564,270	2,175,550	1,167,651	2,397,832	2,799,583	3,503,279	5,110,473	87,923,493
Cost of property used for investment credit	5,847,345	152,081	65,062	78,982	150,104	219,070	573,594	318,377	316,161	366,118	293,710	430,460	2,863,625
Total receipts	142,038,595	2,745,519	2,191,895	1,292,346	2,767,575	3,170,816	7,916,916	4,851,118	5,312,696	6,037,564	4,974,956	9,463,965	91,313,589
Business receipts	126,710,610	2,320,366	1,955,953	1,153,344	2,536,442	2,883,867	7,042,391	4,314,057	4,747,640	5,207,822	4,335,608	8,517,670	81,695,449
Cost of sales and operations	87,972,035	1,472,951	1,232,525	490,086	1,066,894	1,334,939	4,059,737	2,805,050	3,122,216	3,318,390	2,743,764	5,643,096	60,682,387
Taxes paid	5,682,862	100,061	49,085	44,958	101,239	125,916	281,197	171,339	153,696	191,801	164,833	333,470	3,965,269
Interest paid	7,789,995	163,360	56,907	60,385	83,212	100,921	285,888	206,146	307,059	377,505	344,293	488,208	5,316,111
Depreciation	9,019,510	212,442	69,550	105,326	205,052	265,586	590,040	435,906	471,244	633,559	381,860	790,705	4,857,969
Pension, profit-sharing, stock bonus, and annuity plans	894,808	35,970	—	*2,186	*5,437	*9,391	27,366	10,367	13,821	15,158	16,491	704,967	—
Employee benefit programs	1,517,510	56,178	6,976	*3,000	9,694	15,873	43,440	26,455	28,698	38,497	34,952	81,927	1,171,820
Net income (less deficit)	-2,543,487	-375,261	-44,854	-117,905	-82,838	-59,782	-323,819	-213,694	-401,350	-369,900	-153,293	26,175	-426,864
Income subject to tax, total	4,111,431	115,339	29,553	18,238	59,335	114,138	313,385	120,847	146,365	148,352	274,859	454,186	2,316,834
Income tax, total	1,810,559	47,974	4,764	3,067	13,767	35,659	127,217	57,626	68,936	72,389	123,507	203,940	1,051,713
Additional tax for tax preferences	50,088	2,513	—	*131	*727	1,844	7,068	3,678	5,387	6,545	5,452	1,423	15,319
Foreign tax credit	1,078,746	*5,036	—	—	—	3	*268	*1,214	*4,054	*2,447	30,797	88,326	919,775
U.S. possessions tax credit	2,425	—	—	—	—	—	—	—	2,425	—	—	—	—
Orphan drug credit	—	—	—	—	—	—	—	—	—	—	—	—	—
Research activities credit	660	—	—	—	—	—	*367	—	*42	102	137	13	—
General business credit	163,177	4,985	*1,548	1,664	5,941	12,543	25,781	13,339	14,544	15,593	10,396	15,644	41,198
Construction													
Number of returns	318,276	10,076	162,745	54,750	37,864	24,626	23,536	2,721	1,327	405	140	48	39
Total assets	215,297,771	—	5,428,610	8,879,541	13,447,496	17,312,547	47,584,316	19,119,631	19,749,673	13,751,058	10,867,924	7,253,966	51,903,011
Notes and accounts receivable, net	53,048,414	—	993,916	2,019,477	3,591,077	4,999,869	14,636,354	5,736,977	5,841,947	3,739,741	2,950,451	1,824,993	6,713,799
Inventories	30,964,501	—	441,156	1,275,389	1,971,116	3,313,648	8,694,624	3,504,649	3,463,262	2,580,155	1,478,232	703,446	3,538,820
Cash, Government obligations and other current assets	42,295,203	—	1,377,833	1,942,265	3,049,152	3,913,747	10,676,954	4,537,550	4,599,626	3,131,773	2,387,092	1,549,142	5,130,069
Other investments and loans	36,024,969	—	834,306	834,306	1,186,407	1,161,769	3,266,463	1,410,295	1,799,748	1,364,002	1,680,104	1,046,287	21,678,223
Depreciable assets	71,020,270	—	4,553,805	5,386,577	6,799,773	7,602,428	17,477,464	6,492,786	5,911,056	4,284,537	2,715,485	1,900,436	7,895,924
Less: Accumulated depreciation	40,084,972	—	2,918,853	3,266,465	4,099,579	4,609,576	10,124,709	3,837,920	3,334,050	2,410,994	1,327,385	824,791	3,330,469
Other capital assets less reserves	8,148,887	—	156,518	403,628	594,981	571,689	1,700,446	660,821	846,068	426,785	313,908	388,019	2,086,023
Accounts and notes payable	70,420,213	—	1,936,642	2,593,086	4,499,925	6,097,143	18,113,953	7,069,228	6,956,027	4,546,632	3,096,366	2,243,757	13,267,453
Other current liabilities	31,946,412	—	654,791	796,994	1,439,349	2,524,328	8,162,656	3,773,983	3,956,557	2,608,959	2,243,554	1,452,894	4,332,347
Mortgages, notes, and bonds payable in one year or more	35,987,365	—	1,129,783	1,688,521	2,079,179	2,052,187	6,099,437	2,458,686	2,773,265	2,194,179	1,767,781	1,492,953	12,251,395
Net worth	54,687,269	—	249,318	2,591,027	4,026,164	5,012,025	10,953,747	3,705,545	4,045,198	2,868,688	2,368,477	1,266,830	17,600,251
Cost of property used for investment credit	8,458,473	45,926	678,860	887,954	979,890	1,103,546	2,096,394	647,037	584,050	384,338	237,073	179,471	633,532
Total receipts	387,232,953	2,800,204	34,899,097	29,008,961	35,171,515	43,083,604	101,995,603	32,426,643	29,975,514	18,931,502	12,283,250	9,491,227	37,165,832
Business receipts	374,590,273	2,687,205	34,624,371	28,573,136	34,331,819	42,285,182	99,845,016	31,423,744	28,853,802	18,015,426	11,621,307	8,974,527	33,354,738
Cost of sales and operations	295,803,244	2,307,586	22,476,928	19,499,013	24,557,794	32,054,838	81,666,218	26,622,337	24,795,560	15,794,055	9,999,074	8,026,382	28,003,459
Taxes paid	7,954,781	39,883	995,703	837,485	1,032,764	1,074,015	2,004,931	592,836	462,599	262,069	171,380	88,398	392,719
Interest paid	6,407,652	30,934	288,421	317,318	455,350	495,269	1,171,260	425,922	464,432	329,345	295,942	231,865	1,901,394
Depreciation	7,818,360	43,040	719,239	826,692	884,284	910,465	1,857,051	618,978	518,809	352,127	254,226	172,048	661,323
Pension, profit-sharing, stock bonus, and annuity plans	1,761,107	4,797	76,818	117,886	179,440	238,808	566,661	143,812	130,339	64,213	34,103	24,744	179,488
Employee benefit programs	1,933,870	8,386	104,261	153,421	181,941	282,135	470,298	193,434	135,359	129,265	63,393	35,569	176,410
Net income (less deficit)	4,370,924	-64,516	206,886	299,621	553,605	658,668	1,160,631	302,407	395,576	30,126	10,012	57,638	760,270
Income subject to tax, total	7,268,588	46,524	470,532	612,695	825,171	885,711	1,734,217	469,705	585,598	231,952	178,401	119,340	1,108,742
Income tax, total	2,312,846	15,364	73,960	108,656	184,268	238,549	599,686	193,636	251,055	104,797	79,981	47,234	1,158,660
Additional tax for tax preferences	37,145	5	—	—	—	*79	*1,190	1,782	1,237	1,286	557	1,602	29,407
Foreign tax credit	144,531	—	—	—	*19	—	3	—	*150	*405	8,267	2,939	132,748
U.S. possessions tax credit	—	—	—	—	—	—	—	—	—	—	—	—	—
Orphan drug credit	—	—	—	—	—	—	—	—	—	—	—	—	—
Research activities credit	3,392	—	—	—	—	—	—	—	—	—	—	—	—
General business credit	501,581	864	26,001	36,740	50,682	60,753	135,744	39,916	*287	96	160	13	2,331

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 6—Selected Balance Sheet, Income Statement, and Tax Items, by Industrial Division, by Size of Total Assets—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars and size of total assets are in whole dollars]

Industrial division, item	Total returns of active corporations	Size of total assets											
		Zero assets	\$1 Under \$100,000	\$100,000 under \$250,000	\$250,000 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 under \$5,000,000	\$5,000,000 under \$10,000,000	\$10,000,000 under \$25,000,000	\$25,000,000 under \$50,000,000	\$50,000,000 under \$100,000,000	\$100,000,000 under \$250,000,000	\$250,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Wholesale and Retail Trade													
Number of returns	917,301	33,139	405,906	196,451	116,716	74,999	74,870	8,523	4,301	1,256	520	377	244
Total assets	1,009,965,739	—	15,709,139	31,878,815	41,455,231	52,677,025	151,431,684	58,490,348	64,491,171	43,477,376	36,916,507	63,343,193	450,095,250
Notes and accounts receivable, net	220,216,753	—	1,870,615	4,861,304	8,162,456	11,312,087	35,857,541	14,748,467	16,721,856	10,626,292	8,877,830	14,212,958	92,965,348
Inventories	296,465,709	—	4,974,242	10,862,391	13,946,646	19,112,900	60,388,388	21,601,808	19,986,615	13,034,787	9,583,882	16,302,235	106,671,815
Cash, Government obligations and other current assets	151,778,223	—	2,924,500	5,361,084	6,701,087	7,279,191	17,478,960	6,144,703	7,354,576	5,190,010	4,310,718	6,635,101	82,398,293
Other investments and loans	102,628,501	—	963,359	2,167,704	2,725,768	2,969,020	7,170,429	2,911,627	4,342,588	3,260,364	3,203,660	7,302,262	65,607,111
Depreciable assets	310,186,973	—	9,975,510	14,719,824	16,777,094	20,154,837	48,162,181	18,660,842	21,371,961	14,702,960	13,063,086	23,194,408	109,404,270
Less: Accumulated depreciation	139,267,608	—	6,240,752	8,486,500	9,418,946	11,124,964	24,976,348	8,643,199	9,383,949	6,105,977	5,038,609	9,434,472	40,413,891
Other capital assets less reserves	31,267,990	—	399,452	1,003,556	1,356,622	1,751,553	4,398,548	1,743,855	2,296,647	1,517,208	1,522,183	2,643,423	12,634,944
Accounts and notes payable	353,548,769	—	4,891,692	8,838,965	13,011,359	18,157,111	65,630,436	27,391,508	25,941,413	17,184,882	12,778,974	21,024,223	138,698,205
Other current liabilities	141,232,054	—	1,511,010	2,152,859	2,814,561	3,604,489	10,922,065	4,381,144	5,239,422	3,557,112	3,257,728	5,323,399	98,468,265
Mortgages, notes, and bonds payable in one year or more	159,615,461	—	4,321,178	6,268,743	7,231,982	7,890,525	19,367,497	7,788,426	10,388,815	7,852,429	7,247,320	11,101,998	70,157,448
Net worth	286,260,274	—	1,297,329	9,228,992	13,622,643	19,166,362	47,622,183	16,469,876	19,947,848	12,839,825	11,251,720	21,630,705	115,777,449
Cost of property used for investment credit	33,824,210	118,119	872,825	1,487,272	1,661,746	2,028,152	5,555,333	2,441,937	2,648,193	1,816,807	1,462,913	2,101,562	11,629,351
Total receipts	2,473,865,453	26,197,685	82,312,915	117,480,271	137,298,288	172,438,177	513,579,643	197,136,892	184,735,303	111,800,302	95,723,703	162,273,000	672,889,274
Business receipts	2,408,174,933	25,177,783	80,910,894	115,805,889	135,145,275	169,734,125	505,009,414	193,444,620	180,408,806	109,123,268	93,144,516	158,291,759	641,978,584
Cost of sales and operations	1,869,766,621	20,590,882	52,199,514	79,119,436	96,197,535	128,347,936	403,545,418	158,250,446	144,300,907	86,206,678	75,168,736	128,352,867	497,486,263
Taxes paid	35,656,880	297,918	2,119,318	2,450,334	2,581,084	2,982,915	6,968,995	2,175,146	2,398,838	1,512,715	2,090,522	2,971,711	8,989,643
Interest paid	38,217,998	353,787	692,077	1,181,069	1,407,575	1,774,456	5,047,229	2,037,504	2,199,250	1,491,970	1,260,210	2,080,626	18,692,244
Depreciation	36,279,699	201,181	1,410,727	1,819,850	2,077,453	2,265,783	5,638,340	2,245,803	2,532,960	1,738,924	1,414,748	2,540,426	12,393,505
Pension, profit-sharing, stock bonus, and annuity plans	6,615,718	47,260	156,148	372,669	409,659	589,030	1,474,705	453,183	389,684	236,281	157,644	291,262	2,038,193
Employee benefit programs	9,722,734	62,304	175,010	287,095	370,335	468,640	1,627,880	647,971	648,797	444,558	430,954	712,998	3,846,292
Net income (less deficit)	33,126,702	70,282	—835,483	540,808	1,086,273	1,448,452	5,818,802	2,173,439	2,739,009	1,562,794	1,508,835	2,675,085	14,338,407
Income subject to tax, total	41,645,576	614,309	1,912,959	1,716,488	2,159,710	2,456,364	6,680,827	2,515,674	3,004,509	1,984,511	1,730,314	2,902,055	14,967,856
Income tax, total	16,392,866	296,986	181,148	317,943	443,016	619,728	2,379,869	1,078,609	1,338,279	899,540	788,089	1,334,176	6,715,513
Additional tax for tax preferences	50,860	*810	*338	—	—	*284	1,298	1,415	1,213	2,312	2,192	1,860	39,138
Foreign tax credit	613,307	4,421	*1,017	*21	*125	8	12,479	*3,170	7,388	3,693	2,940	18,101	559,945
U.S. possessions tax credit	73,364	*94	2	—	*150	*178	1,714	83	—	426	14,558	44,465	11,694
Orphan drug credit	—	—	—	—	—	—	—	—	—	—	—	—	—
Research activities credit	27,993	131	*41	*514	*183	*174	1,387	3,380	2,528	2,260	2,381	1,553	13,460
General business credit	2,280,877	8,824	29,657	57,405	81,051	105,732	293,714	123,235	125,779	95,131	92,819	160,503	1,107,026
Finance, Insurance, and Real Estate													
Number of returns	518,432	35,042	237,493	91,724	54,501	35,981	34,928	6,511	7,306	5,546	4,017	2,885	2,495
Total assets	7,029,452,681	—	7,903,031	14,832,523	19,483,565	24,976,105	73,919,163	46,115,352	118,925,388	199,445,681	281,543,700	453,009,701	5,789,297,827
Notes and accounts receivable, net	2,188,433,899	—	5,084,545	2,283,769	2,283,769	3,370,141	9,931,653	8,726,873	37,206,570	74,259,859	94,491,775	122,196,465	1,833,698,714
Inventories	25,172,871	—	61,305	308,751	501,233	799,388	3,795,998	1,835,448	2,680,668	2,270,285	2,473,700	3,561,769	6,885,257
Cash, Government obligations and other current assets	1,658,756,748	—	2,374,431	3,712,700	4,621,491	5,348,553	14,491,985	10,402,911	33,486,695	59,422,311	81,331,186	111,295,124	1,332,269,205
Other investments and loans	2,639,641,531	—	1,276,567	2,582,300	3,734,246	5,227,173	16,212,102	11,116,575	28,041,839	44,619,150	82,393,340	184,948,551	2,259,489,642
Depreciable assets	239,987,908	—	4,775,475	7,396,168	8,541,232	10,063,979	26,052,343	10,879,524	14,050,185	13,756,292	15,440,449	19,736,011	109,296,220
Less: Accumulated depreciation	73,406,834	—	2,797,369	3,739,079	3,890,857	4,308,241	9,117,368	3,111,441	3,960,595	3,773,437	4,616,746	5,378,465	28,713,223
Other capital assets less reserves	64,559,392	—	1,108,965	2,408,546	2,834,293	3,469,100	9,493,874	4,310,738	4,212,728	4,042,218	4,003,043	4,949,913	23,725,967
Accounts and notes payable	685,064,024	—	1,309,390	1,944,699	3,350,881	4,591,273	14,529,995	8,164,805	12,031,405	15,913,260	17,833,972	17,833,972	31,801,698
Other current liabilities	3,684,015,020	—	710,365	918,627	1,150,175	1,360,206	5,287,538	9,858,909	56,391,553	124,858,478	187,990,920	283,095,598	3,012,392,050
Mortgages, notes, and bonds payable in one year or more	503,061,319	—	1,855,856	3,336,378	5,042,198	6,935,721	22,708,947	11,814,907	15,598,245	16,499,773	17,922,186	27,970,785	373,376,514
Net worth	1,161,968,010	—	1,573,306	5,725,921	6,724,878	8,323,555	21,735,014	11,562,172	26,252,715	31,844,169	44,732,436	84,188,663	919,305,144
Cost of property used for investment credit	24,645,259	206,059	336,842	295,231	376,806	310,192	711,815	442,007	633,421	724,366	939,170	18,449,747	
Total receipts	1,182,034,309	39,177,929	16,811,201	11,800,373	11,812,272	12,593,718	28,460,191	15,758,771	32,945,971	35,970,147	50,139,335	90,806,800	835,323,548
Business receipts	501,993,840	5,940,702	14,512,524	9,165,532	10,610,781	8,907,799	18,216,773	10,824,264	19,931,810	15,810,566	22,588,940	45,081,563	322,123,242
Cost of sales and operations	237,577,803	2,121,207	2,708,196	1,518,265	1,552,417	2,942,200	5,864,284	4,847,089	11,876,170	8,307,221	14,528,600	30,928,525	150,383,490
Taxes paid	21,010,565	557,941	574,053	585,913	573,859	611,184	1,326,540	554,198	862,373	805,016	919,442	1,392,940	12,245,270
Interest paid	363,009,417	27,219,516	296,378	522,120	709,755	924,210	2,999,323	1,789,324	5,749,957	10,681,322	15,254,963	26,230,408	270,591,186
Depreciation	26,893,911	595,143	487,277	529,655	574,955	589,293	1,484,775	644,737	928,674	1,030,330	1,622,113	1,632,211	17,157,295
Pension, profit-sharing, stock bonus, and annuity plans	5,396,210	41,369	164,587	168,044	160,566	135,128	314,904	92,032	116,813	155,677	211,711	310,911	3,524,135
Employee benefit programs	6,427,203	108,965	89,060	101,137	92,927	87,490	199,829	105,630	230,674	249,125	347,737	500,203	4,312,383
Net income (less deficit)	60,670,526	—590,947	363,432	563,715	736,199	631,506	1,427,361	203,786	857,807	707,661	1,610,127	4,408,648	49,412,835
Income subject to tax, total	34,738,567	1,721,649	563,790	858,617	894,773	901,658	2,175,234	901,658	1,623,327	1,472,504	1,623,327	2,421,785	19,508,369
Income tax, total	13,598,201	720,765	95,066	160,725	199,309	253,791	724,552	345,214	548,966	661,540	683,597	1,044,787	8,159,888
Additional tax for tax preferences	99,830	4,859	*358	*452	6	*260	5,379	2,452	5,527	3,398	3,567	6,033	67,511
Foreign tax credit	1,776,854	93,881	—	*21	5	*37	742	1,142	2,207	27,588	5,216	14,503	1,631,512
U.S. possessions tax credit	*8,887												

RETURNS OF ACTIVE CORPORATIONS

Table 6—Selected Balance Sheet, Income Statement, and Tax Items, by Industrial Division, by Size of Total Assets—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars and size of total assets are in whole dollars]

Industrial division, item	Total returns of active corporations	Size of total assets											
		Zero assets	\$1 Under \$100,000	\$100,000 under \$250,000	\$250,000 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 under \$5,000,000	\$5,000,000 under \$10,000,000	\$10,000,000 under \$25,000,000	\$25,000,000 under \$50,000,000	\$50,000,000 under \$100,000,000	\$100,000,000 under \$250,000,000	\$250,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Services													
Number of returns	939,390	35,879	642,312	147,017	57,280	29,613	22,067	2,581	1,529	557	264	185	107
Total assets	330,982,941	—	19,963,665	23,008,872	19,901,067	20,378,644	43,885,060	18,435,899	23,131,091	19,622,908	19,121,892	28,541,724	94,992,118
Notes and accounts receivable, net	55,571,720	—	1,692,360	3,166,992	2,935,713	3,652,976	8,621,136	3,587,384	4,694,108	3,937,622	3,746,810	5,026,623	14,509,996
Inventories	14,896,218	—	767,498	969,445	1,017,899	1,208,565	1,924,744	812,575	1,007,447	862,197	828,979	664,216	4,832,655
Cash, Government obligations and other current assets	54,867,142	—	6,288,932	6,597,024	4,881,847	4,116,717	7,842,035	2,980,187	4,072,719	3,048,083	3,001,330	4,175,892	7,862,378
Other investments and loans	53,352,919	—	2,965,108	3,636,084	2,711,595	2,306,808	4,700,376	2,140,129	3,103,472	2,755,694	2,834,438	5,685,111	20,514,103
Depreciable assets	201,757,654	—	19,076,188	16,438,022	14,320,869	14,581,827	29,615,566	11,412,393	12,613,359	10,531,607	10,686,457	13,273,177	49,208,189
Less: Accumulated depreciation	88,344,560	—	12,352,927	9,615,174	7,871,053	7,444,445	13,376,067	4,518,972	4,741,129	3,861,984	4,347,495	5,117,865	15,077,451
Other capital assets less reserves	17,440,304	—	548,868	789,934	1,014,975	1,220,993	2,627,125	1,041,253	1,175,554	1,148,870	1,156,947	2,035,496	4,680,289
Accounts and notes payable	64,247,047	—	3,982,011	4,102,850	4,226,320	4,364,411	10,403,486	4,436,153	5,308,882	4,318,311	3,879,552	5,659,888	13,565,183
Other current liabilities	34,469,865	—	2,976,623	2,906,170	1,931,632	2,526,908	5,040,118	2,215,209	2,598,869	2,197,128	2,011,461	2,598,905	7,476,842
Mortgages, notes, and bonds payable in one year or more	103,250,383	—	3,726,857	4,309,324	4,400,408	5,506,461	13,254,796	5,590,401	6,842,295	6,119,463	6,662,766	10,108,563	36,729,050
Net worth	89,852,365	—	4,260,688	8,638,900	6,514,755	5,531,804	10,378,569	4,442,420	5,033,962	4,442,266	4,442,266	7,193,470	27,264,697
Cost of property used for investment credit	22,650,229	416,571	1,996,499	2,019,185	1,593,364	2,023,971	3,321,160	1,619,871	1,488,358	1,253,051	1,176,869	1,686,199	4,055,130
Total receipts	534,587,609	7,326,054	107,474,505	71,978,569	47,567,344	42,362,115	71,217,796	25,406,638	27,968,654	20,909,131	21,263,499	24,249,085	66,864,219
Business receipts	497,980,990	6,034,579	104,681,350	68,854,378	45,836,249	40,402,942	66,632,726	23,291,339	25,501,431	18,758,616	21,656,693	57,542,580	145,509,996
Cost of sales and operations	176,070,808	2,581,495	24,408,811	17,676,361	15,828,743	15,279,761	26,899,077	10,393,986	12,502,452	8,437,567	9,235,162	9,606,641	23,220,753
Taxes paid	17,739,620	220,531	3,628,820	2,536,884	1,610,781	1,610,223	2,431,546	843,659	830,308	671,573	709,339	2,071,675	7,476,842
Interest paid	15,027,259	294,425	797,991	728,951	716,856	940,644	1,930,741	836,936	965,178	847,478	832,620	1,190,764	4,944,676
Depreciation	27,354,083	301,414	2,869,551	2,253,841	1,761,480	1,948,040	3,556,932	1,431,007	1,629,592	1,297,420	1,347,420	1,845,793	7,109,428
Pension, profit-sharing, stock bonus, and annuity plans	8,996,557	42,374	3,370,936	2,215,801	956,505	605,177	688,210	218,520	150,599	133,466	141,968	162,090	310,910
Employee benefit programs	6,258,201	70,887	1,082,167	743,491	390,924	390,924	758,485	448,418	361,450	271,817	292,608	930,384	2,598,905
Net income (less deficit)	5,883,782	63,951	326,508	1,093,228	835,936	162,579	548,385	15,523	298,882	291,086	308,272	326,004	1,611,427
Income subject to tax, total	14,503,334	314,542	1,951,489	1,984,857	1,399,776	984,218	1,551,691	563,155	745,625	649,498	756,092	991,273	2,611,118
Income tax, total	4,742,347	132,174	313,852	364,591	317,063	268,691	572,901	238,767	331,750	295,341	345,487	449,590	1,112,141
Additional tax for tax preferences	21,447	*165	—	*734	—	*94	*77	*1,117	1,987	1,090	1,237	1,218	13,729
Foreign tax credit	286,477	*3,807	*694	(*)	*2,370	*419	9,459	*4,634	11,086	2,122	25,723	28,991	197,171
U.S. possessions tax credit	9,472	51	6	*53	12	71	*1,912	*2,038	*2,425	*2,905	—	—	—
Orphan drug credit	—	—	—	—	—	—	—	—	—	—	—	—	—
Research activities credit	67,476	*394	*761	—	*2,029	*1,701	8,990	1,268	6,674	5,944	5,213	12,526	21,975
General business credit	1,035,092	20,528	84,008	96,898	75,651	79,057	124,518	47,755	54,718	57,680	59,958	77,980	256,342
Nature of Business not Allocable													
Number of returns	24,356	4,468	14,708	3,336	1,081	461	247	*20	27	9	—	—	—
Total assets	3,107,240	—	357,791	614,481	362,754	309,236	543,830	*147,219	412,524	*359,405	—	—	—
Notes and accounts receivable, net	577,982	—	32,280	114,986	50,373	56,774	133,750	*22,123	*46,938	*120,758	—	—	—
Inventories	471,186	—	60,101	84,520	*31,542	*35,447	104,031	*36,676	*82,382	36,487	—	—	—
Cash, Government obligations and other current assets	516,232	—	88,718	139,887	75,477	87,683	46,287	*6,811	*60,992	*10,377	—	—	—
Other investments and loans	545,582	—	61,723	*91,414	*41,124	*28,598	136,236	*33,246	*108,959	44,281	—	—	—
Depreciable assets	1,053,180	—	180,539	260,820	168,809	85,635	180,917	*34,917	*128,019	86,012	—	—	—
Less: Accumulated depreciation	476,407	—	108,334	141,515	79,695	31,360	30,484	*9,150	*48,462	27,406	—	—	—
Other capital assets less reserves	276,460	—	*9,374	*36,623	52,054	*22,994	*30,043	*21,552	*18,092	*85,727	—	—	—
Accounts and notes payable	1,125,611	—	55,883	198,673	78,764	89,170	308,941	*48,737	*141,539	*203,903	—	—	—
Other current liabilities	154,465	—	23,134	15,999	5,849	*16,398	43,489	*12,336	*22,838	*14,422	—	—	—
Mortgages, notes, and bonds payable in one year or more	584,770	—	112,676	89,145	*65,004	*47,586	41,497	*53,695	*65,904	*109,263	—	—	—
Net worth	624,635	—	*31,968	120,930	99,449	88,531	81,662	*20,286	166,058	*15,753	—	—	—
Cost of property used for investment credit	125,156	*329	*7,937	*17,966	*12,897	*28,664	24,314	*2,035	*20,950	10,043	—	—	—
Total receipts	4,607,337	156,668	793,872	831,582	411,532	370,065	887,679	*162,589	561,091	*432,258	—	—	—
Business receipts	4,379,186	124,808	772,885	782,610	386,715	*334,693	870,044	*158,649	*530,286	*416,496	—	—	—
Cost of sales and operations	3,096,887	*103,015	413,508	540,277	237,896	*180,921	700,281	*115,857	*436,775	*368,357	—	—	—
Taxes paid	85,594	2,137	20,972	13,974	15,931	9,705	10,237	*1,690	*6,551	*4,396	—	—	—
Interest paid	101,273	3,859	11,632	13,508	14,739	7,950	20,420	*6,169	*9,584	*13,412	—	—	—
Depreciation	114,034	*4,697	29,450	20,337	13,777	10,345	15,247	*4,414	*7,092	8,675	—	—	—
Pension, profit-sharing, stock bonus, and annuity plans	21,838	*4,144	—	—	*807	*7,952	*7,131	*653	*664	487	—	—	—
Employee benefit programs	23,671	*2,245	*855	*3,564	*1,309	*5,920	*2,154	*908	*5,002	1,714	—	—	—
Net income (less deficit)	-161,431	-11,165	-20,190	-25,584	-2,426	8,191	-12,853	-3,142	-79,715	-14,548	—	—	—
Income subject to tax, total	115,942	22,243	*12,950	17,208	*16,670	*8,731	*14,284	2,934	*18,559	2,364	—	—	—
Income tax, total	41,713	14,471	*2,004	2,669	*3,036	*3,312	*5,263	1,377	*8,396	1,185	—	—	—
Additional tax for tax preferences	*6	*6	—	—	—	—	—	—	—	—	—	—	—
Foreign tax credit	2,706	—	—	—	—	2,706	—	—	—	—	—	—	—
U.S. possessions tax credit	1,377	—	—	—	—	—	—	1,377	—	—	—	—	—
Orphan drug credit	—	—	—	—	—	—	—	—	—	—	—	—	—
Research activities credit	*727	—	—	*727	—	—	—	—	—	—	—	—	—
General business credit	3,052	*31	*783	*39	*447	*255	*493	—	*535	470	—	—	—

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

** Data were deleted to avoid disclosure of information for specific corporations and combined with data in another size class.

† Less than \$500 per return.

NOTE: Detail may not add to total because of rounding and the deletion of data. See text for "Explanation of terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 7—Selected Balance Sheet, Income Statement, and Tax Items, by Industrial Division, by Size of Business Receipts

[All figures are estimates based on samples—money amounts are in thousands of dollars and size of business receipts are in whole dollars]

Industrial division, item	Total returns of active corporations	Size of business receipts											
		Under \$100,000 ¹	Under \$25,000 ¹	\$25,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$250,000	\$250,000 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 under \$2,500,000	\$2,500,000 under \$5,000,000	\$5,000,000 under \$10,000,000	\$10,000,000 under \$50,000,000	\$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
All Industries													
Number of returns	3,277,219	1,277,596	710,769	236,622	330,205	620,455	489,191	352,402	290,019	118,119	65,387	52,848	11,202
Total assets	12,773,093,888	151,918,419	91,735,774	24,047,466	36,135,179	86,064,467	107,334,441	149,433,649	290,986,845	345,445,422	443,027,535	1,224,166,587	9,974,716,524
Notes and accounts receivable, net	3,256,054,856	15,611,354	10,613,109	2,015,488	2,982,757	9,688,615	14,821,897	27,925,161	72,407,944	107,184,574	139,579,453	293,620,424	2,575,215,435
Inventories	714,722,928	9,726,272	5,958,526	1,286,501	2,481,245	7,486,654	12,789,044	20,666,100	39,019,195	37,656,038	41,156,769	101,780,336	444,442,521
Cash, Government obligations and other current assets	2,228,690,757	26,028,773	14,705,337	4,092,596	7,230,840	17,532,323	21,698,628	28,810,698	63,741,131	83,671,820	108,400,458	251,030,680	1,627,976,247
Other investments and loans	3,728,985,283	34,110,413	22,525,674	5,161,030	6,423,709	14,537,351	15,814,418	22,621,367	40,806,618	53,160,094	85,284,954	390,690,420	3,071,959,648
Depreciable assets	3,174,193,649	60,633,530	30,847,630	11,241,553	18,544,347	48,038,084	58,365,257	73,566,869	114,049,621	92,515,639	94,764,898	227,259,258	2,405,000,493
Less: Accumulated depreciation	1,232,072,530	26,641,380	12,807,902	4,951,331	8,882,057	25,435,641	30,867,979	38,867,354	59,676,809	46,789,803	46,491,458	101,948,763	855,353,344
Other capital assets less reserves	319,369,211	22,480,703	13,467,892	3,656,889	5,355,921	9,440,227	9,236,006	9,295,571	11,436,988	9,702,986	10,137,409	27,311,725	210,327,596
Accounts and notes payable	1,892,909,237	28,121,179	19,043,248	3,373,250	5,704,681	16,855,369	23,024,119	36,011,198	64,314,689	65,069,043	76,454,898	192,061,747	1,390,996,995
Other current liabilities	4,234,983,432	9,710,316	5,901,059	1,674,928	2,134,329	5,910,919	8,908,586	18,397,359	68,875,925	135,167,371	203,675,029	527,587,731	3,256,850,195
Mortgages, notes, and bonds payable in one year or more	1,699,272,481	44,904,716	27,918,558	6,692,030	10,294,127	23,057,634	27,053,661	33,034,490	52,181,519	42,232,802	45,020,622	123,713,679	1,308,073,357
Net worth	3,303,698,575	34,843,315	18,114,721	6,488,628	10,239,965	24,800,803	32,124,985	45,980,945	82,242,413	85,523,181	98,299,198	318,701,010	2,581,182,724
Cost of property used for investment credit	299,052,731	4,996,349	2,871,979	723,961	1,400,409	4,114,747	5,370,165	11,296,163	11,296,163	9,648,314	9,467,612	22,766,615	224,378,083
Total receipts	8,398,278,426	55,682,650	19,029,904	10,089,498	26,563,248	108,210,157	179,802,726	255,696,666	462,677,923	420,722,680	465,266,049	1,081,779,078	5,368,440,498
Business receipts	7,369,538,953	33,568,808	12,623,150	7,623,484	22,375,174	99,376,069	170,368,450	243,548,577	439,040,484	392,998,164	427,258,880	976,235,781	4,586,761,741
Cost of sales and operations	4,894,254,081	12,270,606	1,695,051	2,622,555	7,953,000	36,026,219	71,764,082	125,820,306	269,411,400	264,461,823	306,114,323	723,514,284	3,084,842,543
Taxes paid	200,977,161	2,672,129	938,926	542,729	1,190,493	4,321,953	6,227,236	7,821,381	12,109,726	9,113,950	9,306,683	18,794,340	130,699,744
Interest paid	568,645,475	4,364,680	2,290,213	776,543	1,297,923	3,299,756	4,345,244	5,975,199	12,264,570	15,864,151	21,505,880	58,929,724	442,096,490
Depreciation	304,380,703	5,623,520	2,849,209	970,490	1,803,821	5,254,301	6,691,572	8,117,005	12,953,231	10,484,372	10,300,099	24,418,499	220,537,923
Pension, profit-sharing, stock bonus, and annuity plans	49,588,712	497,184	272,308	51,091	173,784	1,375,783	2,862,773	2,544,837	3,268,748	2,385,187	2,260,382	3,956,706	30,437,111
Employee benefit programs	71,601,577	369,383	194,192	50,904	124,287	591,907	1,088,933	1,555,245	2,794,795	2,392,449	2,679,827	6,724,602	53,404,975
Net income (less deficit)	240,119,020	-7,391,574	-5,664,593	-984,582	-742,399	218,267	1,038,273	2,614,458	4,546,773	5,715,534	7,796,372	26,274,018	199,306,899
Income subject to tax, total	266,060,609	4,168,468	2,315,366	650,551	1,202,551	3,688,752	4,910,621	6,401,401	10,340,139	8,868,382	9,971,063	25,749,658	191,962,049
Income tax, total	111,340,839	1,186,221	847,676	119,974	218,571	743,145	989,799	1,486,022	2,927,977	3,047,582	3,902,477	11,233,661	85,824,555
Additional tax for tax preferences	725,878	3,375	2,568	604	203	1,721	3,214	3,875	9,398	10,414	12,923	44,222	637,736
Foreign tax credit	24,263,487	47,932	47,031	*696	*206	166	5,537	3,497	37,720	18,127	23,128	131,842	23,995,538
U.S. possessions tax credit	2,450,583	79,101	79,044	57	57	*45	*59	1,967	110,516	70,951	122,403	710,702	1,354,839
Orphan drug credit	*204	—	—	—	—	—	—	—	—	—	*83	—	121
Research activities credit	1,627,997	*632	*516	—	*116	*727	*1,828	3,790	12,644	19,080	31,811	90,276	1,467,211
General business credit	19,607,097	85,989	45,418	12,785	27,786	124,758	209,344	318,829	540,712	505,562	501,836	1,251,036	16,069,030
Agriculture, Forestry, and Fishing													
Number of returns	103,156	48,668	26,745	9,447	12,476	21,531	14,832	8,723	6,182	1,799	842	508	70
Total assets	52,651,197	10,476,349	5,266,699	2,017,464	3,192,186	6,634,843	6,223,004	5,934,530	5,501,819	3,770,035	2,972,522	4,592,828	6,545,267
Notes and accounts receivable, net	4,937,695	571,829	367,022	91,365	113,442	247,965	212,442	416,468	680,381	501,650	495,764	800,229	1,007,968
Inventories	4,698,551	324,420	202,673	59,964	61,783	272,987	361,548	523,945	600,964	376,594	464,899	679,193	1,094,002
Cash, Government obligations and other current assets	5,655,207	1,105,981	581,292	239,531	285,158	792,715	650,509	703,350	557,131	452,944	339,509	427,715	625,352
Other investments and loans	6,460,090	1,192,192	669,075	210,869	312,248	797,357	638,326	623,801	654,385	403,238	513,605	433,554	1,203,632
Depreciable assets	34,867,376	4,787,481	2,278,072	861,850	1,647,560	4,692,345	5,431,911	4,922,519	4,401,762	2,686,213	1,759,515	2,710,937	3,474,794
Less: Accumulated depreciation	20,647,603	2,732,117	1,250,108	466,963	1,015,046	3,030,941	3,461,559	3,121,019	2,654,800	1,470,919	1,042,892	1,418,590	1,715,285
Other capital assets less reserves	13,757,061	4,630,789	2,221,743	909,617	1,499,430	2,475,976	2,016,037	1,566,750	968,203	612,618	359,667	700,823	426,197
Accounts and notes payable	12,283,717	1,282,782	785,195	212,780	284,808	1,104,447	1,322,194	1,461,261	1,522,837	1,230,976	1,038,364	1,656,233	1,664,621
Other current liabilities	2,210,785	281,619	143,595	77,079	60,945	160,565	134,889	175,892	295,036	184,494	219,304	276,389	482,597
Mortgages, notes, and bonds payable in one year or more	15,861,923	2,913,743	1,486,150	551,862	875,731	1,958,182	2,361,547	2,079,339	1,822,162	1,259,262	796,613	1,238,380	1,432,696
Net worth	15,406,222	3,694,740	1,620,795	737,061	1,336,884	2,516,270	1,653,408	1,619,482	1,123,643	745,728	690,455	1,011,004	2,351,493
Cost of property used for investment credit	2,649,823	355,473	216,597	57,937	80,940	277,307	367,307	337,903	352,506	267,236	151,904	200,475	339,712
Total receipts	70,491,486	2,786,451	1,012,329	531,282	1,242,840	4,185,945	5,697,673	6,744,508	9,887,963	6,883,734	5,854,869	12,181,978	16,468,365
Business receipts	65,419,402	1,442,047	170,075	352,228	919,744	3,528,590	5,171,533	6,239,899	9,384,033	6,369,795	5,656,982	11,760,178	15,865,985
Cost of sales and operations	45,085,526	788,452	200,792	159,308	428,352	1,490,372	2,232,750	4,614,977	6,445,443	4,301,258	4,301,258	10,091,568	11,671,029
Taxes paid	1,502,284	137,483	51,527	32,443	53,513	161,293	214,981	198,959	204,855	153,808	114,784	221,075	221,075
Interest paid	2,758,952	348,386	127,560	82,283	138,543	315,306	426,293	369,557	341,630	234,328	179,610	257,676	385,167
Depreciation	3,639,336	447,279	199,948	78,937	168,394	499,811	591,248	516,528	477,772	297,975	178,425	279,157	351,140
Pension, profit-sharing, stock bonus, and annuity plans	164,620	6,182	*476	*106	5,600	16,700	9,727	24,596	20,728	14,787	18,824	42,286	218,824
Employee benefit programs	257,043	29,617	20,957	3,360	5,300	21,333	18,078	23,046	21,924	25,068	19,928	28,217	69,832
Net income (less deficit)	-74,270	-360,947	-238,247	-43,006	-79,695	-71,003	-37,076	-30,674	-37,354	-37,354	6,554	-1,747	6,554
Income subject to tax, total	1,685,031	201,284	94,404	42,198	64,683	182,749	168,956	161,837	170,842	121,517	89,307	131,128	457,412
Income tax, total	540,671	39,837	20,090	8,316	11,430	37,702	36,450	37,208	50,790	42,508	34,229	57,520	204,427
Additional tax for tax preferences	1,198	—	—	—	—	*89	*22	*14	*551	*194	*70	*41	57,241
Foreign tax credit	57,317	*31	*31	(9)	—	—	—	—					

RETURNS OF ACTIVE CORPORATIONS

Table 7—Selected Balance Sheet, Income Statement, and Tax Items, by Industrial Division, by Size of Business Receipts—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars and size of business receipts are in whole dollars]

Industrial division, item	Total returns of active corporations	Size of business receipts											
		Under \$100,000 ¹	Under \$25,000 ¹	\$25,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$250,000	\$250,000 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 under \$2,500,000	\$2,500,000 under \$5,000,000	\$5,000,000 under \$10,000,000	\$10,000,000 under \$50,000,000	\$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Mining													
Number of returns	41,426	23,449	17,711	2,736	3,002	5,436	4,108	2,694	2,919	1,386	662	606	166
Total assets	240,815,996	6,527,697	4,898,088	820,603	809,006	1,780,179	2,298,961	3,040,439	5,921,026	5,020,896	6,467,820	19,143,224	190,615,754
Notes and accounts receivable, net	27,771,851	707,218	614,931	48,541	43,746	257,619	293,939	368,235	948,149	872,482	961,880	2,509,890	20,852,439
Inventories	8,748,729	39,384	20,339	*12,965	*6,080	27,117	37,745	78,175	169,461	105,969	201,214	709,926	7,379,738
Cash, Government obligations and other current assets	15,853,952	945,918	625,782	159,974	160,162	341,060	418,981	482,892	1,105,275	886,218	1,178,493	2,529,491	7,965,823
Other investments and loans	92,617,102	2,013,448	1,673,297	166,231	173,921	400,424	421,530	461,850	878,594	429,402	769,873	2,723,953	84,518,027
Depreciable assets	110,313,133	2,204,532	1,466,440	418,493	319,599	788,803	1,157,807	1,796,648	3,419,855	3,181,677	3,686,082	12,613,455	81,464,273
Less: Accumulated depreciation	52,170,845	1,170,386	751,682	236,055	182,649	473,967	617,588	1,015,239	2,114,758	1,850,302	2,214,367	7,013,401	35,700,838
Other capital assets less reserves	26,839,488	1,356,024	874,395	227,586	254,043	338,293	470,294	713,092	1,229,706	1,245,343	1,711,705	4,068,523	15,706,538
Accounts and notes payable	35,789,607	1,897,342	1,571,894	95,728	229,720	528,974	560,051	930,646	1,752,951	1,348,614	1,473,811	3,917,045	23,380,172
Other current liabilities	13,458,821	547,427	436,812	58,970	51,645	168,300	163,635	178,054	516,358	324,349	437,863	1,296,118	9,826,718
Mortgages, notes, and bonds payable in one year or more	57,050,533	1,865,828	1,521,853	237,454	106,520	336,557	501,376	637,453	1,445,296	1,431,145	1,306,818	5,282,773	44,243,287
Net worth	104,772,798	-112,647	-321,679	-3,693	212,725	558,852	635,493	584,622	1,463,813	1,169,853	2,511,117	6,394,418	91,567,278
Cost of property used for investment credit	5,847,345	215,964	151,738	33,554	30,671	93,634	111,336	164,191	392,953	355,313	308,308	766,888	3,438,758
Total receipts	142,038,595	1,507,734	994,674	204,418	308,642	1,152,507	1,716,005	2,205,618	5,160,893	5,297,023	5,310,694	13,892,271	105,795,849
Business receipts	126,710,610	393,221	66,541	105,266	221,414	907,463	1,598,888	1,888,655	4,477,843	4,811,418	4,786,700	12,530,634	95,407,847
Cost of sales and operations	87,972,035	203,973	61,845	47,179	94,949	251,900	608,787	794,185	1,982,539	2,749,731	2,820,349	7,996,774	70,477,884
Taxes paid	5,682,862	60,903	37,800	11,161	11,943	44,029	61,340	78,824	193,937	190,765	193,422	469,752	4,389,891
Interest paid	7,789,995	214,728	167,408	23,028	24,293	75,165	93,016	106,774	274,098	213,985	253,886	827,576	5,685,766
Depreciation	9,019,510	200,948	118,290	45,530	37,128	91,917	155,525	203,021	472,592	400,182	444,719	1,263,958	5,786,648
Pension, profit-sharing, stock bonus, and annuity plans	894,808	7,754	*905	*2,844	*4,004	*23,554	4,931	6,506	11,213	12,510	13,800	43,854	770,686
Employee benefit programs	1,517,510	3,599	2,183	*852	*563	2,321	13,005	15,355	23,920	28,672	24,401	78,977	*1,327,261
Net income (less deficit)	-2,543,487	-575,501	-398,510	-98,872	-78,119	-41,524	-184,641	-213,143	-338,514	-187,486	-247,320	-586,818	-1,688,540
Income subject to tax, total	4,111,431	118,473	87,270	*18,427	12,777	86,093	57,539	44,577	194,497	145,157	127,788	448,746	2,888,559
Income tax, total	1,810,559	38,846	30,336	5,550	2,960	24,488	17,061	16,206	74,901	60,550	57,761	205,217	1,315,528
Additional tax for tax preferences	50,088	1,880	1,539	*167	*174	*741	1,783	978	4,456	3,042	3,936	13,240	20,052
Foreign tax credit	1,078,746	*1,540	*1,540	—	—	—	*5	*288	*13	20,779	*5,383	*642	1,033,260
U.S. possessions tax credit	—	—	—	—	—	—	—	—	—	—	—	—	—
Orphan drug credit	—	—	—	—	—	—	—	—	—	—	—	2,425	—
Research activities credit	660	—	—	—	—	—	—	—	—	8	*377	*68	205
General business credit	163,177	3,767	850	*2,797	*120	5,554	4,354	2,863	14,831	17,802	11,439	36,900	65,667
Construction													
Number of returns	318,276	94,093	45,936	16,481	31,676	61,991	53,651	44,020	38,979	13,685	7,131	4,319	407
Total assets	215,297,771	11,390,835	8,226,713	735,198	2,428,923	5,270,520	8,672,963	13,826,188	24,480,699	20,030,408	22,640,910	40,123,168	68,862,080
Notes and accounts receivable, net	53,048,414	1,436,433	1,139,571	49,104	247,758	745,294	1,567,888	3,241,465	6,478,165	6,104,954	7,256,055	12,887,626	13,330,535
Inventories	30,964,501	2,443,549	1,852,380	119,895	471,274	901,627	1,510,189	2,631,698	4,674,568	4,090,301	3,948,766	5,926,275	4,837,527
Cash, Government obligations and other current assets	42,295,203	2,754,113	1,906,999	203,592	643,522	1,095,522	2,208,542	3,039,704	5,760,094	4,394,880	5,486,762	9,354,536	8,201,050
Other investments and loans	36,024,969	1,703,675	1,246,472	126,720	330,483	724,833	751,590	1,150,695	1,775,839	1,263,400	1,650,948	3,594,531	23,409,458
Depreciable assets	71,020,270	3,282,190	1,758,398	346,487	1,179,305	3,295,508	4,485,263	6,518,232	10,392,130	7,872,401	7,817,552	13,534,778	13,822,215
Less: Accumulated depreciation	40,084,972	1,742,530	832,391	218,696	691,443	1,966,819	2,672,121	3,817,219	6,149,905	4,688,313	4,728,792	7,727,406	6,591,868
Other capital assets less reserves	8,148,887	922,580	693,123	80,885	148,573	306,942	508,336	662,934	767,752	623,496	512,708	1,313,099	2,531,040
Accounts and notes payable	70,420,213	3,548,527	2,785,675	223,108	539,745	1,425,812	2,731,330	4,619,265	8,277,235	7,486,962	8,536,811	14,921,754	18,872,517
Other current liabilities	31,946,412	1,582,922	1,010,218	103,266	469,442	416,831	1,089,382	1,846,110	4,013,135	3,744,743	4,651,882	7,058,560	7,542,845
Mortgages, notes, and bonds payable in one year or more	35,987,365	2,384,012	1,726,861	135,544	521,606	1,389,552	1,485,797	2,263,168	4,307,356	2,430,052	2,374,024	5,659,284	14,484,139
Net worth	54,687,269	1,666,836	1,211,298	-31,665	487,203	1,069,918	2,071,970	3,629,777	6,176,191	4,641,204	5,158,018	8,241,199	22,032,155
Cost of property used for investment credit	8,458,473	273,343	142,343	10,106	120,895	464,256	630,117	1,026,531	1,489,926	1,047,650	1,489,379	1,987,906	11,997,364
Total receipts	387,232,953	4,907,663	1,751,730	647,888	2,508,045	10,566,763	19,439,753	31,876,484	61,631,487	48,523,396	49,788,538	82,041,308	78,457,561
Business receipts	374,590,273	3,206,829	254,569	601,832	2,350,428	10,249,271	19,050,370	31,358,322	60,589,507	47,686,850	48,843,793	80,042,070	75,561,261
Cost of sales and operations	295,803,244	1,644,476	123,591	330,724	1,190,162	5,563,016	11,638,755	21,168,442	45,095,326	37,734,097	40,136,967	68,677,084	64,145,086
Taxes paid	7,954,781	236,519	116,557	22,493	97,469	402,585	630,305	933,969	1,604,586	1,041,715	986,687	1,317,921	801,396
Interest paid	6,407,652	296,158	212,534	19,831	63,793	212,641	286,742	458,873	715,312	576,985	534,237	1,008,436	2,317,268
Depreciation	7,818,360	315,692	136,195	37,014	142,482	448,136	616,074	829,757	1,323,651	923,232	798,481	1,374,430	2,217,907
Pension, profit-sharing, stock bonus, and annuity plans	1,761,107	36,038	29,899	*472	*5,667	12,379	78,471	133,632	311,349	291,205	254,647	374,340	269,052
Employee benefit programs	1,933,670	31,528	19,031	*864	11,331	37,262	90,750	175,892	333,274	246,425	237,920	431,608	349,212
Net income (less deficit)	4,370,924	-207,947	-121,276	-43,935	-42,736	-18,725	205,219	399,792	850,723	618,645	631,814	909,863	981,540
Income subject to tax, total	7,268,588	255,359	164,524	18,976	71,859	243,468	446,273	681,403	1,251,247	864,296	792,133	1,170,938	1,563,470
Income tax, total	2,312,846	64,261	48,484	2,862	12,914	42,539	80,294	134,858	313,909	276,161	290,166	494,665	615,994
Additional tax for tax preferences	37,145	9	9	—	—	—	*10	—	*5	*372	*641	950	2,951
Foreign tax credit	144,531	*19	*19	—	—	—	—	—	—	—	—	—	601
U.S. possessions tax credit	—	—	—	—	—	—	—	—	—	—	—	—	—
Orphan drug credit	—	—	—	—	—	—	—	—	—	—	—	—	—
Research activities credit	3,392	—	—	—	—	—	—	—	—	—	—	—	—
General business credit	501,581	12,392	7,757	*228	4,408	13,193	24,007	47,118	75,895	73,999	54,413	103,245	97,318

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 7—Selected Balance Sheet, Income Statement, and Tax Items, by Industrial Division, by Size of Business Receipts—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars and size of business receipts are in whole dollars]

Industrial division, item	Total returns of active corporations	Size of business receipts											
		Under \$100,000 ¹	Under \$25,000 ¹	\$25,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$250,000	\$250,000 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 under \$2,500,000	\$2,500,000 under \$5,000,000	\$5,000,000 under \$10,000,000	\$10,000,000 under \$50,000,000	\$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Manufacturing													
Number of returns	276,545	70,459	44,701	10,927	14,832	38,291	38,346	37,449	42,126	20,904	13,645	11,855	3,469
Total assets	2,644,393,424	8,276,335	6,426,856	799,126	1,050,353	3,949,496	7,313,738	12,897,064	33,724,602	37,185,296	50,005,941	153,411,243	2,337,629,709
Notes and accounts receivable, net	585,442,919	834,942	746,125	65,682	123,134	585,534	1,468,902	3,108,573	8,241,550	9,174,666	12,466,901	35,155,920	514,305,931
Inventories	299,379,832	779,248	499,178	82,889	197,181	571,982	1,245,432	2,425,483	7,247,569	8,487,020	11,559,533	34,219,834	232,843,732
Cash, Government obligations and other current assets	223,199,153	1,090,736	1,347,678	166,724	176,334	899,310	1,379,719	2,272,842	5,466,670	5,599,857	6,935,421	20,698,868	178,255,730
Other investments and loans	616,156,110	1,164,641	962,801	131,981	69,859	271,635	550,723	791,944	2,566,999	2,389,394	3,371,118	15,357,109	589,692,548
Depreciable assets	1,153,936,680	5,454,160	2,278,602	550,144	616,414	2,884,620	4,981,557	8,986,686	20,525,702	22,078,337	27,322,261	75,343,489	988,368,868
Less: Accumulated depreciation	522,795,915	1,264,221	657,078	324,065	283,079	1,676,394	2,857,463	5,328,500	12,076,993	12,460,530	14,561,697	37,161,695	435,408,422
Other capital assets less reserves	132,880,709	663,132	485,682	94,719	82,732	179,557	288,274	324,115	951,682	1,130,525	1,545,328	5,035,681	122,762,414
Accounts and notes payable	535,325,464	2,211,146	1,771,077	160,413	285,657	890,033	1,731,544	3,707,499	9,042,044	10,229,942	14,197,687	36,637,862	456,671,705
Other current liabilities	236,575,814	668,781	534,679	69,520	64,583	274,501	597,771	1,000,220	2,794,291	3,190,466	4,622,759	14,334,778	209,092,246
Mortgages, notes, and bonds payable in one year or more	457,693,586	1,782,090	1,266,706	202,466	312,918	969,081	1,664,696	2,470,903	5,917,419	6,020,068	8,215,344	27,284,793	403,369,192
Net worth	1,099,645,876	1,490,240	1,452,019	112,684	-74,463	1,008,096	2,164,214	4,322,529	13,643,204	15,913,492	20,478,871	67,748,869	972,876,360
Cost of property used for investment credit	119,591,338	486,527	362,588	36,039	87,899	325,602	610,384	983,655	2,085,917	2,112,047	2,560,180	6,804,538	103,622,489
Total receipts	2,831,062,496	3,243,111	1,475,938	492,736	1,274,436	6,708,127	14,056,911	27,481,627	68,778,459	74,660,813	97,706,513	251,834,654	2,286,592,282
Business receipts	2,656,345,750	1,819,514	238,468	417,676	1,163,369	6,383,306	13,670,312	26,894,884	67,165,628	73,343,808	95,623,144	244,827,658	2,126,617,497
Cost of sales and operations	1,797,852,805	1,002,631	199,019	186,741	616,871	3,211,103	7,212,871	14,026,319	43,649,893	49,026,554	66,059,225	173,337,609	1,438,324,600
Taxes paid	78,013,014	144,285	70,961	23,458	49,866	230,899	558,983	943,470	1,990,632	1,958,061	2,407,008	5,232,153	64,547,524
Interest paid	90,452,072	192,596	129,556	21,835	41,204	155,993	268,920	469,818	1,121,522	1,186,709	1,656,151	4,786,827	80,513,536
Depreciation	122,957,247	261,024	137,081	53,863	70,080	304,380	559,429	1,033,531	2,270,228	2,356,055	2,789,927	7,649,223	105,733,451
Pension, profit-sharing, stock bonus, and annuity plans	18,123,436	9,383	*5,498	*2,236	*1,648	12,113	80,627	176,882	456,688	550,895	551,402	1,923,701	15,051,745
Employee benefit programs	36,168,970	27,454	20,470	3,050	3,934	29,079	94,646	186,854	584,837	709,998	898,586	2,535,425	31,102,092
Net income (less deficit)	113,758,645	-644,768	-358,540	-108,868	-177,450	-276,940	-304,597	-45,802	898,668	1,458,779	2,573,615	101,831,092	1,438,324,600
Income subject to tax, total	127,806,962	646,194	583,467	45,967	16,760	143,453	310,239	715,681	2,034,516	2,186,636	3,003,130	9,875,030	108,892,083
Income tax, total	56,687,476	284,872	267,799	14,471	2,603	24,784	61,308	157,628	628,790	797,539	1,248,990	4,423,969	49,059,596
Additional tax for tax preferences	364,436	*490	*75	*415	—	—	—	—	*297	*303	860	6,446	356,040
Foreign tax credit	20,001,663	*33,907	*33,907	—	—	—	*4,313	*427	*8,394	688	825	29,147	19,916,761
U.S. possessions tax credit	2,283,474	15,442	*15,385	57	—	17	18	1,106	109,235	63,529	118,094	679,987	1,296,046
Orphan drug credit	—	*204	—	—	—	—	—	—	—	—	*83	—	121
Research activities credit	1,339,009	*191	*191	—	—	—	*1,142	*1,907	8,503	14,229	23,835	70,050	1,219,151
General business credit	7,662,847	3,488	2,381	675	*432	8,844	19,916	51,648	116,859	119,017	151,800	406,382	6,784,893
Transportation and Public Utilities													
Number of returns	138,337	60,682	34,747	10,465	15,470	22,269	17,855	14,187	12,901	5,377	2,531	1,861	674
Total assets	1,246,426,899	7,382,237	5,566,893	634,807	1,180,538	3,192,709	3,937,569	5,835,107	10,674,645	10,178,758	9,358,766	28,625,138	1,167,241,970
Notes and accounts receivable, net	120,053,622	739,382	561,254	76,323	101,805	450,612	584,551	877,626	1,792,293	1,831,225	1,819,314	4,022,863	107,935,756
Inventories	33,925,331	76,392	53,990	*5,433	*16,970	48,441	103,565	118,729	246,995	255,124	199,599	575,944	32,300,540
Cash, Government obligations and other current assets	75,968,896	907,251	628,139	109,761	169,351	543,928	717,347	935,641	1,828,089	1,750,789	1,375,610	4,007,711	63,902,531
Other investments and loans	181,558,481	1,252,949	1,122,145	44,103	86,701	278,685	264,474	645,465	813,614	756,500	795,143	2,964,945	173,786,077
Depreciable assets	1,051,070,474	5,782,886	3,956,242	581,506	1,245,137	2,982,145	3,578,086	5,679,272	10,017,504	9,155,586	8,196,724	22,826,152	982,852,120
Less: Accumulated depreciation	294,877,786	2,290,371	1,440,410	258,149	591,812	1,551,772	1,867,280	3,002,932	5,087,126	4,705,650	3,861,718	8,920,271	263,590,666
Other capital assets less reserves	24,198,920	322,650	238,362	27,480	56,808	138,198	296,677	304,336	481,724	556,673	450,133	1,473,840	20,174,689
Accounts and notes payable	135,104,786	1,147,596	688,265	86,397	372,933	766,674	880,909	1,178,668	2,561,145	2,706,538	2,435,360	6,071,668	117,358,229
Other current liabilities	90,920,195	438,067	367,490	16,434	54,143	159,591	239,039	382,803	780,761	694,609	826,509	2,189,734	85,209,084
Mortgages, notes, and bonds payable in one year or more	366,167,141	2,212,370	1,542,631	234,095	435,644	1,175,193	1,360,609	1,926,022	3,433,663	3,110,271	2,843,038	9,952,439	340,153,536
Net worth	490,481,126	1,894,395	1,861,628	213,860	-181,092	476,164	961,403	1,541,803	3,030,983	2,667,332	2,377,976	8,118,466	469,412,603
Cost of property used for investment credit	81,260,899	539,591	275,624	51,229	212,738	534,774	460,689	674,851	1,442,740	1,093,272	897,296	2,500,986	73,116,700
Total receipts	772,358,188	3,418,546	1,688,583	431,178	1,298,784	3,997,996	6,692,145	10,809,709	20,679,296	19,275,221	17,999,372	38,226,953	651,258,950
Business receipts	733,943,970	1,804,478	254,625	386,622	1,163,230	3,686,886	6,488,120	10,383,330	20,039,233	18,632,576	17,419,642	36,405,979	619,083,365
Cost of sales and operations	381,028,354	536,542	62,029	109,641	364,872	1,054,892	2,269,778	5,025,675	9,566,920	8,449,928	10,443,426	19,145,546	324,535,937
Taxes paid	33,331,560	136,137	63,645	20,746	51,745	189,239	277,879	435,177	743,981	685,798	502,446	1,278,903	29,082,001
Interest paid	44,880,858	222,592	134,379	25,884	62,328	149,923	180,850	275,238	477,332	447,028	431,743	1,356,541	41,339,610
Depreciation	70,304,523	618,701	356,509	80,827	181,366	364,791	463,993	659,750	1,207,754	1,060,068	964,674	2,450,824	7,053,942
Pension, profit-sharing, stock bonus, and annuity plans	7,614,417	18,624	13,122	*1,604	*3,898	35,878	11,433	37,162	84,393	88,417	114,960	169,608	8,370,447
Employee benefit programs	9,292,375	24,457	20,339	*473	3,646	24,474	33,939	72,807	151,538	179,568	117,560	31,585	8,370,447
Net income (less deficit)	25,087,629	-359,796	-249,918	-46,461	-63,418	-17,027	-96,830	79,309	154,850	97,814	84,141	512,553	24,632,615
Income subject to tax, total	34,185,088	331,146	272,723	18,962	39,462	78,228	174,245	279,668	550,246	409,544	419,737	1,280,314	30,861,959
Income tax, total	15,214,129	132,441	117,574	5,001	9,865	13,823	38,240	72,848	184,009	150,451	172,032	586,124	13,882,166
Additional tax for tax preferences	100,868	—	—	—	—	—	—	—	*169	*295	*206	1,550	98,500
Foreign tax credit	301,886	*640	*610	—	*31	—	—	—	*496	*402	*206	5,069	291,277
U.S. possessions tax credit	62,207	62,207	62,207	—	—	—	—	—	—	—	—	—	—
Orphan drug credit	—	—	—	—	—	—	—	—	—	—	—	—	—
Research activities credit	162,421	1	1	—	—	—	—	—	*147	—	—	—	148
General business credit	6,240,492	6,886	4,146	*1,695	*1,								

RETURNS OF ACTIVE CORPORATIONS

Table 7—Selected Balance Sheet, Income Statement, and Tax Items, by Industrial Division, by Size of Business Receipts—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars and size of business receipts are in whole dollars]

Industrial division, item	Total returns of active corporations	Size of business receipts											
		Under \$100,000 ¹	Under \$25,000 ¹	\$25,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$250,000	\$250,000 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 under \$2,500,000	\$2,500,000 under \$5,000,000	\$5,000,000 under \$10,000,000	\$10,000,000 under \$50,000,000	\$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Wholesale and Retail Trade													
Number of returns	917,301	233,791	111,518	46,628	75,645	162,190	153,747	135,369	120,757	53,756	29,137	24,866	3,688
Total assets	1,009,965,739	15,337,991	9,442,822	1,959,370	3,935,799	13,421,473	22,700,887	35,692,597	64,980,044	59,228,568	61,768,641	143,210,596	593,634,942
Notes and accounts receivable, net	220,216,753	2,417,067	1,722,199	196,250	498,639	1,602,494	3,345,723	6,312,718	13,791,417	13,733,409	15,294,838	35,118,343	128,600,723
Inventories	296,465,709	2,221,801	816,132	521,302	884,367	4,077,990	7,559,520	12,558,149	22,763,025	22,202,552	22,754,325	52,543,467	149,784,876
Cash, Government obligations and other current assets	151,778,223	2,905,328	1,852,038	389,903	663,386	2,098,001	3,669,608	5,410,435	9,348,981	7,650,993	7,381,128	16,545,632	96,767,417
Other investments and loans	102,628,501	3,172,862	2,523,494	198,281	451,087	1,113,235	1,619,929	2,602,970	4,240,641	2,917,491	3,363,149	7,537,695	76,060,530
Depreciable assets	310,186,973	4,889,089	2,199,476	763,740	1,925,874	6,758,893	9,999,865	15,130,395	25,116,035	21,189,065	20,678,709	45,153,964	161,270,957
Less: Accumulated depreciation	139,267,608	2,101,296	888,415	337,835	875,047	3,601,554	5,484,648	8,597,304	14,001,684	11,397,296	10,743,181	21,118,634	62,222,010
Other capital assets less reserves	31,267,990	780,570	530,247	90,391	159,931	598,704	957,474	1,173,045	2,061,802	1,666,006	1,806,879	4,098,648	18,124,863
Accounts and notes payable	353,548,769	4,068,103	2,729,423	434,341	904,339	3,536,904	6,074,703	10,639,556	22,058,504	23,239,862	26,214,184	63,372,951	194,344,001
Other current liabilities	141,232,054	835,265	532,009	79,909	223,346	957,629	1,439,212	2,363,734	4,439,117	4,272,215	4,736,127	12,156,168	110,032,589
Mortgages, notes, and bonds payable in one year or more	159,615,461	4,400,982	3,027,530	459,402	914,049	3,206,869	4,896,258	6,433,180	10,597,526	8,584,324	8,156,597	19,537,043	93,802,683
Net worth	286,260,274	1,047,413	570,177	144,567	332,669	1,662,594	6,223,309	12,267,627	22,710,612	19,633,352	19,798,881	41,954,843	160,961,643
Cost of property used for investment credit	33,824,210	529,236	262,194	73,144	193,989	727,988	974,783	1,379,956	2,432,476	2,266,848	2,471,772	5,856,843	17,164,300
Total receipts	2,473,865,453	10,330,230	2,157,161	1,992,923	6,180,077	28,441,008	56,968,767	98,392,106	193,917,283	191,215,104	207,751,104	496,843,454	1,190,005,910
Business receipts	2,408,174,933	8,084,136	662,805	1,739,105	5,682,226	27,525,884	55,438,380	96,364,145	190,554,955	188,162,777	203,911,239	488,014,921	1,150,118,495
Cost of sales and operations	1,869,766,621	4,395,995	428,937	940,632	3,026,426	14,958,064	33,286,715	61,464,685	134,201,706	143,146,039	161,044,081	397,925,627	919,343,708
Taxes paid	35,656,880	394,289	99,223	75,092	219,974	927,372	1,595,427	2,320,259	3,777,542	2,861,762	2,973,031	6,077,024	14,729,814
Interest paid	38,217,998	118,168	219,331	56,536	142,301	519,739	858,578	1,273,266	2,083,438	2,110,699	2,110,699	5,106,235	23,589,669
Depreciation	36,279,699	535,392	201,502	90,181	243,709	857,521	1,241,835	1,800,079	2,958,107	2,541,357	2,483,478	5,585,482	18,276,468
Pension, profit-sharing, stock bonus, and annuity plans	6,615,718	55,142	24,707	7,516	22,919	81,097	170,405	300,367	752,421	636,101	636,101	1,084,433	2,886,041
Employee benefit programs	9,722,734	35,572	10,193	9,545	15,834	63,570	163,456	291,705	589,828	581,289	635,113	1,649,487	5,712,714
Net income (less deficit)	33,126,702	-1,071,061	-466,162	-282,258	-322,641	-548,976	-53,572	884,960	1,874,033	1,997,104	2,569,204	5,914,676	21,560,333
Income subject to tax, total	41,645,576	561,533	374,045	53,291	134,196	513,096	1,010,755	1,805,883	3,064,345	2,755,658	2,903,333	6,509,047	22,521,924
Income tax, total	16,392,896	190,635	154,497	9,062	27,075	95,375	187,021	363,925	733,464	847,241	1,050,202	2,746,722	10,178,312
Additional tax for tax preferences	50,860	*678	*678	—	—	*366	*22	*32	*512	455	531	3,268	44,773
Foreign tax credit	613,307	*6,190	*6,185	*6	—	*1	*126	*22	*473	*3,479	*2,926	9,926	586,811
U.S. possessions tax credit	73,364	426	426	—	—	2	14	*259	*382	*6,260	3	22,325	43,692
Orphan drug credit	—	—	—	—	—	—	—	—	—	—	—	—	—
Research activities credit	27,993	*41	—	—	*41	—	—	*744	*135	*129	2,143	6,227	18,573
General business credit	2,280,877	6,082	2,095	613	3,373	17,185	37,573	63,433	124,211	125,545	133,817	291,877	1,481,161
Finance, Insurance, and Real Estate²													
Number of returns	518,432	329,894	203,168	62,087	64,639	81,388	44,754	23,057	17,342	8,544	5,595	5,704	2,154
Total assets	7,029,452,681	63,391,849	32,211,376	13,645,298	17,535,175	34,310,330	33,797,861	47,189,439	112,879,848	187,652,273	270,161,133	792,655,183	5,487,414,766
Notes and accounts receivable, net	2,188,433,899	5,665,411	2,569,191	1,125,373	1,370,484	3,783,158	4,731,496	9,978,830	34,563,855	70,751,294	96,629,088	194,916,154	1,768,014,614
Inventories	25,172,871	3,242,584	2,190,941	376,564	675,078	938,809	1,053,084	1,288,039	1,608,913	1,166,937	1,083,455	5,016,819	9,774,231
Cash, Government obligations and other current assets	1,658,756,748	10,406,446	4,499,562	2,077,867	3,829,018	7,262,049	8,188,443	10,604,142	33,120,480	59,024,930	82,088,629	190,156,269	1,259,275,360
Other investments and loans	2,639,641,531	17,240,104	9,460,365	3,753,499	4,026,241	8,030,948	8,183,990	12,395,367	26,196,088	41,663,981	72,546,465	352,569,025	2,100,815,562
Depreciable assets	239,987,908	18,988,812	6,295,327	5,287,357	7,406,129	12,930,393	11,730,235	11,630,649	15,639,080	11,874,123	13,522,329	31,838,017	111,834,268
Less: Accumulated depreciation	73,406,834	6,948,279	1,913,162	1,906,837	3,128,280	5,130,910	4,536,435	4,048,917	5,158,755	3,724,601	4,011,165	9,667,629	30,180,144
Other capital assets less reserves	64,559,392	12,116,109	7,464,299	1,997,146	2,654,665	4,452,314	3,631,093	3,326,874	3,520,142	2,867,776	2,915,728	8,152,740	23,576,616
Accounts and notes payable	685,064,024	7,936,545	4,372,392	1,452,058	2,112,095	5,454,334	5,917,161	8,300,353	11,827,727	13,426,649	17,098,130	56,235,350	558,867,776
Other current liabilities	3,684,015,024	3,260,027	1,553,052	987,427	719,548	2,067,143	2,827,616	9,667,999	52,174,924	120,330,715	185,504,958	485,059,180	2,823,102,457
Mortgages, notes, and bonds payable in one year or more	503,061,319	19,720,321	10,567,135	3,865,707	5,287,479	9,575,344	9,671,186	10,188,725	14,199,987	12,999,644	15,809,751	42,164,409	368,731,953
Net worth	1,161,968,010	21,080,621	9,234,692	5,022,721	6,823,208	12,725,325	10,451,111	14,746,420	27,346,931	34,570,196	43,447,237	173,570,202	824,029,967
Cost of property used for investment credit	24,845,259	582,208	138,389	89,091	174,729	307,436	415,917	361,401	625,896	613,579	833,171	2,057,579	18,848,074
Total receipts	1,182,034,309	8,406,859	1,487,165	2,305,216	4,614,478	13,092,959	15,682,702	16,128,811	27,129,879	30,374,437	39,503,551	120,502,155	911,212,945
Business receipts	501,993,840	4,146,877	549,495	1,070,156	2,527,226	8,790,382	11,357,120	10,259,543	14,246,584	15,843,825	11,843,561	40,734,825	389,346,851
Cost of sales and operations	237,577,803	505,182	69,746	102,089	333,348	1,078,805	1,573,483	2,100,896	3,691,783	3,134,527	4,587,090	19,087,700	201,818,335
Taxes paid	21,010,565	839,007	257,504	221,632	359,872	750,212	783,866	726,652	937,888	781,653	781,653	1,039,489	2,265,147
Interest paid	363,009,417	646,178	410,022	575,303	1,219,468	1,391,920	1,922,574	5,475,745	10,086,424	10,086,424	15,429,426	43,730,472	282,121,894
Depreciation	26,893,911	973,631	266,775	282,904	423,952	850,401	797,169	730,656	1,023,574	944,792	1,104,470	2,785,123	17,684,094
Pension, profit-sharing, stock bonus, and annuity plans	5,396,210	29,345	8,371	3,907	17,066	168,189	219,766	215,123	229,800	203,123	192,090	491,797	3,646,977
Employee benefit programs	6,427,203	34,847	5,722	8,233	20,893	76,714	106,828	124,605	210,132	243,482	268,377	708,463	4,653,755
Net income (less deficit)	60,670,526	-2,305,017	-2,274,172	-125,884	95,038	697,020	556,447	1,034,841	1,231,115	1,312,047	1,802,604	9,863,426	46,478,042
Income subject to tax, total	34,738,657	1,005,539	205,317	304,869	495,362	1,273,766	985,157	1,243,215	1,546,671	1,502,542	1,964,584	4,626,588	20,590,595
Income tax, total	13,598,201	170,253	33,121	50,385	86,748	291,035	248,251	381,667	539,268	568,714	787,248	1,976,280	8,635,485
Additional tax for tax preferences	99,830	*52	*22	—	*29	515	1,184	1,790	2,958	5,104	5,104	12,918	70,150
Foreign tax credit	1,776,854	*193	*21	—	*172	160	*551	1,009	1,566	1,001	125	54,559	

RETURNS OF ACTIVE CORPORATIONS

Table 7—Selected Balance Sheet, Income Statement, Tax Items, by Industrial Division, by Size of Business Receipts—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars and size of business receipts are in whole dollars]

Industrial division, item	Total returns of active corporations	Size of business receipts											
		Under \$100,000 ¹	Under \$25,000 ¹	\$25,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$250,000	\$250,000 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 under \$2,500,000	\$2,500,000 under \$5,000,000	\$5,000,000 under \$10,000,000	\$10,000,000 under \$50,000,000	\$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Services													
Number of returns	939,390	397,430	210,971	76,106	110,353	224,593	160,617	86,522	48,204	12,581	5,801	3,079	565
Total assets	330,982,941	27,720,341	18,507,120	3,359,980	5,853,242	17,274,369	22,209,085	24,885,117	32,478,692	22,276,843	19,489,582	42,066,417	122,582,495
Notes and accounts receivable, net	55,571,720	3,548,747	2,749,531	327,042	472,174	1,964,288	2,583,823	3,579,635	5,870,605	4,149,699	4,634,613	8,131,798	21,108,512
Inventories	14,896,218	522,499	278,405	95,540	148,553	627,116	873,379	1,015,453	1,637,442	957,785	914,973	1,972,444	6,375,126
Cash, Government obligations and other current assets	54,867,142	4,964,938	2,961,816	737,106	1,266,015	4,462,416	5,809,631	5,357,236	6,516,000	3,901,620	3,595,506	7,286,588	12,973,208
Other investments and loans	53,352,919	5,982,346	4,486,743	528,813	966,790	2,890,450	3,363,018	3,907,223	3,644,896	3,335,740	2,262,577	5,500,212	22,466,457
Depreciable assets	201,757,654	16,948,329	10,383,257	2,429,638	4,135,435	13,613,266	16,853,873	18,868,895	24,318,959	14,472,439	11,735,275	23,113,324	61,833,294
Less: Accumulated depreciation	88,344,560	8,274,579	4,981,573	1,201,946	2,091,060	7,964,322	9,264,322	9,925,071	12,328,471	6,488,236	5,313,859	12,328,471	19,912,770
Other capital assets less reserves	17,440,304	1,560,413	862,522	212,239	485,651	921,006	1,054,048	1,223,056	1,423,515	991,348	788,752	2,462,392	7,015,773
Accounts and notes payable	64,247,047	5,716,942	4,109,452	686,994	920,496	3,098,688	3,728,567	5,081,845	7,086,912	5,327,964	5,368,480	9,088,426	19,749,223
Other current liabilities	34,469,865	2,039,607	1,273,872	278,918	486,816	1,691,029	2,314,294	2,758,694	3,839,751	2,417,179	2,669,702	5,189,234	11,550,376
Mortgages, notes, and bonds payable in one year or more	103,250,383	9,279,532	6,483,544	1,000,317	1,795,671	4,402,960	5,093,792	6,988,948	11,210,692	6,395,506	5,503,350	12,547,395	41,828,206
Net worth	89,852,365	3,781,481	2,191,521	305,989	1,283,972	4,727,301	7,942,831	7,287,852	6,671,831	6,170,211	3,791,343	11,572,747	37,906,768
Cost of property used for investment credit	22,650,229	2,011,727	1,141,217	372,144	498,367	1,794,538	1,794,847	2,067,888	2,402,045	1,891,285	1,402,316	3,067,612	6,617,970
Total receipts	534,587,609	20,632,503	8,235,835	3,415,236	8,981,432	39,622,256	59,103,778	61,806,922	74,627,127	44,411,502	41,055,687	65,333,251	127,994,583
Business receipts	497,980,990	12,389,689	1,308,126	2,882,124	8,199,439	37,872,793	57,243,878	59,920,619	72,090,700	42,452,907	38,887,734	61,009,500	116,123,550
Cost of sales and operations	176,070,808	3,047,660	503,296	696,742	1,847,622	8,212,955	12,547,827	15,648,198	24,138,824	15,475,676	16,523,430	26,521,729	53,954,509
Taxes paid	17,739,620	705,015	232,332	132,867	339,816	1,514,985	2,094,152	2,181,419	2,638,876	1,434,608	1,258,259	2,028,044	3,884,262
Interest paid	15,027,259	1,007,833	627,233	135,394	245,207	642,030	832,666	1,089,842	1,583,666	1,031,046	907,707	1,798,876	6,133,631
Depreciation	27,354,083	2,240,229	1,408,777	300,896	530,557	1,824,432	2,254,537	2,336,270	3,196,435	1,952,793	1,552,524	3,048,233	8,943,630
Pension, profit-sharing, stock bonus, and annuity plans	8,996,557	330,534	189,291	32,406	108,838	1,025,872	2,287,413	1,646,569	1,396,590	585,608	469,687	538,360	715,923
Employee benefit programs	6,258,201	180,749	94,772	23,504	62,473	336,395	563,997	664,746	876,319	368,911	476,834	971,162	1,817,089
Net income (less deficit)	5,883,782	-1,802,696	-1,523,004	-226,841	-52,851	499,661	964,459	506,251	-68,815	496,891	385,011	1,367,609	3,535,411
Income subject to tax, total	14,503,334	1,001,693	490,203	364,159	1,157,361	1,749,418	1,464,827	1,464,827	1,519,710	882,211	664,034	1,674,309	4,379,309
Income tax, total	4,742,347	244,766	156,038	24,246	64,482	211,739	319,885	320,726	401,446	304,237	259,360	750,303	1,929,886
Additional tax for tax preferences	21,447	*261	*261	—	—	—	*1	*908	*82	*380	1,211	3,824	14,779
Foreign tax credit	286,477	*2,705	*2,011	*690	*4	—	*282	*2,025	*6,009	*3,171	*8,054	*15,642	248,588
U.S. possessions tax credit	9,472	1,026	1,026	—	—	(9)	*27	495	*614	*461	1,518	*5,332	—
Orphan drug credit	—	—	—	—	—	—	—	—	—	—	—	—	—
Research activities credit	67,476	*395	*320	—	*75	—	—	*686	*1,138	3,628	3,464	4,613	42,227
General business credit	1,035,092	40,182	24,872	4,632	10,678	53,264	76,768	92,956	111,830	70,800	54,601	148,604	386,087
Nature of Business not Allocable													
Number of returns	24,356	19,130	15,272	*1,746	2,112	2,766	1,283	*382	609	*86	*42	49	*8
Total assets	3,107,240	1,414,784	1,189,208	*75,620	149,956	230,549	180,374	*143,167	345,469	*102,345	*162,221	338,789	*189,542
Notes and accounts receivable, net	577,982	190,304	143,285	*35,444	*11,575	*51,650	*33,133	*41,613	*41,527	*65,195	*21,001	74,602	*58,956
Inventories	471,186	76,395	44,487	*11,948	*19,959	*20,586	*44,579	*26,428	70,257	*13,756	*30,004	*136,433	*52,748
Cash, Government obligations and other current assets	516,232	348,062	302,031	*8,138	37,893	37,321	*25,847	*4,655	38,411	*9,589	*18,701	23,869	*9,777
Other investments and loans	545,582	388,197	381,283	*533	*6,381	*29,785	*20,838	*42,052	*35,563	*948	*12,076	*9,396	*6,728
Depreciable assets	1,053,180	305,409	233,817	*2,337	*68,895	92,110	146,660	*33,574	218,594	*5,797	*46,451	125,240	*79,705
Less: Accumulated depreciation	476,407	117,600	93,173	*786	*23,642	38,962	106,276	*11,153	104,837	*3,956	*13,788	48,494	*31,341
Other capital assets less reserves	276,460	128,435	97,519	*16,828	*14,088	*29,238	*13,774	*1,369	*32,461	*9,200	*46,508	*5,978	*9,496
Accounts and notes payable	1,125,611	306,195	229,876	*21,431	*54,888	49,503	77,659	*92,105	185,333	*71,536	*92,071	160,458	*90,752
Other current liabilities	154,465	56,597	49,331	*3,406	*3,860	15,330	*2,749	*3,855	22,554	*8,601	*5,926	27,571	*11,282
Mortgages, notes, and bonds payable in one year or more	584,770	345,839	296,148	*5,183	*44,509	*43,896	*18,402	*46,751	37,439	*2,529	*15,088	*47,162	*27,664
Net worth	624,635	300,237	294,270	-12,893	18,860	56,283	21,246	*-19,167	75,205	*11,814	*45,300	89,262	*44,457
Cost of property used for investment credit	125,156	*2,279	*1,290	*717	*272	*14,213	*4,784	*18,306	46,704	*1,087	*3,285	*23,788	*10,709
Total receipts	4,607,337	449,552	226,489	*68,550	154,513	442,596	445,080	*250,882	865,535	*281,450	*295,133	923,053	*654,053
Business receipts	4,379,186	300,016	83,446	*68,473	148,098	431,133	439,549	*249,111	855,942	*267,528	*286,492	910,465	*638,950
Cost of sales and operations	3,096,887	145,695	45,797	*49,499	50,399	205,111	307,105	*140,239	638,605	*130,594	*227,349	730,695	*571,494
Taxes paid	85,594	18,492	9,376	*2,819	6,296	10,978	10,305	*3,551	17,699	*5,782	*3,871	10,603	*4,313
Interest paid	101,273	32,714	26,033	*1,730	*4,950	9,090	*6,259	*4,208	17,280	*4,208	*2,422	12,084	*8,958
Depreciation	114,034	30,623	24,133	*338	*6,152	13,314	12,363	*7,412	23,118	*2,919	*3,401	11,090	*9,794
Pension, profit-sharing, stock bonus, and annuity plans	21,838	*4,183	39	*4,144	—	—	—	—	*5,566	*6,548	*3,298	*1,794	448
Employee benefit programs	23,671	*1,561	*527	*1,023	*11	*759	*4,234	*235	*1,022	*9,036	*569	*3,679	*2,574
Net income (less deficit)	-161,431	-63,840	-34,855	*-8,457	-20,527	-3,519	-11,177	*-1,077	-17,933	*-84,814	*-949	17,156	*4,723
Income subject to tax, total	115,942	47,247	43,414	*540	*3,293	*10,538	*8,113	*4,309	*8,063	*820	*7,018	*23,097	*6,737
Income tax, total	41,713	20,311	19,736	*81	*494	*1,661	*1,290	*960	*1,400	*180	*2,489	*10,261	*3,161
Additional tax for tax preferences	6	*6	*6	—	—	—	—	—	—	—	—	—	—
Foreign tax credit	2,706	2,706	2,706	—	—	—	—	—	—	—	—	—	—
U.S. possessions tax credit	1,377	—	—	—	—	—	—	—	—	—	—	1,377	—
Orphan drug credit	—	—	—	—	—	—	—	—	—	—	—	—	—
Research activities credit	*727	—	—	—	—	—	—	—	—	—	—	—	—
General business credit	3,052	*34	*34	—	—	—	*348	*74	*640	*55	*252	*680	*532

Corporation Returns/1985

* Estimate should be used with caution because of the small number of sample returns on which it is based.
¹ Includes returns with zero receipts and receipts not reported.
² Size of total receipts was used in lieu of business receipts to classify statistics for the "Finance, insurance, and real estate" industrial division.
³ Less than \$500 per return.
 NOTE: 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."

RETURNS OF ACTIVE CORPORATIONS

Table 8—Total Receipts, Net Income, Statutory Special Deductions, Income Tax, Selected Credits, and Taxpayment Items, by Accounting Period Ended

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

Item	Total returns of active corporations		Accounting period ended ¹											
	Number of returns	Amount	July 1985	August 1985	September 1985	October 1985	November 1985	December 1985	January 1986	February 1986	March 1986	April 1986	May 1986	June 1986
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Returns With and Without Net Income														
Number of returns	3,277,219	—	120,257	129,850	298,875	168,035	105,142	1,391,346	121,671	107,503	230,289	110,707	124,838	368,706
Total receipts	3,138,291	8,398,278,426	186,131,853	193,109,793	529,027,700	291,864,084	152,362,179	5,038,895,916	336,701,849	174,619,257	476,236,360	193,204,780	219,651,500	606,473,154
Net income (less deficit)	3,260,209	240,119,020	4,455,782	6,458,173	11,852,418	10,135,635	6,857,396	158,289,151	8,952,059	3,365,540	8,939,203	4,303,308	4,023,491	12,486,865
Total income tax	1,269,732	111,340,839	1,655,413	2,279,102	5,234,744	3,855,401	1,984,153	77,882,248	3,804,753	1,585,254	3,553,357	1,800,150	1,709,663	5,996,601
Returns With and Without Net Income, Other Than Forms 1120S, 1120-IC-DISC and 1120-FSC														
Number of returns	2,548,746	—	106,417	112,937	251,616	145,183	87,093	919,688	100,768	93,243	202,965	97,970	108,031	322,837
Total receipts	2,461,621	7,948,078,457	172,352,103	181,653,124	485,414,103	270,800,965	138,935,097	4,798,002,813	321,346,301	161,892,575	456,210,086	180,387,247	208,333,771	572,750,273
Net income (less deficit)	2,534,499	231,127,952	4,114,768	6,064,470	10,727,438	9,472,174	6,624,464	156,301,657	8,201,901	2,873,659	7,965,179	3,908,092	3,569,578	11,304,573
Statutory special deductions, total	523,432	39,587,277	728,623	728,867	1,755,495	1,395,331	1,234,985	25,565,330	837,329	665,320	2,216,595	925,565	889,746	2,644,090
Net operating loss deduction	411,476	27,111,259	485,090	608,778	1,491,677	1,184,328	593,042	16,052,133	591,965	556,811	1,890,069	675,266	745,505	2,236,592
Total special deductions	122,742	12,476,019	243,533	120,089	263,817	211,003	641,943	9,513,197	245,364	108,509	326,526	250,299	144,241	407,498
Income subject to tax, total	1,219,438	264,729,268	4,260,596	5,681,563	13,295,721	9,452,410	4,993,290	179,962,501	9,069,212	4,046,705	9,328,293	4,622,645	4,443,079	15,573,253
Net long-term capital gain taxed at alternative rates	38,324	25,722,228	210,048	368,867	666,251	886,203	415,486	19,658,196	676,810	215,109	624,387	406,760	482,813	1,111,299
Income taxed at regular rates	1,218,152	239,007,040	4,050,548	5,312,696	12,629,470	8,566,207	4,577,805	160,304,305	8,392,402	3,831,596	8,703,906	4,215,885	3,960,266	14,461,955
Income tax, total	1,264,350	110,732,950	1,649,151	2,273,798	5,210,758	3,843,311	1,976,763	77,403,529	3,799,452	1,583,617	3,532,370	1,797,743	1,692,763	5,969,696
Regular and alternative tax	1,219,436	108,513,770	1,613,864	2,214,724	5,126,700	3,668,298	1,935,808	75,969,588	3,714,548	1,542,059	3,471,224	1,746,306	1,653,663	5,856,987
Personal holding company tax	2,466	8,003	*379	*61	*79	233	18	4,701	*136	*2	*694	*859	*2	839
Tax from recomputing prior-year investment credit	178,716	1,487,435	28,969	55,080	62,918	152,904	27,992	843,339	70,356	36,279	45,296	45,046	30,047	89,209
Additional tax for tax preferences	7,797	723,742	5,938	3,933	21,061	21,877	12,945	585,901	14,412	5,276	15,155	5,532	9,051	22,661
Foreign tax credit	5,074	24,263,474	59,375	164,285	300,874	383,404	136,542	22,232,310	210,762	112,613	239,074	56,323	19,834	348,047
U.S. possessions tax credit	570	2,450,583	27,038	*12,941	61,958	66,601	375,708	1,550,058	*5,293	11,914	52,823	75,000	20,206	191,042
Orphan drug credit	*12	*204	—	—	—	—	—	*177	—	—	—	—	—	27
Research activities credit	9,112	1,627,997	20,194	20,159	77,466	50,896	15,326	1,239,475	11,767	10,599	33,163	12,730	10,660	125,562
General business credit	789,564	19,607,097	265,951	313,512	866,326	465,713	241,040	14,830,957	585,735	200,493	499,739	217,283	254,790	796,097
Total income tax after credits ²	1,015,686	62,740,359	1,276,403	1,758,942	3,901,326	2,876,671	1,208,147	37,451,161	2,985,887	1,247,998	2,707,183	1,435,634	1,387,030	4,503,977
Returns With Net Income, Other Than Forms 1120S, 1120-IC-DISC and 1120-FSC														
Number of returns	1,474,529	—	62,400	62,525	151,662	86,261	51,417	516,062	60,718	52,961	122,798	56,332	61,459	189,934
Total receipts	1,474,529	6,085,376,280	126,821,588	138,122,348	356,660,644	196,609,512	101,500,484	3,736,014,477	271,625,713	121,872,229	314,251,064	136,375,984	156,380,730	429,141,508
Net income	1,474,529	341,307,672	6,750,032	8,719,787	18,913,293	13,546,168	9,100,019	218,349,286	11,010,530	5,846,069	15,347,929	6,674,742	6,194,452	20,855,364
Statutory special deductions, total	500,505	37,730,574	706,534	721,561	1,712,061	1,381,705	1,227,249	24,003,840	793,597	659,850	2,165,830	907,674	876,063	2,574,608
Net operating loss deduction	411,471	27,105,124	485,090	608,778	1,491,677	1,184,328	593,042	16,045,999	591,965	556,811	1,890,069	675,266	745,505	2,236,592
Total special deductions	99,816	10,625,450	221,444	112,783	220,383	197,377	634,207	7,957,841	201,632	103,039	275,761	130,408	130,558	338,016
Income subject to tax, total	1,219,382	264,151,084	4,260,596	5,681,563	13,295,721	9,452,410	4,993,290	179,386,118	9,067,787	4,046,705	9,327,950	4,622,645	4,443,079	15,573,220
Net long-term capital gain taxed at alternative rates	38,321	25,644,085	210,048	368,867	666,251	886,203	415,486	19,580,053	676,810	215,109	624,387	406,760	482,813	1,111,299
Income taxed at regular rates	1,218,096	238,506,999	4,050,548	5,312,696	12,629,470	8,566,207	4,577,805	159,806,065	8,390,977	3,831,596	8,703,564	4,215,885	3,960,266	14,461,921
Income tax, total	1,224,010	110,298,262	1,643,930	2,270,639	5,196,328	3,831,048	1,972,546	77,057,305	3,791,869	1,577,974	3,520,827	1,790,724	1,685,560	5,959,512
Regular and alternative tax	1,219,382	108,289,207	1,613,864	2,214,724	5,126,700	3,668,298	1,935,808	75,745,551	3,714,143	1,542,059	3,471,109	1,746,306	1,653,663	5,856,982
Personal holding company tax	2,455	7,959	*379	*59	*79	233	18	4,664	*136	*2	*694	*859	*2	833
Tax from recomputing prior-year investment credit	138,911	1,312,591	24,682	52,293	49,882	141,819	24,683	746,714	63,607	30,901	36,007	38,232	23,101	80,669
Additional tax for tax preferences	6,831	688,506	5,005	3,562	19,667	20,699	12,037	560,375	13,983	5,012	13,017	5,327	8,794	21,029
Foreign tax credit	5,064	24,238,473	59,375	164,285	300,874	383,404	136,542	22,207,341	210,762	112,613	239,074	56,323	19,834	348,047
U.S. possessions tax credit	570	2,450,583	27,038	*12,941	61,958	66,601	375,708	1,550,058	*5,293	11,914	52,823	75,000	20,206	191,042
Orphan drug credit	*12	*204	—	—	—	—	—	*177	—	—	—	—	—	27
Research activities credit	9,108	1,622,991	20,194	20,159	77,466	50,896	15,326	1,234,875	11,361	10,599	33,163	12,730	10,660	125,562
General business credit	789,537	19,537,636	265,951	313,512	866,326	465,713	241,040	14,830,957	585,735	200,493	499,739	217,283	254,790	796,097
Total income tax after credits ²	975,354	62,405,114	1,271,182	1,755,783	3,886,896	2,864,408	1,203,930	37,203,968	2,978,709	1,242,356	2,695,640	1,428,615	1,379,827	4,493,799
Estimated tax payments:														
1984 overpayments claimed as a credit	300,950	5,017,713	131,962	116,722	308,119	167,140	89,932	3,038,551	163,131	90,890	258,729	154,107	124,606	373,824
1985 estimated tax payments	522,291	53,778,342	1,067,664	1,311,491	3,492,774	1,892,126	1,002,492	34,408,568	1,929,079	956,437	2,097,050	987,336	1,155,089	3,478,236
Less: Refund of estimated tax payments	6,578	2,895,951	85,111	39,474	129,007	125,085	35,348	2,126,046	47,113	41,162	88,562	59,102	47,650	72,291
Payments with applications for:														
Extension of filing time	154,944	10,910,985	212,695	323,093	524,809	404,327	147,912	6,145,418	1,019,334	241,145	547,663	321,972	180,468	842,150
Other credits and payments, total ³	23,288	103,479	1,723	1,651	10,112	2,134	1,516	69,433	2,869	1,922	3,454	1,032	1,667	5,967
Tax due at time of filing	585,224	6,016,557	154,356	315,745	361,854	840,124	172,276	2,316,523	247,285	184,834	343,516	237,381	205,886	636,777
Tax overpayment	454,435	10,458,824	209,505	269,939	675,323	312,920	172,748	6,626,146	334,099	188,770	460,687	211,489	238,087	762,111

¹ Estimate should be used with caution because of the small number of sample returns on which it is based.

² Includes full and part-year returns.

³ Credits include foreign tax, U.S. possessions tax, nonconventional source fuel, orphan drug, research activities, and general business credits.

⁴ Includes credit for tax paid by regulated investment companies, federal tax on special fuels and oils, and overpaid windfall profit tax.

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

Corporation Returns/1985

RETURNS OF ACTIVE S CORPORATIONS, FORM 1120S

Table 9—Balance Sheets, and Income Statements, by Industrial Division

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

Item	All industrial divisions	Industrial division								
		Agriculture, forestry, and fishing	Mining	Construction	Manufacturing	Transportation and public utilities	Wholesale and retail trade	Finance, insurance, and real estate	Services	Nature of business not allocable
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Number of returns, total	724,749	32,258	9,561	68,392	50,171	38,005	209,129	101,930	208,265	7,037
With net income	342,338	14,194	4,679	39,584	24,558	16,325	98,597	45,588	96,044	2,770
Total assets	207,935,175	10,786,222	5,514,799	18,796,426	31,121,379	9,628,416	57,059,313	43,130,206	31,502,465	395,949
Cash	19,811,793	674,115	532,562	2,026,214	3,434,152	781,457	5,725,153	3,269,472	3,327,112	41,556
Notes and accounts receivable	36,789,276	906,542	892,821	4,333,344	7,852,963	1,450,039	11,531,087	5,628,873	4,138,958	54,650
Less: Allowance for bad debts	639,997	2,742	5,280	33,534	165,918	26,506	23,856	74,257	107,902	—
Inventories	35,792,468	826,553	113,436	4,028,192	6,747,899	224,866	19,023,310	3,580,593	1,185,643	61,975
Investments in Government obligations	2,215,857	70,726	*94,888	221,053	587,051	199,155	285,613	622,150	135,221	—
Other current assets	12,271,396	326,168	213,278	2,031,223	1,316,463	519,944	1,769,625	4,493,065	1,577,734	23,896
Loans to shareholders	4,441,548	383,511	194,931	435,342	423,250	168,772	918,764	862,754	1,043,856	*10,367
Mortgage and real estate loans	4,864,295	149,655	*16,194	412,537	135,128	38,094	425,914	3,049,582	571,528	*65,662
Other investments	12,977,817	478,535	1,230,091	809,550	1,691,228	515,775	1,927,981	4,507,399	1,797,070	20,188
Depreciable assets	102,012,992	8,060,070	3,582,415	6,603,536	16,595,152	8,554,045	22,467,076	11,439,733	24,495,703	215,261
Less: Accumulated depreciation	48,208,658	4,695,253	2,138,467	3,825,679	9,204,176	4,079,701	10,866,622	2,993,244	10,287,159	118,357
Depletable assets	1,113,535	149,352	621,749	45,949	78,439	*2,895	124,265	42,678	27,101	*21,106
Less: Accumulated depletion	398,428	*60,394	214,080	*4,938	14,051	*759	68,332	6,176	13,839	*15,860
Land	13,960,829	2,955,462	147,355	931,830	611,900	236,578	1,396,769	6,058,427	1,613,532	*8,976
Intangible assets (amortizable)	3,923,751	56,132	51,666	129,352	433,665	418,094	1,287,318	552,480	994,336	*707
Less: Accumulated amortization	1,398,745	20,415	17,565	47,121	165,074	124,514	403,934	175,484	444,485	*153
Other assets	8,405,448	528,205	198,804	699,578	763,306	750,181	1,739,180	2,272,159	1,448,058	5,976
Total liabilities	207,895,175	10,786,222	5,514,799	18,796,426	31,121,379	9,628,416	57,059,313	43,130,206	31,502,465	395,949
Accounts payable	27,897,916	451,143	626,359	3,388,292	4,393,610	1,116,405	11,476,291	3,629,604	2,775,649	40,564
Mortgages, notes, and bonds payable in less than one year	30,700,804	2,219,966	857,655	3,219,738	2,858,160	1,413,921	9,632,396	6,862,754	3,587,492	*48,722
Other current liabilities	16,821,603	388,139	617,413	2,878,975	2,668,124	562,347	3,947,618	2,847,693	2,909,770	1,523
Loans from shareholders	28,861,905	1,944,059	1,128,468	1,780,836	2,244,298	2,101,436	7,506,054	5,455,325	6,600,236	101,193
Mortgages, notes, and bonds payable in one year or more	54,392,612	4,045,900	1,393,022	3,035,438	4,280,003	3,553,686	10,040,389	16,319,666	11,591,857	132,651
Other liabilities	9,131,317	386,507	399,376	1,262,343	807,675	379,764	1,232,240	3,060,749	1,555,703	46,960
Capital stock	14,107,758	1,925,249	338,885	629,676	1,537,516	695,824	4,199,641	2,264,126	2,451,102	65,741
Paid-in or capital surplus	16,186,131	1,600,387	1,337,936	731,695	1,608,421	1,412,662	2,794,375	3,905,455	2,769,286	*25,913
Retained earnings, appropriated	1,177,666	70,606	86,402	115,850	373,693	15,230	358,644	64,437	90,046	*2,758
Retained earnings, unappropriated	21,969,777	99,975	954,325	1,858,483	9,146,763	579,672	7,103,608	926,556	1,317,100	*16,706
Shareholders' undistributed taxable income previously taxed ¹	-5,512,407	-882,140	-1,028,684	-123,290	45,596	-762,449	-275,605	-973,194	-1,487,729	*-24,913
Accumulated adjustments account	-5,088,087	-1,240,084	-1,095,578	254,252	1,692,825	-1,352,961	-269,417	-942,315	-2,115,621	-19,188
Other adjustments account	472,102	-11,908	-22,001	3,068	235,117	38,040	134,546	81,184	14,529	-473
Less: Cost of treasury stock	3,183,920	211,577	78,780	238,930	770,423	125,161	821,467	371,832	556,954	*8,796
Total receipts	430,641,781	13,209,197	4,511,119	41,304,736	69,092,049	17,631,823	210,422,503	17,440,244	56,072,668	957,441
Business receipts	416,041,188	12,306,317	4,016,497	40,322,411	67,852,666	16,895,719	207,413,482	12,992,597	53,300,683	940,816
Nonqualifying interest and dividends	3,122,184	123,305	107,521	257,118	419,122	99,225	706,458	98,209	470,439	10,787
Rents	2,288,906	71,602	22,334	123,421	108,076	126,288	368,821	837,103	630,248	*1,013
Royalties	355,294	36,316	95,515	18,660	54,052	*1,419	22,498	101,365	25,469	—
Net long-term capital gain reduced by net short-term capital loss	150,102	*25,286	*10,406	*1,789	*37,295	—	*2,268	73,003	*55	—
Net gain, noncapital assets	2,484,454	88,460	70,159	218,406	156,940	151,945	249,110	1,258,546	287,850	*3,038
Other receipts	6,199,652	557,911	188,686	362,931	463,899	357,227	1,659,867	1,249,421	1,357,923	*1,787
Total deductions	422,889,228	13,597,891	4,511,415	40,187,104	65,323,098	17,765,383	207,790,193	17,306,116	55,429,090	978,938
Cost of sales and operations	280,594,984	8,967,956	1,949,080	30,685,247	46,154,618	9,279,165	159,715,605	3,783,960	19,377,167	682,188
Compensation of officers	15,282,342	207,388	120,501	1,579,010	2,645,140	487,190	4,580,277	1,582,741	4,041,120	38,976
Repairs	2,710,339	182,805	62,817	192,167	341,731	293,248	831,896	155,072	646,728	3,875
Bad debts	1,003,316	17,125	30,333	70,736	162,285	56,533	365,102	122,417	178,703	*83
Rent paid on business property	8,708,598	369,409	65,078	282,560	731,233	369,939	3,739,733	570,416	2,554,135	26,096
Taxes paid	9,171,552	247,264	177,965	855,693	1,508,179	543,239	3,184,703	593,610	2,045,434	15,463
Interest paid	8,093,848	629,689	211,963	567,713	810,619	474,368	1,984,040	1,674,927	1,721,599	18,912
Amortization	284,100	3,220	4,240	8,000	13,160	24,424	124,446	38,103	68,476	*29
Depreciation	11,468,207	832,124	438,498	792,267	1,739,966	1,193,581	2,646,588	837,022	2,966,497	21,664
Depletion	64,864	*2,752	44,838	1,730	*12,427	*13	2,635	*326	*30	*111
Advertising	4,342,174	39,032	5,524	131,718	637,203	100,243	2,377,461	334,399	709,992	6,603
Pension, profit-sharing, stock bonus, and annuity plans	1,492,520	13,646	7,697	155,181	368,478	78,450	389,175	117,893	356,004	5,995
Employee benefit programs	1,893,052	38,260	35,315	152,252	483,048	97,807	549,882	89,832	442,177	*4,479
Net loss, noncapital assets	247,516	7,929	*6,547	7,746	20,761	17,304	54,386	88,592	43,146	*1,105
Other deductions	77,531,818	2,039,292	1,350,999	4,705,083	9,694,251	4,749,880	27,244,264	7,316,807	20,277,882	153,360
Total receipts less total deductions	7,752,553	-388,694	-295	1,117,633	3,768,951	-133,560	2,632,310	134,128	643,578	-21,497
Net income (less deficit)	7,602,450	-413,980	-10,702	1,115,843	3,731,656	-133,560	2,630,042	61,124	643,523	-21,497
Net income	21,159,865	654,522	477,647	1,889,660	4,969,194	877,898	5,709,026	2,566,101	3,972,764	43,055

¹ Estimate should be used with caution because of the small number of sample returns on which it is based.

This item is reflected in the statistics for "Retained earnings, unappropriated" and "Net worth" in other tables which show these items.

NOTE: Active S Corporations filing Form 1120S returns reported "Income subject to tax" of \$104,040,000 and "Income tax" of \$49,187,000, including "Additional tax for tax preferences" of \$2,136,000. 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."

Corporation Returns/1985

RETURNS OF ACTIVE CORPORATIONS, FORM 1120-A

Table 10—Balance Sheets and Selected Income Statement Items by Industrial Division

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

Item	All industrial divisions	Industrial division								
		Agriculture, forestry, and fishing	Mining	Construction	Manufacturing	Transportation and public utilities	Wholesale and retail trade	Finance, insurance, and real estate	Services	Nature of business not allocable
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Number of returns, total	239,255	3,569	3,368	19,693	14,619	11,278	49,755	43,885	88,155	4,933
With net income	110,607	*1,425	*1,329	9,135	5,253	6,281	18,760	20,473	46,330	*1,621
Total assets	8,380,212	208,531	112,860	680,708	495,271	350,087	1,798,297	2,050,259	2,469,671	214,528
Cash	1,647,112	14,241	9,952	121,017	83,399	37,760	273,398	504,954	562,710	39,684
Notes and accounts receivable	830,045	*2,932	*17,230	84,799	100,255	40,680	199,744	139,841	210,340	*34,223
Less: Allowance for bad debts	4,423	*53	—	*308	*433	*562	*1,506	*539	*1,023	—
Inventories	960,788	*3,456	*1,652	143,082	86,694	*3,904	586,345	*5,793	105,274	*24,587
Investments in Government obligations	22,528	—	—	*219	*456	*6,824	*1,307	*3,636	*9,944	*143
Other current assets	361,847	*1,863	*3,199	22,357	27,197	9,819	34,148	70,819	175,739	*16,706
Loans from stockholders	585,135	*7,343	*17,831	68,722	11,783	40,727	59,581	126,348	251,250	*1,551
Mortgage and real estate loans	171,682	—	—	*3,868	—	*14,654	*11,751	78,589	*28,960	*33,861
Depreciable, depletable, and intangible assets	5,875,058	184,015	111,451	385,784	459,180	449,438	1,004,676	1,269,766	1,955,407	55,342
Less accumulated depreciation, depletion, and amortization	3,445,638	113,925	69,885	231,582	307,762	295,911	538,785	697,026	1,167,793	22,970
Land	683,335	*94,448	*869	36,786	*4,778	*2,608	41,512	399,981	85,148	*17,204
Other assets	692,743	*14,211	*20,561	45,963	29,724	40,146	126,126	148,097	253,715	14,198
Total liabilities	8,380,212	208,531	112,860	680,708	495,271	350,087	1,798,297	2,050,259	2,469,671	214,528
Accounts payable	797,878	*34,650	*13,911	63,537	53,701	23,976	224,544	154,615	182,730	46,215
Other current liabilities	753,957	*8,183	*31,410	46,286	42,025	27,171	157,022	105,695	326,146	10,019
Loans from stockholders	1,517,976	*32,404	65,129	121,156	82,847	30,955	554,180	250,651	349,376	31,277
Mortgages, notes, and bonds payable in one year or more	2,375,269	113,576	*42,567	195,793	159,960	177,251	537,165	441,916	666,624	*40,417
Other liabilities	442,180	*2,906	*1,037	61,465	54,581	*3,460	46,711	76,848	175,432	*19,740
Capital stock	1,952,531	141,450	55,284	95,314	124,768	83,064	492,110	470,433	423,244	66,863
Paid-in or capital surplus	-759,138	*29,831	*2,909	23,404	50,035	*26,591	132,028	*237,418	247,677	*9,246
Retained earnings, unappropriated	-2,998	-154,468	-98,972	77,565	-25,973	-22,382	-292,464	391,382	131,562	-9,248
Less: Cost of treasury stock	215,719	—	*415	*3,814	*46,673	—	52,999	78,699	33,120	—
Total receipts	16,690,312	180,573	92,992	1,660,401	1,132,611	683,650	4,324,921	1,534,672	6,854,631	225,862
Business receipts	15,845,959	160,289	70,132	1,635,999	1,119,515	668,467	4,235,837	1,167,336	6,595,933	192,450
Interest on Government obligations: State and local	*227	—	—	—	—	—	—	*7	—	*220
Rents	323,812	*8,573	*1,307	*768	*1,085	*160	13,380	247,493	*50,115	*931
Royalties	18,328	—	*14,598	*420	—	—	—	*1,490	*1,819	—
Net short-term capital gain reduced by net long-term capital loss	*2,392	—	—	—	—	—	—	*2,346	*46	—
Net long-term capital gain reduced by net short-term capital loss	55,323	—	*1,027	*7,232	*4,090	*470	*11,468	18,826	*5,416	*6,795
Net gain; noncapital assets	63,797	*101	*2,681	*8,534	*281	*9,615	*522	5,305	16,345	*20,413
Total deductions	16,903,854	204,043	95,899	1,632,081	1,193,049	689,759	4,443,326	1,504,590	6,901,210	239,897
Cost of sales and operations	5,538,144	*76,000	*20,230	865,902	544,549	147,225	2,239,838	122,725	1,429,848	91,826
Compensation of officers	2,341,808	*20,521	*1,011	148,175	117,082	44,786	362,855	204,453	1,416,788	*26,137
Repairs	221,035	10,271	*5,096	15,917	8,999	38,600	36,479	40,944	60,827	*3,903
Bad debts	44,925	—	*142	*293	*5,341	*263	10,673	*2,610	25,559	*44
Rent paid on business property	999,178	*17,701	*4,851	31,220	46,854	13,490	301,670	114,884	454,931	*13,576
Taxes paid	635,614	5,959	3,218	48,818	41,766	32,465	134,133	96,947	265,597	6,710
Interest paid	290,571	16,769	*8,247	18,354	19,230	19,353	59,462	59,203	84,425	*5,528
Contributions or gifts	5,513	—	*8	*498	241	*55	347	874	3,491	—
Amortization	14,016	*55	*102	*305	*402	*161	5,963	1,366	5,334	*328
Depreciation	711,437	19,132	12,997	65,199	59,394	58,564	117,154	100,557	271,672	6,769
Net loss, noncapital assets	6,767	—	—	*121	—	—	*2,587	*573	*2,027	—
Other deductions	6,094,847	37,636	39,997	437,280	349,192	332,209	1,174,180	757,999	2,881,279	85,075
Total receipts less total deductions	-213,541	-23,470	-2,908	28,320	-60,438	-6,109	-118,405	30,082	-46,579	-14,035
Net income (less deficit)	-213,768	-23,470	-2,908	28,320	-60,438	-6,109	-118,405	30,076	-46,579	-14,255
Net income	758,537	*7,512	*11,691	80,319	38,831	31,571	113,087	151,928	312,697	*10,901

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

NOTE: Active Corporations filing Form 1120-A reported "Income subject to tax" of \$572,957,000, and "Income tax" of \$89,824,000, including "Tax from recomputing prior-year investment credit" of \$732,000. 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."

RETURNS OF MEMBERS OF CONTROLLED GROUPS, OTHER THAN FORMS 1120-IC-DISC AND 1120-FSC

Table 11—Number of Returns, Total Assets, Total Receipts, Net Income (Less Deficit), and Total Income Tax, by Selected Industrial Divisions

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

Item	All industrial divisions ¹	Selected industrial divisions									
		Agriculture, forestry, and fishing	Mining	Construction	Manufacturing	Transportation and public utilities	Wholesale and retail trade			Finance, insurance, and real estate	Services
							Total ²	Wholesale trade	Retail trade		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
Total returns of members of controlled groups, other than Form 1120-IC-DISC and 1120-FSC:											
Number of returns	340,392	6,061	6,038	25,258	41,861	16,605	90,693	40,149	50,322	82,850	70,115
Total assets	10,624,401,229	15,036,003	217,724,468	116,249,646	2,453,946,427	1,168,003,438	692,337,201	334,534,010	356,901,447	5,760,341,349	199,884,913
Total receipts	5,982,536,494	24,140,286	121,711,928	153,386,969	2,442,706,856	679,955,482	383,658,057	673,327,784	708,227,151	958,588,274	217,090,260
Intragroup domestic dividends received qualifying for 100 percent deduction under Code section 1561:											
Number of returns	1,220	*28	*3	*82	234	*42	340	98	243	477	*15
Amount	870,966	*811	*211,561	*4,221	293,453	*2,235	47,196	38,722	8,474	217,104	*94,385
Net income (less deficit)	174,906,222	462,906	-1,701,859	1,458,210	104,778,383	25,223,360	22,166,175	9,048,688	13,168,701	19,282,369	3,241,792
Net income	244,490,335	997,430	4,642,609	3,946,745	124,732,548	34,026,207	29,064,580	12,953,445	16,057,972	38,200,619	8,846,421
Income tax, total	94,842,700	292,501	1,475,057	1,179,293	51,984,704	14,275,677	11,566,853	5,109,144	6,437,556	11,051,123	3,009,415
Consolidated returns:											
Number of returns	79,598	935	1,825	5,511	14,298	4,104	19,974	10,220	9,652	21,196	11,689
Total assets	10,128,570,010	10,673,462	208,580,605	95,652,253	2,370,321,990	1,149,727,573	609,663,639	291,148,034	317,829,514	5,512,542,645	170,716,685
Total receipts	5,354,465,947	17,781,154	114,374,401	111,537,430	2,309,117,327	655,204,699	113,921,692	534,489,038	577,798,104	860,180,439	171,192,408
Net income (less deficit)	156,229,138	340,759	-2,153,369	918,896	96,691,290	24,694,224	17,969,274	6,852,147	11,177,608	15,499,481	2,279,308
Net income	216,818,950	661,498	*3,724,392	2,796,901	114,980,219	32,959,544	23,197,404	9,862,496	13,291,647	31,814,354	6,672,188
Income tax, total	86,148,460	237,074	1,215,794	865,638	48,265,819	14,015,891	9,557,815	4,021,825	5,519,281	9,505,129	2,479,776

¹ Estimate should be used with caution because of the small number of sample returns on which it is based.

² Includes "Nature of business not allocable" which is not shown separately.

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

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

RETURNS OF ACTIVE CORPORATIONS, OTHER THAN FORMS 1120-IC-DISC AND 1120-FSC

Table 12—Current Year Investment Credit and Selected Items, by Selected Industrial Divisions

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

Item	All industrial divisions ¹	Selected industrial divisions									
		Agriculture, forestry, and fishing	Mining	Construction	Manufacturing	Transportation and public utilities	Wholesale and retail trade			Finance, insurance, and real estate	Services
							Total ²	Wholesale trade	Retail trade		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
Number of returns of active corporations, other than Forms 1120-IC-DISC and 1120-FSC	3,273,495	103,156	41,426	318,276	276,544	138,336	913,734	306,450	603,479	518,431	839,248
Returns with investment credit items, other than Forms 1120-IC-DISC and 1120-FSC:											
Number of returns	1,390,298	56,177	19,013	154,661	159,931	65,231	414,428	144,917	268,485	120,304	398,341
Cost of property used for investment credit:											
Number of returns	1,384,830	55,230	18,987	154,524	159,457	65,202	412,922	144,695	267,200	119,463	396,833
Amount	299,052,731	2,649,823	5,847,345	8,458,473	119,591,338	81,260,899	33,824,210	13,154,076	20,607,395	24,645,259	22,650,229
Investment qualified for credit:											
Number of returns	1,189,465	42,529	15,500	136,045	143,098	52,649	352,818	131,166	220,689	103,822	341,251
Amount	252,314,530	1,852,841	5,044,281	6,300,158	101,386,851	73,262,777	25,831,379	10,171,498	15,599,368	19,982,125	18,582,151
Total qualified investment in 10% property:											
Number of returns	1,188,618	42,484	15,500	136,006	143,098	52,646	352,805	131,153	220,689	103,075	341,251
Amount	250,265,775	1,844,578	5,036,313	6,222,868	100,885,041	73,199,378	25,587,098	10,100,563	15,436,754	18,983,332	18,435,200
Credit from cooperatives:											
Number of returns	11,029	5,197	*32	465	262	94	4,104	671	3,433	249	*626
Amount	45,302	2,138	*74	104	2,395	28,408	3,839	819	3,021	5,104	*3,240
Current year regular investment credit:											
Number of returns	1,189,887	43,349	15,496	135,810	143,042	52,331	353,217	131,244	221,010	103,486	341,406
Amount	25,430,823	188,512	505,598	649,617	10,227,806	7,426,956	2,611,013	1,025,121	1,578,785	2,043,284	1,770,841
Current year investment credit: ³											
Number of returns	1,189,954	43,349	15,496	135,810	143,042	52,331	353,217	131,244	221,010	103,500	341,459
Amount	25,784,393	188,788	505,842	653,401	10,392,476	7,572,636	2,623,928	1,029,710	1,587,077	2,062,960	1,777,165

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

¹ Includes "Nature of business not allocable" which is not shown separately.

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

³ Current year investment credit is the amount of regular investment credit plus business energy investment credit before the addition of any carryforward of unused regular or business energy credit from prior years and any adjustment for tax liability limitations.

NOTE: 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."

RETURNS OF ACTIVE CORPORATIONS

Table 13—Tax Items: Number of Returns by Selected Types of Tax, Dividend Items, Net Income or Deficit, Statutory Special Deductions, Income Subject to Tax, Income Tax, Credits, Payments, and Selected Items of Corporations (Form 1120S), by Selected Industrial Divisions

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

Item	All industrial divisions ¹	Selected industrial divisions									
		Agriculture, forestry, and fishing	Mining	Construction	Manufacturing	Transportation and public utilities	Wholesale and retail trade			Finance, insurance, and real estate	Services
							Total ²	Wholesale trade	Retail trade		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
Number of Returns With Income Tax											
Number of returns with—											
Income tax, total	1,269,732	31,195	11,275	127,184	117,757	45,076	359,099	141,254	216,885	196,273	377,312
Form 1120S	3,339	140	155	316	520	225	533	294	236	415	1,035
Regular and alternative tax before credits	1,221,975	29,562	9,566	120,890	112,064	43,205	345,104	134,718	209,464	191,373	365,851
Tax from recomputing prior-year investment credit	181,188	5,754	3,214	22,328	25,579	7,397	59,472	27,755	31,615	15,894	41,493
Total income tax after—											
Nonconventional source fuel, orphan drug, research activities, and general business credits	1,021,884	22,993	8,599	99,605	92,989	31,049	298,360	123,397	174,449	179,705	284,725
Foreign tax, U.S. possessions tax, nonconventional source fuel, orphan drug, research activities, and general business credits	1,021,068	22,988	8,553	99,605	92,410	31,035	298,320	123,363	174,444	179,668	284,633
Returns With and Without Net Income											
Number of returns	3,277,219	103,156	41,426	318,276	276,545	138,337	917,301	309,935	603,559	518,432	939,390
Dividends received from domestic corporations, total	16,967,379	66,056	1,090,760	160,159	5,407,566	863,836	993,774	551,558	438,875	7,769,086	611,687
Amount qualifying for 85 percent deduction	13,834,182	62,843	293,457	152,379	3,791,993	838,302	831,765	403,658	424,767	7,390,502	468,466
Amount on certain public utility stock qualifying for 59.13 percent deduction	15,683	*52	—	*448	643	*84	1,191	*235	*956	11,027	2,239
Intragroup dividends qualifying for 100 percent deduction	870,966	*811	211,561	*4,221	293,453	*2,235	47,196	38,722	8,474	217,104	*94,385
Amounts received from DISCS or former DISCS	1,589,861	2,350	12,360	1,031	1,296,738	19,120	108,985	105,261	3,724	104,673	44,603
Dividends received from foreign corporations, total	20,770,361	26,394	543,871	151,265	17,738,191	231,431	837,115	473,458	360,795	999,202	234,777
Amount qualifying for 85 percent deduction	18,988	—	*1,285	*359	3,433	*10,215	266	*104	*162	2,032	*1,398
Intragroup dividends qualifying for 100 percent deduction	1,066,092	*517	—	*5,851	907,132	*11,907	25,118	20,965	*4,153	71,091	44,477
Other foreign dividends	19,685,280	25,877	542,586	145,055	16,827,627	209,310	811,730	452,389	356,659	926,079	188,902
Constructive taxable income from related foreign corporations, total	20,299,335	*28,890	884,990	126,171	16,907,077	664,200	699,977	333,086	362,277	776,285	209,062
Includable income of Controlled Foreign Corporations	4,988,899	2,007	101,836	*37,563	3,685,638	460,435	240,335	104,342	132,093	393,920	77,164
Foreign dividend income resulting from foreign taxes cleared paid	15,300,436	*26,883	783,154	88,608	13,221,438	203,765	459,642	228,744	230,184	382,365	131,898
Net income (less deficit)	240,119,020	-74,270	-2,543,487	4,370,924	113,758,645	25,087,629	33,126,702	15,988,315	17,191,006	60,670,526	5,883,782
Statutory special deductions, total	39,587,845	608,480	1,730,160	1,942,223	10,524,249	3,034,878	4,144,980	2,131,102	2,003,131	14,807,855	2,763,277
Net operating loss deduction	27,111,827	554,077	802,523	1,800,759	6,082,749	2,241,621	3,364,592	1,728,419	1,628,265	10,013,601	2,223,947
Dividends received deduction	12,443,972	54,403	927,637	141,465	4,441,500	761,212	780,388	402,663	374,866	4,794,252	539,330
Deduction for dividends paid on certain public utility stock	32,047	—	—	—	—	32,045	(³)	(³)	(³)	*2	—
Income subject to tax	266,060,609	1,685,031	4,111,431	7,268,588	127,806,962	34,185,088	41,645,576	19,820,461	21,756,357	34,738,657	14,503,334
Income tax, total	111,340,839	540,671	1,810,559	2,312,846	56,687,476	16,392,896	15,214,129	6,392,896	8,389,417	13,598,201	4,742,347
Regular and alternative tax	109,106,358	531,787	1,736,952	2,243,786	55,553,921	14,881,470	16,130,885	7,892,122	8,213,951	13,369,981	4,621,875
Personal holding company tax	8,003	*5	*5	*57	*124	*16	*458	*26	*431	*709	*309
Tax from recomputing prior-year investment credit	1,497,597	7,681	23,514	31,461	768,942	231,775	210,478	78,816	131,327	120,270	97,471
Additional tax for tax preferences	—	1,198	50,088	37,145	364,436	100,868	50,890	7,244	43,616	99,830	21,447
Foreign tax credit	24,263,487	57,317	1,078,746	144,531	20,001,663	301,886	613,307	291,914	321,393	1,776,854	286,477
U.S. possessions tax credit	2,450,583	9,377	2,425	—	2,283,474	62,207	73,364	20,547	52,815	*8,887	9,472
Orphan drug credit	*204	—	—	—	*204	—	—	—	—	—	—
Nonconventional source fuel credit	43,267	—	8,032	*779	17,820	14,199	800	*552	*248	1,637	—
Research activities credit	1,627,997	2,416	660	3,392	1,339,009	162,421	27,993	17,651	10,343	23,902	67,476
General business credit	19,607,097	126,935	163,177	501,581	7,662,847	6,240,492	2,280,877	726,312	1,551,575	1,593,044	1,035,092
Total income tax after—											
Nonconventional source fuel, orphan drug, research activities, and general business credits	90,062,274	411,320	1,638,690	1,807,094	47,667,596	8,797,018	14,083,226	7,233,818	6,827,252	11,979,618	3,639,779
Foreign tax, U.S. possessions tax, nonconventional source fuel, orphan drug, research activities, and general business credits	63,348,204	344,625	557,519	1,662,564	25,382,459	8,432,925	13,396,554	6,921,357	6,453,044	10,193,877	3,343,830
Estimated tax payments:											
1984 overpayments claimed as a credit	5,425,585	43,892	65,312	165,563	2,417,051	545,669	990,848	494,360	494,541	776,791	399,431
1985 estimated tax payments	58,383,487	285,153	518,637	1,113,030	23,333,240	8,074,960	11,401,674	6,216,947	5,170,613	8,141,320	2,529,340
Less: Refund of estimated tax payments	3,430,099	16,717	37,771	69,240	1,757,829	408,425	465,207	220,750	243,960	554,484	119,511
Payments with application for extension of filing time	11,203,501	65,570	114,733	392,085	3,817,052	1,151,562	2,448,908	938,151	1,505,149	2,441,396	768,180
Credit for tax paid by regulated investment companies	10,828	*75	*476	*164	1,690	539	*21	*18	4	7,132	*609
Credit for tax on special fuels, nonhighway gasoline, and lubricating oil	82,900	12,222	5,173	8,683	18,039	23,613	8,720	5,053	3,664	1,405	5,041
Overpaid windfall profit tax	47,108	*30	15,301	2	20,903	9,413	1,039	*17	*17	341	*79
Tax due at time of filing	6,182,403	81,351	69,465	455,011	1,863,631	240,888	1,260,452	620,415	635,587	1,570,707	620,918
Tax overpayment	11,492,528	96,252	212,897	396,386	4,315,476	1,202,735	2,231,581	1,123,187	1,104,206	2,181,492	849,522
Returns of S Corporations, Form 1120S											
Number of returns	724,749	32,258	9,561	68,392	50,171	38,005	209,129	52,397	156,390	101,930	208,265
Net income:											
Number of returns	342,338	14,194	4,679	39,584	24,558	16,325	98,597	26,766	71,767	45,588	96,044
Amount	21,159,865	654,522	477,647	1,889,660	4,969,194	877,898	5,709,026	2,785,229	2,908,440	2,566,101	3,972,764
Deficit	13,557,414	1,068,502	488,348	773,816	1,237,537	1,011,458	3,078,984	2,286,903	2,504,976	2,504,976	3,329,241
Income subject to corporation tax	104,040	*5,902	*9,693	*1,437	*23,006	—	—	—	—	64,003	—
Income tax, total	49,187	5,625	3,740	913	13,355	484	2,469	844	1,623	17,735	4,866
Regular and alternative tax	33,885	*5,177	*2,559	*83	*10,250	—	*428	—	*428	15,388	—

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

¹ Includes "Nature of business not allocable" which is not shown separately.

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

³ Less than \$500 per return.

NOTE: 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."

Corporation Returns/1985

RETURNS OF ACTIVE CORPORATIONS

Table 14—Book Net Income or Deficit and Provision for Federal Income Tax, by Selected Industrial Divisions

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

Item	All industrial divisions ¹	Selected industrial divisions									
		Agriculture, forestry, and fishing	Mining	Construction	Manufacturing	Transportation and public utilities	Wholesale and retail trade			Finance, insurance, and real estate	Services
							Total ²	Wholesale trade	Retail trade		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
Total returns of active corporations:											
Number of returns	3,277,219	103,156	41,426	318,276	276,545	138,337	917,301	309,935	603,559	518,432	939,390
Net income (less deficit)	240,119,020	74,270	2,543,487	4,370,924	113,758,645	25,087,629	33,126,702	15,988,315	17,191,006	60,670,526	5,883,782
Returns with book net income or deficit:											
Number of returns, total	2,302,413	63,038	27,900	226,930	209,636	91,354	653,094	237,945	412,948	372,225	647,747
With book net income	1,376,869	34,281	13,314	137,810	132,109	51,375	396,100	152,385	242,281	217,921	389,434
Amount	391,884,995	2,095,581	6,969,072	8,006,532	140,981,103	58,108,478	39,290,578	19,213,528	20,013,541	119,404,936	16,920,416
With book deficit	925,544	28,757	14,586	89,120	77,527	39,980	256,994	85,560	170,666	154,304	258,313
Book net income (less deficit)	289,952,808	272,497	3,285,037	2,227,521	114,551,113	49,100,924	24,446,431	11,087,962	13,472,698	96,333,085	6,459,618
Net income (less deficit)	232,740,856	361,678	2,588,856	3,345,940	109,475,517	25,442,210	30,473,252	14,023,260	16,497,212	60,879,600	5,407,301
Provision for Federal income tax, net:											
Number of returns	886,658	19,588	7,777	83,521	89,344	26,980	265,852	109,287	155,955	153,482	238,211
Amount	86,056,764	335,253	10,973	1,349,739	35,742,164	18,697,675	14,920,575	7,431,716	7,465,778	10,774,761	4,207,767
Provision for Federal income tax (+):											
Number of returns	826,034	18,164	6,640	76,764	80,750	25,200	252,115	103,006	148,531	145,243	219,257
Amount	99,036,460	377,905	1,165,527	1,936,855	41,768,408	20,231,016	15,669,756	7,796,588	7,849,938	13,226,780	4,642,027
Provision for Federal income tax (-):											
Number of returns	60,624	1,424	1,138	6,757	8,594	1,779	13,736	6,281	7,424	8,239	18,954
Amount	12,979,696	42,652	1,154,554	587,116	6,026,244	1,533,341	749,181	364,872	384,160	2,452,019	434,260
Total income tax after nonconventional source fuel, orphan drug, research activities, and general business credits	88,776,432	396,316	1,588,503	1,787,562	47,203,904	8,754,637	13,884,442	7,154,771	6,707,516	11,595,253	3,542,581

¹ Includes "Nature of business not allocable" which is not shown separately.

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

NOTE: Returns with book net income or deficit reported an amount of foreign tax credit of \$24,170,534 and an amount of U.S. possessions tax credit of \$2,433,228. 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."

RETURNS OF ACTIVE CORPORATIONS, OTHER THAN FORMS 1120S, 1120-IC-DISC and 1120-FSC

Table 15—Tax Preference Items: Number of Returns, and Tax Preference and Related Items, by Selected Industrial Divisions

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

Item	All industrial divisions ¹	Selected industrial divisions									
		Agriculture, forestry, and fishing	Mining	Construction	Manufacturing	Transportation and public utilities	Wholesale and retail trade			Finance, insurance, and real estate	Services
							Total ²	Wholesale trade	Retail trade		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
Number of returns of active corporations, other than Forms 1120S, 1120-IC-DISC and 1120-FSC	2,548,746	70,898	31,864	249,884	226,373	100,331	704,606	254,052	447,089	416,501	730,983
Returns with tax preference items:											
Number of returns	24,436	632	2,867	1,366	4,205	900	3,718	1,744	1,971	9,064	1,669
Total assets	7,777,678,108	5,263,667	110,278,460	51,392,557	2,035,832,536	1,015,139,556	320,312,823	91,309,741	228,946,498	4,155,887,315	83,438,658
Business receipts	3,271,471,359	7,658,153	68,008,979	48,320,290	1,755,038,974	519,051,352	580,998,314	243,208,451	337,694,661	224,170,889	67,941,491
Bad debts	23,349,411	11,255	305,036	67,604	4,097,453	2,419,204	1,392,656	416,069	976,587	14,688,931	366,615
Depreciation	184,771,348	245,324	4,466,604	1,099,434	93,163,286	53,985,201	11,345,263	3,138,418	8,205,531	14,706,624	5,754,777
Amortization	2,806,161	1,908	80,562	7,098	1,444,709	439,315	237,968	46,064	191,654	450,854	143,746
Depletion	6,115,687	8,007	1,420,041	90,452	3,658,091	679,313	107,377	98,246	9,131	138,752	13,653
Net income	174,031,195	539,271	1,909,475	1,714,293	97,310,530	29,876,921	14,845,155	6,244,087	8,601,068	24,354,311	3,472,342
Regular and alternative tax before credits ³	69,154,786	202,379	468,883	541,130	39,963,812	12,514,900	6,161,641	2,672,335	3,489,306	8,019,784	1,278,733
Tax from recomputing prior-year investment credit	905,965	547	15,601	7,661	512,632	196,692	83,476	22,627	60,849	73,484	15,683
Additional tax for tax preferences	716,268	1,033	49,391	37,138	364,003	95,546	49,608	6,504	43,104	98,097	21,445
Additional tax for tax preferences deferred from prior years	19,914	10	1,264	920	8,495	1,509	2,138	534	1,604	4,706	*872
Income tax after credits ³	33,534,772	114,187	363,404	325,565	14,926,641	6,817,210	4,693,253	2,233,102	2,460,151	5,450,297	841,462
Tax preference items:											
Accelerated depreciation on—											
Low income rental housing	77,538	—	*80	1,818	60,336	*5,999	*493	*50	*442	4,962	3,851
Other real property	2,116,948	16,442	22,662	22,192	1,034,026	224,046	298,344	63,041	235,302	305,138	194,061
Leased personal property	122,424	*6	(4)	—	13,556	107,475	*308	*295	13	1,018	*60
Amortization	905,976	8	*8,126	60	3,178	—	*418	202	*216	894,123	63
Mining exploration and development costs	1,836,320	5,006	666,109	65,202	839,478	152,538	32,446	30,192	2,254	63,531	11,876
Research and experimental expenditures	8,388,627	33,527	152,171	328,481	3,828,458	1,052,822	658,246	134,606	523,456	2,065,745	268,685
Reserves for losses on bad debts of financial institutions	60,043	*16	*3	*340	9,177	*1,001	39,300	*1,022	38,278	6,305	*3,901
Depletion	4,194	—	—	—	771	51	3,364	3,364	—	8	—
Capital gains	31,872	512	—	—	28,009	*80	*1,997	*1,988	9	*1,259	16
Intangible drilling costs	8,007	*286	2,798	*316	*244	*251	*1,241	*1,143	99	2,778	*92
Total items of tax preference	13,562,324	55,803	858,750	423,135	5,816,975	1,544,265	1,036,157	235,903	800,069	3,343,969	482,609

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

¹ Includes "Nature of business not allocable" which is not shown separately.

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

³ Credits include foreign tax, U.S. possessions tax, nonconventional source fuel, orphan drug, research activities, and general business credits.

⁴ Less than \$500 per return.

NOTE: 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."

RETURNS OF ACTIVE CORPORATIONS, OTHER THAN FORMS 1120S, 1120-IC-DISC, AND 1120-FSC

Table 16—Number of Returns and Selected Tax Items, by Size of Total Income Tax After Credits

[All figures are estimates based on samples—money amounts are in thousands of dollars and size of total income tax after credits are in whole dollars]

Size of total income tax after credits	Number of returns of active corporations, other than Forms 1120S, 1120-IC-DISC, and 1120-FSC	Total income subject to tax	Income tax before credits ¹		Foreign tax credit	U.S. possessions tax credit	Non-conventional source fuel credit	Research activities credit	General business credit	Income tax after credits ¹
			Total	Regular and alternative tax						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Total	2,548,746	264,729,268	110,732,950	108,513,770	24,263,443	2,450,583	43,267	1,627,997	19,607,097	62,740,359
Returns with net income	1,474,529	264,151,084	110,298,262	108,289,207	24,238,473	2,450,583	43,261	1,622,991	19,537,636	62,405,114
Returns without net income	1,074,217	257,814	434,688	224,564	24,970	—	5	5,006	69,461	335,245
Returns with total income tax before credits ¹	1,264,350	264,729,268	110,732,950	108,513,770	24,263,443	2,450,583	43,267	1,627,997	19,607,097	62,740,359
Returns with total income tax after credits ¹	1,015,325	257,512,493	108,343,077	106,123,897	23,680,852	1,211,197	43,267	1,589,559	19,077,638	62,740,360
Under \$6,000	743,022	11,287,880	2,165,031	2,098,839	91,364	198,849	*34	15,399	706,894	1,152,490
\$6,000 under \$10,000	79,695	4,281,775	889,108	865,384	7,620	70,701	*33	7,916	196,916	605,922
\$10,000 under \$15,000	44,311	3,130,571	733,257	711,371	10,346	7,685	—	8,407	162,863	543,957
\$15,000 under \$20,000	26,098	2,345,627	612,184	598,250	12,185	*12,396	—	2,947	134,189	450,468
\$20,000 under \$25,000	17,878	1,877,882	537,839	525,349	19,480	*15,332	*54	1,744	102,499	398,730
\$25,000 under \$50,000	37,009	5,503,994	1,862,821	1,817,886	62,716	148,809	*433	17,906	322,661	1,310,212
\$50,000 under \$75,000	16,182	3,665,097	1,394,295	1,365,242	122,831	*28,242	*3,805	39,055	208,120	992,241
\$75,000 under \$100,000	10,010	2,945,136	1,157,912	1,138,190	63,967	*62,339	1	8,244	158,408	864,953
\$100,000 under \$250,000	21,747	11,784,479	4,982,036	4,892,358	708,391	335,991	3,390	28,804	531,432	3,374,028
\$250,000 under \$500,000	8,574	9,673,388	4,197,743	4,125,953	640,685	101,207	1,734	28,094	456,922	2,969,101
\$500,000 under \$1,000,000	4,975	10,384,463	4,696,046	4,603,207	516,044	64,631	*421	49,583	574,785	3,490,582
\$1,000,000 under \$10,000,000	5,083	53,384,240	23,506,780	22,961,168	6,071,069	165,014	8,178	352,345	3,486,127	13,424,048
\$10,000,000 under \$50,000,000	584	48,855,807	21,493,523	20,996,570	4,482,105	—	7,760	270,758	4,400,673	12,332,134
\$50,000,000 under \$100,000,000	87	20,479,206	9,125,633	8,970,753	752,890	—	6,803	221,180	2,089,813	6,054,947
\$100,000,000 or more	72	67,912,947	30,988,867	30,453,378	10,119,158	—	10,621	537,178	5,545,337	14,776,547

¹ Credits include foreign tax, U.S. possessions tax, nonconventional source fuel, orphan drug, research activities, and general business credits.
² Amount was reported by life insurance companies and banks with life insurance departments taxable under special provision of the Internal Revenue Code.
 NOTE: 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."

RETURNS OF ACTIVE CORPORATIONS, OTHER THAN FORMS 1120S, 1120-IC-DISC AND 1120-FSC

Table 17—Increasing Research Activities Credit Items and Orphan Drug Credit Items, by Selected Industrial Divisions

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

Item	All industrial divisions ¹	Selected industrial divisions									
		Agriculture, forestry, and fishing	Mining	Construction	Manufacturing	Transportation and public utilities	Wholesale and retail trade			Finance, insurance, and real estate	Services
							Total ²	Wholesale trade	Retail trade		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
Number of returns of active corporations, other than Forms 1120S, 1120-IC-DISC, and 1120-FSC	2,548,746	70,898	31,864	249,884	226,373	100,331	704,606	254,052	447,089	416,501	730,983
Returns with increasing research activities credit items, other than Forms 1120S, 1120-IC-DISC, and 1120-FSC											
Number of returns	16,669	107	174	241	10,561	234	1,916	1,396	519	447	2,876
Qualified research expenses, total	34,856,703	71,096	222,118	35,678	29,952,816	2,678,549	524,566	379,633	144,774	458,007	905,791
Wages for qualified services	22,761,537	45,422	138,638	23,544	19,897,321	1,284,057	358,802	260,158	98,525	326,804	682,903
Cost of supplies used	7,818,069	22,021	54,572	9,843	6,981,449	542,733	81,255	65,040	16,194	28,488	94,627
Rental or lease costs to personal property	1,086,789	*1,687	14,298	640	900,496	69,253	18,438	10,763	7,674	25,981	55,996
65 percent of contract expenses for qualified research	2,784,711	*1,777	13,998	1,508	1,911,192	666,910	51,551	30,699	20,833	69,059	67,760
65 percent of amounts paid to qualified research organizations	406,003	*188	*612	*183	262,093	115,597	14,521	12,973	1,548	8,306	4,504
Base period research expenses, total	26,610,265	50,905	191,146	28,388	23,246,596	1,945,021	326,608	230,885	95,723	317,536	501,182
Wages for qualified services	18,411,178	32,171	123,023	18,079	16,280,165	1,095,426	235,072	166,239	68,832	236,244	390,043
Cost of supplies used	5,346,567	16,340	42,809	7,733	4,846,923	313,488	49,274	38,077	11,197	20,473	48,009
Rental or lease costs to personal property	875,729	*1,381	12,528	260	671,245	91,702	11,914	6,616	5,298	57,445	29,253
65 percent of contract expenses for qualified research	1,737,884	900	12,582	2,275	1,281,218	354,072	24,939	15,351	9,588	33,409	28,079
65 percent of amounts paid to qualified research organizations	276,392	*112	205	41	168,898	90,334	5,410	4,602	808	5,596	5,797
Tentative credit	1,956,078	4,729	7,620	2,025	1,609,435	173,725	40,777	29,812	10,945	30,548	86,208
Carryover of unused credit	820,092	550	4,517	5,443	659,739	14,893	23,902	19,440	4,462	19,714	90,788
Allowable credit	2,780,962	5,316	11,520	7,423	2,270,803	189,021	66,189	50,245	15,924	52,172	176,961
Research credit	1,627,997	2,416	660	3,392	1,339,009	162,421	27,993	17,651	10,343	23,902	67,476
Returns with orphan drug credit items, other than Forms 1120S, 1120-IC-DISC and 1120-FSC											
Qualified clinical testing expense	301	—	—	—	301	—	—	—	—	—	—
50 percent of qualified clinical testing expense	151	—	—	—	151	—	—	—	—	—	—
Orphan drug credit:											
Number of returns	12	—	—	—	12	—	—	—	—	—	—
Amount	*204	—	—	—	*204	—	—	—	—	—	—

* Estimate should be used with caution because of the small number of sample returns on which it is based.
¹ Includes "Nature of business not allocable" which is not shown separately.
² Includes "Wholesale and retail trade not allocable" which is not shown separately.
 NOTE: Detail may not add to total because of rounding. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

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The following explanations include definitions and limitations of terms used, and adjustments made in preparing the statistics. These explanations are designed to aid the user in interpreting the statistical content of this report and should not be construed as interpretations of the Internal Revenue Code or policies. Code sections cited were those in effect for the Income Years of the report. Whenever a year is cited, it refers to the calendar year, unless otherwise stated.

The instructions for the tax forms in section 6 will provide additional information about many items. Finally, definitions marked with the symbol (#) have been modified from prior year reports to reflect processing or tax law changes as well as clarifications of the explanations.

Accounting Periods

Among the several classifications used in this report, tax return data are classified according to the accounting periods used by corporations. For a detailed discussion of this classification, see "Time Period Employed" in section 1, Introduction.

Accounts and Notes Payable

This item consisted of accounts payable and mortgages, notes, and bonds payable in less than one year. Each is described separately under its own heading below.

Accounts Payable

Relatively short-term liabilities arising from the conduct of trade or business which were not secured by promissory notes were generally included under this heading. Banks and savings institutions may have reported deposits and withdrawable shares in accounts payable. For Foreign Sales Corporations (FSC's), accounts payable included transfer prices payable. When these amounts could be identified, they were transferred to "Other Current Liabilities."

Accumulated Adjustments Account

The Subchapter S Revision Act of 1982 established this new balance sheet account for S corporations for the most recent continuous period during which the corporation was an S corporation for taxable years beginning after December 31, 1982. The accumulated adjustments account was determined by taking into account all items of income, loss and deductions for the tax year (including nontaxable income and nondeductible losses and expenses). After the year-end income and expense adjustments were made, the account was reduced by distributions made during the tax year.

At the end of the tax year, if the corporation had a balance in its retained earnings account, the accumulated adjustments account was determined by taking into account only the taxable income and deductible losses and expenses for the current tax year.

Additional Tax for Tax Preferences (#)

Additional tax for tax preferences, the so-called "minimum tax," was intended to make possible the taxation, to some extent, of selected income and deduction items (described by law as "tax preferences") afforded special tax treatment in the computation of taxable income.

For the most part, the 15 percent tax was levied on the sum of a corporation's tax preferences which exceeded \$10,000 or the current-year income tax (including tax from recomputing prior-year investment credit) reduced by foreign tax credit, U.S. possessions tax credit, nonconventional source fuel credit, credit for increasing research activities, orphan drug credit and general business credit. For tax years beginning after 1984, the tax benefits of certain corporate tax preference items were subject to a 20 percent reduction under Section 291 and then adjusted by including a limited amount of the reduced tax preference items in the minimum tax base. This was done in order to prevent the combination of incentive cutbacks and minimum tax from reducing the tax benefits from these preferences even further.

Corporation Returns/1985 • Explanation of Terms

Members of a controlled group of corporations filing separate returns were required to apportion a single \$10,000 statutory exclusion among the members of the group in proportion to the members' respective regular tax deductions.

Tax preference items were: (1) accelerated depreciation (depreciation in excess of the amount computed under the straight-line method allowed on real property); (2) amortization of certified pollution control facilities (special rapid write-offs in excess of what otherwise would have been a depreciation deduction under Code section 167); (3) reserves for losses on bad debts of financial institutions (additions to reserves for bad debts in excess of actual bad debt losses, based on prescribed rules); (4) depletion (depletion deduction in excess of the cost or other basis of the property, reduced by depletion taken in prior years); and (5) capital gains (net long-term capital gain in excess of net short-term capital loss) when this amount was taxed at the special lower capital gains rate; the preference item applied only if the alternative tax under Code section 1201 applied. (The preference item equaled the tax if alternative tax had not been used minus the alternative tax, divided by 0.46). Other tax preference items that personal holding companies take into account include (1) accelerated depreciation on leased property; (2) mining exploration and development costs; (3) circulation and research and experimental expenditures; and (4) intangible drilling costs. There were also special rules in effect for timber income, including both gains from the cutting of timber and the long-term gains from the sale of timber.

In general, all corporations, other than Interest Charge Domestic International Sales Corporations (IC-DISC's), were liable for the additional tax. However, regulated investment companies and real estate investment trusts were subject to the tax only on the net long-term capital gain in excess of the net short-term capital loss that was not taken into account as income by stockholders. S corporations were subject to the minimum tax only on capital gains imposed by section 1374. All other items of tax preference for these corporations were divided among the stockholders and included in their income.

Advertising

Advertising expenses were allowable as a deduction under Code section 162, if they were ordinary and necessary and bore a reasonable relation to the trade or business of the corporation. The amount shown in the statistics includes advertising identified as a cost of sales and operations as well as advertising reported separately as a business deduction. However, for corporations whose principal business activity was the printing and publishing of newspapers and periodicals or engaging in radio and television broadcasting, the statistics do not include adver-

tising expenses incurred in the preparation of customers' advertising; if identified, these amounts were treated as part of the cost of sales and operations.

The types of expenditures covered by the advertising deduction may have varied somewhat from company to company and a few companies did not separately identify advertising when it was included in the cost of sales and operations. In addition, certain kinds of advertising expenditures, such as for billboards, were capitalized and recovered only as part of depreciation.

Alcohol Fuel Credit (#)

The Windfall Profit Tax Act of 1980 contained provisions for an alcohol fuel credit. If alcohol (other than alcohol produced from petroleum, natural gas, or coal) was used as a fuel (whether partially or completely comprised of alcohol) of a type suitable for use in internal combustion engines, a nonrefundable income tax credit was provided. In general, the credit was available to the blender in the case of blended fuels and to the user or retail seller in the case of pure alcohol fuels. The amount of the credit was 60 cents per gallon for alcohol of at least 190 proof and 45 cents (1984) per gallon for alcohol between 150 and 190 proof. No credit was available for alcohol of less than 150 proof.

The credits were generally available for alcohol sold or used after September 30, 1980, and before January 1, 1993. The Economic Recovery Tax Act of 1981 extended the carryforward provision of unused credits from 7 years to 15 years; the carryback provision of 3 years was not changed. The 1984 Act changed the manner in which alcohol fuel credit was reported. The credit was computed as in prior years, but was claimed as one of the components of the general business credit under Code Section 38. As a component of the general business credit, the alcohol fuel credit was subject to the net tax liability limitation of Code Section 38.

Allowance for Bad Debts

Most corporations identified on their balance sheet the allowance or reserve set aside to cover uncollectible or doubtful notes, accounts, and loans as an adjustment to notes and accounts receivable. A few corporations, however, reported only net receivables and, thus, did not show their allowance for bad debts. In addition, tax return balance sheets used by life and certain mutual insurance companies did not require the allowance to be reported. The statistics for both the allowance and for the gross amount of "Notes and Accounts Receivable" are understated by these unidentified amounts.

Corporation Returns/1985 • Explanation of Terms

Since corporation tax return balance sheets did not provide for the separate reporting of reserves for uncollectible mortgage and real estate loans, many banks and savings and loan associations may have included the item in the allowance for bad debts. If, on the other hand, these reserves were reported in supporting schedules, they were later added to the allowance for bad debts during statistical processing. However, in some cases, the supporting schedules were not attached to the return and the amount may be understated.

Alternative Tax

See "Income Tax."

Amortization

Amortization was a deduction for recovery of certain expenditures over a certain period of time in a manner similar to straight-line depreciation. Typically, the period of time over which the expenditure was written off was much shorter than if depreciation had been used; often, depending on the specific provision of the law, the period of time was only 60 months. The following types of amortization, applicable to the statistics in this report, were specifically mentioned in the Code as allowable deductions:

- bond premiums (Code section 171)
- certain business startup costs paid or incurred (Code section 195)
- child care facilities (Code section 188)
- construction period interest and taxes on real property (except low-income housing) (Code section 189)
- forestation and reforestation expenditures (Code section 194)
- lessee's improvements to leased property, leasehold improvements (Code section 178)
- motion picture film, videotape, sound recording and books (Code section 280)
- organizational expenditures of corporations (Code section 248)
- pollution control facilities (Code section 169 limited by Code section 291)
- railroad rolling stock (Code section 184)
- railroad tunnel bores and grading (Code section 185)
- research and experimental expenditures (Code section 174)
- trademark and trade name expenditures (Code section 177).

The amounts shown in the statistics include any identifiable amortization (as described above) reported as part of the cost of sales and operations or in the schedule in support of depreciation as described below.

On Forms 1120 prior to 1982, amortization was shown on a separate line of the income statement on page 1.

However, since 1982, amortization has been shown separately only on Form 4562, Depreciation, and that amount was carried forward and included in line 26, other deductions, on page 1; Form 1120 (see Form 1120 return facsimile in section 6 of this report). Because some corporations may not have identified amortization separately on Form 4562, the statistics for "Amortization" may be understated and "Other Deductions" may be overstated by the same amounts.

See also "Additional Tax for Tax Preferences."

Bad Debts (#)

Bad debts occurring during the year, or a reasonable addition to an allowance or reserve for bad debts, were allowable as a deduction under Code section 166.

Commercial banks, mutual savings banks, savings and loan associations, small business investment companies and other financial institutions were permitted to take a deduction for a reasonable addition to their bad debt balance which was far greater than that allowed other businesses. Unlike other businesses, which could deduct additions to their reserves only to the extent justified by their actual loss experience, these financial institutions could elect to increase their reserves based on percentages of outstanding loans. However, certain restrictions were introduced in 1969 to begin to bring these institutions in line with other businesses.

For commercial banks, beginning with 1969, deductible additions to the reserves were to decrease in three transitional steps. These steps were to be completed by 1988, at which time the deduction would have to be based on actual losses for the current and 5 preceding years, the same as for other businesses. For taxable years beginning after 1975, but before 1982, the percentage for eligible loans outstanding used as the basis for the deduction was 1.2 percent; 1.0 percent was used for taxable years beginning in 1982 and 0.6 percent for taxable years beginning after 1982.

For small business investment companies, deductions for additions to the reserves, using an industry average as the norm, were permitted during the first 10 years of a company's existence. Thereafter, additions to the reserves had to be based on a corporation's own experience.

For mutual savings banks, savings and loan associations, cooperative banks and certain stock associations, the deduction was 40 percent of an adjusted taxable income figure before reduction by the bad debts deduction, provided it did not increase the reserve beyond 6 percent of qualifying loans.

Corporation Returns/1985 • Explanation of Terms

For banks and other financial institutions, corporate or government debts evidenced by certain bonds which became worthless during the year were chargeable as bad debts under Code section 582. For other corporations, such losses were subject to the special capital gain or loss provisions of the law. See the explanation for "Net Capital Gains" in this section.

Amounts of recovered bad debts reported by corporations which deducted actual bad debts were included in "Other Receipts."

See also "Additional Tax for Tax Preferences."

Book Net Income (or Deficit) (#)

This was the after-tax profit as reported in tax return schedules reconciling income per books of account with income per Internal Revenue Code (see Schedule M-1, "Reconciliation of income per books with income per return," on the Form 1120 return facsimile in section 6 of this report) or, in the case of most insurance companies, from the annual statements filed with the return.

For the most part, tax law provisions agree with generally accepted accounting principles and recognize their application to the conditions and practices of a particular trade or business. However, for certain kinds of income, deductions, or transactions, the law allowed or required special accounting that differed from generally accepted accounting methods.

Three fundamental reasons account for most of the disparity between tax and book profits: (1) different methods of depreciation or amortization; (2) timing differences in accounting for the receipt of income and the expensing of deductions, e.g., installment sales, income from construction contracts, prepaid income or anticipated future losses or expenses, income from foreign subsidiaries and expenses typically capitalized on the books but expensed on the tax return (e.g., intangible drilling costs); or vice versa; and (3) recognition of certain income and deductions for tax purposes only, e.g., the foreign dividend income resulting from foreign taxes deemed paid, or for book purposes only, e.g., tax-exempt interest on State and local Government obligations, lobbying expenses, and certain undistributed profits of foreign subsidiaries. Also, net income for tax purposes is likely to be more uniformly determined than net income for book purposes because of the necessity to conform to provisions of the Internal Revenue Code, although complete uniformity is often lacking because of the various elections, special treatments, and other provisions in the law.

The data shown are subject to certain limitations. Although all corporations were required to provide data for a

reconciliation of profits, some did not include them in their tax returns as originally filed, while others provided them in schedules of their own design from which total book net income could not always be determined. This last group included those consolidated returns in which book net income was shown separately for each affiliated corporation, but the consolidated net income after reduction by intercompany transactions was not shown. (See "Consolidated Returns" in this section.)

In addition, book net income was calculated after taxes were deducted. The income tax liability reported on the tax return often differs from the book amount because of the several methods of accounting for taxes on the books. The statistics may be slightly overstated depending on how parent corporations accounted for the earnings of their nonconsolidated subsidiaries. Duplication resulted when the parent reported its equity in subsidiaries in its book net income and the subsidiaries then also reported their individual book net incomes on their own returns.

On a historical basis, both book income and net income are affected by changes in accounting practices by particular companies, in generally accepted accounting principles, and in tax law. Moreover, because more definitive measures of the differences between tax and book profits are not available, it is difficult to assess the extent of permanent differences (because of different definitions) or those which are only temporary (timing differences which would be expected to "wash out" over a number of years).

Table 14, Book Net Income or Deficit and Provision for Federal Income Tax, shows the comparison between book net income and deficit, provision for Federal income tax, net income (less deficit), and total income tax after certain credits and amounts. Corporations reported "book net income or deficit" as after income tax, however, "net income (less deficit)" was reported before taxes.

The last line of Table 14 was defined, for comparison purposes, to include the sum of the regular income tax, the additional tax for tax preferences, the taxes from recomputing the prior-year investment credit, and tax on excessive net passive income tax (S corporations), reduced by the current year's nonconventional source fuel, research, general business, and orphan drug credits, but not by the foreign tax credit nor U.S. possessions tax credit.

An "economic" or "accounting" approach was used to compute after-tax net income with regard to the treatment of foreign income and taxes to the extent that foreign income was included in the income statistics. It was felt that the corresponding income tax, whether domestic or foreign, should be uniformly reflected to the extent possible in the taxes used in this computation. By disregarding the foreign tax credit, foreign income taxes in effect were recognized as

a deduction in arriving at tax net income, just as they were in arriving at book net income. To have done otherwise, by treating these taxes as a credit against U.S. tax, would have meant disregarding the effect of foreign income taxes on tax net income altogether. This was because corporations with a foreign tax credit could be thought of as having satisfied their U.S. income tax liabilities by paying taxes (to the extent of the credit) to foreign governments instead of the U.S. Government. The foreign tax credit was, after all, merely a device to prevent double taxation of foreign income.

This approach to foreign taxes for the statistics has drawbacks. The foreign tax credit, because of the limitations required in its computation, was not synonymous with total foreign income taxes. Because of the carryover provisions, some of the taxes credited for the current year were actually paid in other years while other amounts, paid on the current year income, had to be carried to other years for crediting. In addition, most foreign dividends had to be "grossed up" by the foreign taxes deemed paid on this income (see "Constructive Taxable Income from Related Foreign Corporations"). To the extent that such taxes were included as income, tax net income, conceptually, is overstated in comparison to book net income.

Aside from conceptual considerations associated with the treatment of foreign income and taxes, it should be noted that Interest Charge Domestic International Sales Corporations (IC-DISC's) and, for the most part, S Corporations electing to be taxed through shareholders, were not subject to the corporation income tax. Therefore, the after-tax net income (or deficit) for these companies is the same as the before-tax net income (or deficit).

Business Receipts

Business receipts were, in general, the gross operating receipts of the corporation reduced by the cost of returned goods and allowances.

Business receipts included rents reported as a principal business income by real estate operators and by certain types of manufacturing, public utility, and service corporations. The latter corporations included manufacturers that frequently rented rather than sold products, such as automatic data processing equipment; lessors of public utility facilities, such as docks, warehouses, and pipelines; and companies engaged in rental services, such as the rental of automobiles or clothing.

Some corporations treated sales taxes and excise and related taxes which were included in the sales price of their products as part of their gross receipts from sales; others reported their receipts after adjustment for these taxes. When treated as receipts, sales taxes and excise and

related taxes were deducted on the tax return as part of the cost of sales and operations or were included in the separately itemized deduction for taxes paid. In any case, the receipts as reported by the taxpayer were included in the statistics. See also "Cost of Sales and Operations" and "Taxes Paid."

In the finance, insurance, and real estate industries, business receipts included such banking items as fees, commissions, trust department earnings, exchange collections, discounts, and service charges, when identified in schedules attached to the return. Business receipts also included interest which could not be separately identified as such. (Interest, the principal operating income of banking and savings institutions, is shown separately in the statistics under "Interest" and is, therefore, excluded from business receipts.) Special statistical treatment was required for the few banking institutions which reported the purchase and sale of Federal funds as part of cost of sales and operations and business receipts, respectively. For the statistics, the amount paid by the banking institutions for these funds was excluded from the "Cost of Sales and Operations" and a corresponding amount was excluded from business receipts.

Also in the finance, insurance, and real estate industries, premium income of most insurance companies was included in business receipts. However, certain mutual insurance companies with total receipts of less than \$500,000 were not required to report premium income. Therefore, total business receipts for insurance carriers are slightly understated.

Generally, in the finance, insurance, and real estate industries, income from investments, when identified in schedules attached to the return, was allocated to one of the specific types of investment income for which statistics are shown separately. Rent reported by real estate operators, however, was accepted as business receipts.

Business receipts reported by stock and commodity brokers, dealers, and exchanges, by condominium management and cooperative housing associations, and by real estate subdividers, developers, and operative builders required special statistical treatment. For these operations, net profit or loss from the sale of stocks, commodities, or real estate, when identifiable, was allocated to the statistics for net gain or loss from sales or exchanges of noncapital assets. If the corporation reported both business receipts and cost of sales and operations without identifying the source, and the cost of sales and operations was 50 percent or more of the business receipts, the net gain or loss was allocated to the statistics for net gain or loss from sales of noncapital assets because the items were considered to include stock, commodity, or real estate transactions. Otherwise, business receipts for these companies were used as reported and included commissions and service fees.

Corporation Returns/1985 • Explanation of Terms

For Interest Charge Domestic International Sales Corporations (IC-DISC's), business receipts included only export receipts which were "qualified" according to Code Section 993(a), i.e., the sum of (1) gross receipts from noncommission sales of export property, leasing or renting of export property, services related and subsidiary to a qualified export sale or lease, engineering and architectural services, and export management services, and (2) commissions earned by IC-DISC's acting as commission agents for someone else (rather than the gross receipts on which the commissions were earned). In other words, certain "qualified" receipts were those which were considered to be export-related and as such were the only receipts included in the statistics for business receipts. Nonqualifying receipts were included in "Other Receipts."

For Foreign Sales Corporations (FSC's), business receipts included unique FSC income amounts from the sale of (or services related to the sale of) export property for noncommission FSC's. For commission FSC's, the amount represented only the commission earned by the FSC activity as an agent rather than the gross sales amount.

In addition to the income types described above which were uniquely treated by law, by the tax return, or for the statistics, there were certain other kinds of income from sales and operations that are not reflected in business receipts. In general, this income was included as part of the much broader category, sales of property used in trade or business. For additional information about this income, see "Net Capital Gains" and "Net Gain (or Loss), Noncapital Assets."

Calendar Year Returns

Calendar year returns were those filed for the 12-month period beginning in January and ending in December. Most of the larger corporations filed for this period. Figure B in section 1 shows the percentage of returns filed for each of the accounting periods covered in this report.

Capital Stock

This end-of-year balance sheet equity item included amounts shown for outstanding shares of both common and preferred stock.

Cash

This balance sheet asset item included the amount of actual money or instruments and claims which were usable and acceptable as money on hand at the end of the taxable year.

For Interest Charge Domestic International Sales Corporations (IC-DISC's), this item was the sum of the following

accounts shown separately on the tax return: working capital (i.e., cash and necessary temporary investments) and funds awaiting investment (i.e., cash in U.S. banks in excess of working capital needed to acquire other qualified assets).

Compensation of Officers

Salaries, wages, stock bonuses, bonds, and other forms of compensation were included in this deduction item if they were identified as having been paid to officers for personal services rendered. Understatement was possible to the extent compensation was reported as part of another deduction item (such as an overall employee compensation figure) and, if not clearly identified, was included in the statistics for "Cost of Sales and Operations" or "Other Deductions."

Consolidated Returns (#)

Consolidated returns were income tax returns which contained the combined financial data of two or more corporations meeting the following requirements: (1) a common parent corporation owned at least 80 percent of the voting power of all classes of stock and at least 80 percent of each class of nonvoting stock (except stock which was limited and preferred as to dividends) of at least one member of the group; and (2) these same proportions of stock of each other member of the group were owned within the group.

Corporations electing to file consolidated returns in one year had to file consolidated returns in subsequent years, with certain exceptions. The consolidated filing privilege could be granted to all affiliated domestic corporations connected through stock ownership with a common parent corporation except: (1) regulated investment companies; (2) real estate investment trusts; (3) corporations for which an election to be treated as a possessions corporation under Code section 936(e) was in effect; (4) corporations designated tax-exempt under Code section 501; and (5) Interest Charge Domestic International Sales Corporations (IC-DISC's) or Former DISC's; and (6) life and mutual insurance companies (and affiliates under sections 802 and 821 (Section 1504(c)). Foreign Sales Corporations (FSC's) are also denied the privilege of filing a consolidated return.

A consolidated return, filed by the common parent company, was treated as a unit, each statistical classification being determined on the basis of the combined data of the affiliated group. Therefore, filing changes to or from a consolidated return basis affect year-to-year comparability of certain statistics (such as data classified by industry and size of total assets).

Constructive Taxable Income from Related Foreign Corporations

This item represented the sum of (1) "Includable Income from Controlled Foreign Corporations" identified as "Income from Controlled Foreign Corporations under Subpart F" on the Form 1120 tax form and (2) "Foreign Dividend Income Resulting from Foreign Taxes Deemed Paid," identified as "Foreign Dividend Gross-Up (section 78)" on the Form 1120 tax form.

Includable income from Controlled Foreign Corporations represented amounts, not actually received, which a domestic corporation owning at least 10 percent of a Controlled Foreign Corporation was required by Code section 951 to include in its gross income. For most purposes, the foreign corporation was considered controlled if more than 50 percent of its voting stock was controlled by U.S. persons, including domestic corporations, each of whom owned at least 10 percent of its voting stock.

The includable income consisted of:

- (1) subpart F income, defined below;
- (2) any previously excluded subpart F income which had been invested in qualified assets in "less developed countries," but which was now either withdrawn from these countries or remitted to the U.S. stockholders and was thereupon taxable;
- (3) any previously excluded subpart F income which had been withdrawn from foreign base company shipping operations; and
- (4) any increase in Controlled Foreign Corporation earnings due to investment in U.S. property.

Subpart F income, defined in Code section 952, included:

- (1) income attributable to premiums received by foreign insurance companies that were Controlled Foreign Corporations whose insurance business was on U.S. risks (as determined under Code section 953); and
- (2) "foreign base company income," which included:
 - (a) "foreign personal holding company income" (income derived from portfolio investments or from "passive" investments);
 - (b) "foreign base company sales income" (generally from the sale of property produced in the United States or a foreign country by one corporation and sold by a related corporation, generally a trading company, organized in another country having a low rate of taxation, for use outside that country);
 - (c) "foreign base company services income" (in general, income from services performed or furnished for a related person, which included corporations, outside the country of incorpora-

tion of the Controlled Foreign Corporation, but with certain exceptions);

- (d) "foreign base company shipping income" (in general, income derived from use of aircraft or vessels in foreign commerce or income derived in connection with the performance of services directly related to any such aircraft or vessel); and
- (e) "foreign base company oil-related income" (in general, income from oil or gas which was extracted from oil or gas wells in the foreign country or income from oil, gas, or a primary product of oil or gas which was sold by the foreign corporation for use or consumption within such country).

Foreign dividend income resulting from foreign taxes deemed paid related to certain foreign taxes on profits of companies which were 10 percent or more owned by domestic corporations. If dividends were distributed to a domestic corporation (from these foreign profits), the domestic corporation was required to increase (or "gross-up") such dividends by a proportionate amount of the foreign taxes deemed paid on the foreign profits for which the domestic corporation claimed a foreign tax credit. See also "Foreign Tax Credit."

Analysis of returns of some of the larger corporations revealed instances where amounts reported as foreign dividend income resulting from foreign taxes deemed paid were actually dividends received from foreign corporations, and instances where amounts reported as dividends received from foreign corporations were actually the gross-up of foreign taxes deemed paid. (Both of these items were reportable on the dividends received schedule of the income tax return.) If these amounts were so identified on supporting schedules, they were transferred to the correct item for the statistics.

Foreign dividend income resulting from foreign taxes deemed paid and includable income from controlled foreign corporations are combined in the tables and shown under the statistics for constructive taxable income from related foreign corporations.

Contributions or Gifts

Contributions or gifts to charitable, religious, educational, and similar organizations were deductible under Code sections 170, 809, and 882. In general, the deduction was limited to 10 percent of taxable income computed without regard to:

- (1) the deduction for contributions;
- (2) special deductions for dividends received and for dividends paid on certain preferred stock of public utilities;

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- (3) any net operating loss carryback; and
- (4) any capital loss carryback to the tax year.

Also, certain additional adjustments were required in the case of life insurance companies. Charitable contributions over the 10 percent limitation could be carried forward to the next 5 tax years; however, the carryover was not allowed if it increased a net operating loss carryover.

Cost of Property Used for Investment Credit

Amounts included under this heading are estimates for the total cost or basis of depreciable property (defined in Code section 48 and described under "Investment Credit" in this section) reported in connection with the computation of the investment credit. Only property with a useful life of 3 years or more was eligible for investment credit.

Although corporations generally reported their investments at cost, most corporations claiming the investment credit for leased property used the fair market value instead.

The statistics include amounts reported but not used for the computation of the investment credit. A limitation, for instance, was placed on the amount of used property which could be taken into account in the computation of the credit. (See "Investment Credit" as a component of the general business credit.) Also included were amounts which were ultimately used in the computation of the credit by end-of-the-year shareholders of S corporations electing to be taxed through those shareholders.

Cost of Sales and Operations (#)

Cost of sales and operations generally consisted of the direct costs incurred by the corporation in producing goods or providing services. Included were costs of materials used in manufacturing; costs of goods purchased for resale; direct labor; and certain overhead expenses, such as rent, utilities, supplies, maintenance, and repairs. The valuation methods the corporation used to value its inventories consisted of

- (1) cost;
- (2) cost or market value (whichever was lower); or
- (3) any other method that was approved by the Commissioner of Internal Revenue.

Corporations with manufacturing or production operations were required to compute taxable income in accordance with the "full absorption" method of inventory costing as prescribed by the income tax regulations. In general, under full absorption costing, certain indirect production costs as well as direct production costs were allocated to goods produced during the taxable year, whether included as costs of the taxable year or as inventory at the close of

the year determined in accordance with the corporation's method of identifying goods in inventory. In determining inventory costs, indirect production costs were: (1) always included, such as for repairs, indirect labor, and indirect materials and supplies; (2) not required to be included, such as for marketing expenses, selling or other distribution expenses, and interest; or (3) included or excluded from the cost of sales and operations depending on how such costs were treated in the corporation's books of account. These costs included insurance costs, taxes paid, and depletion expenses. Thus, the statistics also include certain indirect production costs reported by corporations as a cost of sales.

Sales taxes and excise and related taxes may have been reported in cost of goods sold schedules when corporations treated these taxes as part of the sales price of products. When taxes were identified in cost of goods sold schedules, they were added to the statistics shown for the separate deduction for "Taxes Paid." Similarly, expenses for depreciation, depletion, amortization, rent of buildings or real estate, advertising, contributions to pension plans, contributions to employee benefit programs, bad debts, compensation of officers, contributions to charitable organizations, intangible drilling costs and interest were transferred to their respective deduction categories when identified in cost of goods sold schedules.

The income or loss from sales of securities, commodities, or real estate by stock and commodity brokers, dealers, and exchanges, and by real estate subdividers, developers, and operative builders was transferred from business receipts, and the net profit or loss from these transactions included in net gain or loss from sales or exchanges of noncapital assets.

See also "Business Receipts."

Cost of Treasury Stock

This item was the total value of issued common or preferred stock which had been reacquired and was held at the end of the accounting year by issuing corporations. The stock, which was available again for resale or cancellation, may have been purchased by the corporation or acquired through donation or as settlement of a debt. Treasury stock was not a part of capital stock outstanding and did not include unissued capital stock.

The amounts shown may be somewhat understated. Treasury stock intended for resale may have been reported as an asset on some tax returns and, if not clearly identified as for resale, would have been included in the statistics for "Other Investments." When identified, though, such stock was transferred to the statistics for "Cost of Treasury Stock."

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Credit for Tax on Special Fuels, Nonhighway Gasoline and Lubricating Oil

Code section 39 allowed a credit in full or in stated amounts for excise taxes on:

- (1) gasoline used on farms for farming purposes (Code section 6420);
- (2) gasoline used for nonhighway purposes or by local transit systems (Code section 6421); and
- (3) fuel not used for taxable purposes (Code section 6427).

These taxes could be applied as a credit against income tax liability or could have been, under certain conditions, refunded directly.

Credit for Tax Paid by Regulated Investment Companies

Regulated investment companies were required to pay a tax (at capital gains rates) on amounts of undistributed net long-term capital gain less net short-term capital loss. Stockholder corporations, for their part, were required to include in the computation of their long-term capital gains any such gains designated by the parent as undistributed dividends. The stockholder corporations were then deemed to have paid the tax on the undistributed long-term capital gain dividends and were allowed a credit (or a refund) for the tax they were deemed to have paid. It is this credit which comprises this item.

Deficit

See "Net Income (or Deficit)."

Depletable Assets

Depletable assets represented, in general, the gross end-of-year value of mineral property, oil and gas wells, other natural deposits, standing timber, intangible development and drilling costs capitalized, and leases and leaseholds, each subject to depletion. Accumulated depletion represented the cumulative adjustment to these assets shown on the corporation's books of account. In some instances, depletable assets may have been included with "Depreciable Assets," or may have been reported as land or as "Other Investments" by the taxpayer, and could not be identified for this report.

The value of depletable assets and accumulated depletion may not be closely related to the current year depletion deduction. The depletable assets and accumulated depletion balance sheet accounts reflected book values; the depletion reflected the amount claimed for tax purposes.

Depletion

This deduction was allowed for the exhaustion of mines, oil and gas wells, other natural deposits and timber. For standing timber, depletion was computed on the basis of cost. In the case of natural deposits, the depletion could be computed either on the basis of cost or upon a fixed percentage of the gross income, less rents and royalties, from the depletable property. Generally, for gas and oil wells the gross income was the actual sales price, or representative market or field price if the gas or oil was later converted or manufactured prior to sale. For other natural deposits, gross income was the gross income from mining, defined to include extractive and certain treatment processes. Also included as gross income were exploration expenditures, previously deducted, that were required under provisions of Code section 617 to be recaptured when the mine reached the production stage.

Under elective provisions of the Code, exploration and development expenditures connected with certain domestic natural deposits (except gas and oil) could be deducted currently, treated as deferred expenses, or capitalized. The write-offs of amounts deferred or capitalized were not included as part of depletion.

Percentage depletion, though based on percentages of gross income from depletable property, was limited.

Generally, it could not exceed 50 percent of the taxable income from the property computed without the depletion deduction. Percentage rates of gross income for each type of natural deposit were listed in Code section 613 and ranged from 5 to 22 percent.

Generally, percentage depletion could not be used for oil and gas wells. However, independent producers (and royalty owners) could have used percentage depletion, provided they did not refine more than the taxpayer's depletable oil quantity of domestic crude oil in any day and that the taxpayer's average daily production of domestic natural gas does not exceed the taxpayer's depletable natural gas quantity. The depletion rate for small producers was 15 percent for a maximum daily average of 1,000 barrels.

As explained under "Net capital gains", the cutting of timber was eligible for net long term capital gain treatment under Code section 1231. If timber depletion was used in the computation of gain (or loss), it could not be identified for the statistics. Because of taxpayer reporting variations involving the computation of gain or loss, or of gross receipts from sales (and the cost of sales and operations or depletion deduction), the depletion statistics may be incomplete for industries in which sales of cut timber or of lumber or wood products are a major source of income.

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The amounts shown in the statistics include any identifiable depletion reported as part of the cost of sales and operations.

See also "Additional Tax for Tax Preferences."

Depreciable Assets

Depreciable assets, reported on the corporation's end-of-year balance sheet, consisted of tangible property (such as buildings and equipment) which was used in the trade or business or held for the production of income and which had a useful life of one year or more. The statistics for this item could include fully depreciated assets still in use and partially completed assets for which no deduction was allowed, when the corporation reported them as depreciable in its balance sheet. The statistics for depreciable assets exclude those intangible assets which were depreciable or amortizable only for tax purposes. Such assets, patents and copyrights for example, were includable in "Intangible Assets." The amounts shown as accumulated depreciation represent the portion of the assets that were written off in the current year, as well as in prior years.

The amounts shown for depreciable assets are, in general, the gross amounts before adjustments for depreciation or amortization charged in current and prior years. Some corporations, however, reported only the net amount of depreciable assets after adjusting for these depreciation or amortization charges. Among the corporations reporting only a net amount of depreciable assets were many insurance carriers reporting balance sheet information in the format required by State insurance regulations. This format usually provided for the reporting of only net depreciable assets and only the home and branch office buildings and equipment were included. Other real estate holdings of these corporations were reported as "other investments."

The value of depreciable assets and accumulated depreciation may not be closely related to the current-year depreciation deduction. The depreciable assets and accumulated depreciation balance sheet accounts reflected book values; the depreciation deduction reflected the amount claimed for tax purposes.

On the Form 1120-A balance sheet, depreciable assets are combined with depletable and intangible assets, however, the majority of this item represents depreciable assets.

Depreciation (#)

The Accelerated Cost Recovery System (ACRS) was enacted in the Economic Recovery Tax Act of 1981 (ERTA). Under ACRS, companies were allowed to recover the capital costs for most tangible new or used depreciable property by means of new accelerated methods, over

statutory recovery periods that were unrelated to, and shorter than, the Asset Depreciation Range (ADR) property class lives prior to ERTA. Furthermore, the methods of cost recovery and the recovery periods were the same for both new and used property. Under this new system, the taxpayer merely applied a statutory percentage to the unadjusted basis of property. The percentage applied depended on the class of the property and the number of years since the property was placed in service. Salvage value was not taken into account and, if the property were sold, no deduction was allowed for the year in which the asset was disposed of.

The cost of eligible personal property was to be recovered over periods of 3, 5, 10, 15, 18, or 19 years, depending on the recovery class of a particular type of property and date placed in service. The 3-year class included tangible depreciable property (that was covered under Code section 1245). In general, 5-year property included all section 1245 depreciable personal property that was not 3-year, 10-year, or 15-year. The 10-year class included public utility property with an ADR life of more than 18 but less than 25 years (other than 3-year class property or section 1250 property); section 1250 class property with an ADR life of 12.5 years or less. The property falling in the 15-year class was public utility property (except that regarded as 3-year property or covered under section 1250) with an ADR class life of over 25 years and section 1250 real property, not qualified for 18-year property, with ADR class life of 12.5 years or more. Section 1250 property placed in service after March 15, 1984 but before May 9, 1985, with ADR class life of more than 12.5 years qualified for 18-year property. The unadjusted basis of real property (other than low-income property) was to be recovered over a 19 year period for real property placed in service after May 8, 1985.

In assigning public utility property to a recovery period, a company first had to take note of the fact that such property could only qualify as recovery property if the company used a normalization method of accounting in setting the rates charged to customers. Otherwise, the depreciation was determined under previous rules, using the pre-existing depreciation methods and useful lives.

Each of the six classes of depreciable personal property had its own statutory percentage for use in each year of the recovery period. For property placed in service in 1981-1984, these percentages approximated the beneficial effect of the 150-percent declining-balance method for the early years and the straight-line method for the later years. For property placed in service after March 15, 1984, the depreciation percentage for 18-year real property approximated the beneficial effect of 175-percent declining-balance method with a switch to the straight-line method for the later years as well as property placed in service after

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May 8, 1985 as 19-year real property. A "half-year convention" was prescribed, whereby a half-year's depreciation was allowed for the year the property was placed in service, regardless of when during the year the property was actually placed in service. The half-year convention was also required in the year following the end of the recovery period, assuming the property was held for the full period.

For depreciable real property, recovery deductions had to approximate the beneficial effect of the 200-percent declining-balance method for low-income housing and the 175-percent declining-balance method for other real property for the early years, and the straight-line method, in both cases, for the later years. The basis for most property was recoverable over a 15-year period. The recovery deductions in the years of acquisition and disposition were to be based on the number of months the property was held, rather than on the half-year convention used for personal property. The full-year writeoffs for the intervening years therefore had to take into account the number of months the property was in service during the first year.

The ERTA no longer permitted the use of the retirement-replacement-betterment (RRB) method for depreciating railroad property as of January 1, 1981. Property placed in service after 1980 that would have been RRB property was to be treated as 5-year property under ACRS. During a transition period (1981-84), a special rule was provided for replacement property that would have been normally expensed under RRB. Under this rule, property placed in service in 1981 could be fully expensed, while property placed in service in 1982 through 1984 was to be recovered over 2, 3 and 4 years, respectively, using an accelerated method based on the 200-percent declining-balance method for the earlier years with a switch to the sum-of-the-years digits method for the later years. Except for property placed in service in 1981, only one-half of a year's depreciation was allowed for the year the property was placed in service, regardless of when during the year the property was placed in service.

Unlike depreciation under prior law, special rules applied to the cost recovery of foreign property. Property used outside the United States for more than half the taxable year generally was considered a foreign asset. The cost of personal property used predominantly outside the United States was recovered using a recovery period equal to the ADR class life for the property as of January 1, 1981. For depreciable personal property for which there was no ADR midpoint life as of January 1, 1981, a 12-year recovery period was to be used. The recovery percentages were to be based on the 200-percent declining-balance method for the early years and the straight-line method for the later years. In addition, the half-year convention was not used and there was no salvage value limitation. For depreciable real property, the recovery period

was 35 years, with the recovery deduction based on the 150-percent declining-balance method for the early years and the straight-line method for the later years. In addition, the half-year convention was not used and there was no salvage value limitation.

The taxpayer was also given the option to use straight-line depreciation for a given class of property, instead of the regular ACRS deduction based on the accelerated methods mentioned above, although the rules varied depending on whether the asset was personal or real property and whether it was used predominantly outside the United States. For personal property, the taxpayer could choose to use certain longer periods instead. These optional periods were:

- (1) 5 or 12 years for 3-year property,
- (2) 12 or 25 years for 5-year property,
- (3) 25 or 35 years for 10-year property, and
- (4) 35 or 45 years for 15-year property.

The half-year convention was required under this election for both the year the property was placed in service and the year following the end of the recovery period assuming it was held for the entire period. The same recovery period then had to be used for all property in the class. Other classes of property were subject to separate elections, at the option of the taxpayer. For real property and low-income housing placed in service after March 15, 1984, and before May 9, 1985, the optional recovery periods when the straight-line method was elected were 18, 35, and 45 years and the election was made separately for each property. For real property and low-income housing placed in service before after May 9, 1985, the optional recovery periods when the straight-line method was elected were 19, 35 and 45 years. For foreign property, the rules applicable to personal and real property were the same as those used for U.S. personal and real property, with one exception. This exception was for the optional recovery periods for real property, whereby in addition to the optional recovery periods listed above the ADR class life was also included.

ERTA repealed the additional first-year depreciation allowance for property placed in service after 1980 and replaced it with a provision that permitted a taxpayer to treat the cost of qualifying property, Code section 179 property, as a currently deductible expense rather than as a capital expenditure. The deduction of costs for this property was allowed in the tax year the property was placed in service. Neither an ACRS deduction nor investment tax credit was allowed for the costs that were expensed, and the maximum Code Section 179 deduction allowed for 1985 was \$5,000.

Dividends Received from Domestic Corporations

Dividends received from domestic corporations represented most distributions from current as well as accumulated

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earnings and profits of companies incorporated in the United States. (For a discussion of other distributions of domestic corporations, see "Other Receipts" in this section.) For the most part, dividends received from domestic corporations represented those recognized in computing the special deduction from net income for domestic intercorporate dividends received. (See also "Statutory Special Deductions.")

Certain domestic dividends, although not deductible, were nevertheless included in dividends received from domestic corporations. These were dividends received by regulated investment companies, real estate investment trusts, and S corporations electing to be taxed through shareholders. Dividends from Interest Charge Domestic International Sales Corporations (IC-DISC's) were also included as domestic dividends received, but were not deductible. Certain other dividends, not deductible, were treated for the statistics as "Other Receipts."

For most of the domestic dividends received, the deductible portion was equal to 85 percent (about 60 percent for dividends received on certain preferred stock of public utilities). However, a 100-percent deduction was allowed for dividends received by members of a controlled group from other members of the same controlled group when a consolidated return was not used to report for the group as a whole. This deduction was allowed when the group did not elect to file a consolidated return and agreed instead to apportion a single tax bracket amount exemption among the group members in computing income tax.

Dividend distributions among member corporations electing to file a consolidated return were eliminated from the statistics as part of the consolidated reporting of tax accounts. For tax purposes, dividends reported on these returns represented amounts received from corporations that were outside the tax-defined affiliated group.

Under provisions of the 1984 Act, corporate shareholders reduced the deduction for dividends received on debt-financed portfolio stock. The provision generally reduced the deduction for dividends received on debt-financed portfolio stock so that the deduction was available, in effect, only with respect to dividends attributable to that portion of the stock which is not debt financed. Generally, this was accomplished by determining the percentage of the cost of an investment in stock which is debt financed and by reducing the otherwise allowable dividends received deduction with respect to any dividends received on that stock by that percentage. The reduction in the amount allowable as a dividends received deduction could not exceed the amount of interest deduction allocable to the dividend.

For a discussion of the dividends received from an IC-DISC see "Domestic International Sales Corporation Returns."

Dividends Received from Foreign Corporations (#)

These dividends were paid from current as well as accumulated earnings and profits of companies incorporated in foreign countries.

Dividends received from foreign corporations consisted of:

- (1) dividends, subject to the 85-percent deduction, received by U.S. corporations from those foreign corporations at least 50 percent or more of whose gross income was "effectively connected" with business conducted in the United States;
- (2) dividends, subject to the 100-percent deduction, received by U.S. corporations from wholly-owned foreign subsidiaries all of whose gross income was "effectively connected" with the conduct of a U.S. trade or business, or received from a FSC when the dividends were from earnings and profits attributable to foreign trade income; and
- (3) any other foreign dividends, not subject to a deduction, which included: certain gains from the sale, exchange, or redemption of Controlled Foreign Corporation stock and foreign dividends received by S corporations electing to be taxed through shareholders.

Excluded from the dividend statistics was the "gross-up" of foreign taxes deemed paid on the profits from which the dividends of foreign subsidiaries were distributed. This was done even though "foreign dividend income resulting from foreign taxes deemed paid" (gross-up) was considered by law to be part of the dividends received. Dividends only constructively received from foreign subsidiaries, reported on the tax returns as "includable income from Controlled Foreign Corporations," were also excluded. If these amounts were actually distributed at a later date, they were neither retaxed nor reported. For the statistics, both items were combined and shown under "Constructive Taxable Income from Related Foreign Corporations."

The foreign dividend statistics presented in this report are subject to certain limitations. Some corporations reported certain foreign dividends as "includable income from Controlled Foreign Corporations," while others did the reverse, since both were reported in the schedule for dividends received. Also, some corporations included as foreign dividends the gross-up of dividends by foreign taxes paid or deemed paid while others did the reverse. Where these variations in taxpayer reporting were identified, the amounts were transferred to the correct item for the statistics.

Domestic International Sales Corporation Returns (#)

The pre-1985 system for Domestic International Sales Corporations (DISC's) has largely been replaced by a

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system of Foreign Sales Corporations (FSC's). DISC's were not entirely abolished, however, since a DISC has the option of electing to be an Interest Charge DISC (IC-DISC). The IC-DISC form is geared toward smaller exporters.

Generally, an IC-DISC is not taxed on its income. Shareholders of an IC-DISC are taxed on its income when the income is actually or deemed distributed. In addition, section 995 (f) imposes an interest charge on shareholders for their share of DISC-related deferred tax liability.

To qualify as an IC-DISC, a corporation must have been organized under the laws of any State or the District of Columbia, have only one class of stock, issued outstanding capital stock with a par or stated value of at least \$2,500, and satisfied the "gross receipts" and "gross assets" tests.

The gross receipts test required that at least 95 percent of the corporation's gross receipts consist of "qualified export receipts." Qualified export receipts were: gross receipts from the sale, exchange, or other disposition of "export property" (described below); gross receipts from the lease or rental of export property, which were used by the lessee of such property outside the United States; gross receipts from the sale, exchange, or other disposition of "qualified export assets" (other than export property); gross receipts from services which were related and subsidiary to any qualified sale, exchange, lease, rental, or other disposition of export property; dividends with respect to stock of a related foreign export corporation; interest on any obligation which was a qualified export asset; gross receipts from engineering or architectural services for construction projects located (or proposed for location) outside the United States; and gross receipts from the performance of managerial services performed for an unrelated IC-DISC.

The gross assets test required that at least 95 percent of the corporation's assets be "qualified export assets." In general, qualified export assets were inventories of "export property" (i.e., property which: (1) had been manufactured, produced, grown or extracted in the United States by other than an IC-DISC; (2) was held primarily for sale or lease in the ordinary course of business for direct use, consumption, or disposition outside the United States; and (3) had at the time of sale or lease by the IC-DISC not more than one-half of its fair market value attributable to imported articles); necessary operational equipment and supplies; trade receivables from export sales (including commissions receivable); producer's loans (i.e., loans of the IC-DISC's profits to a U.S. export producer whether or not related to the IC-DISC); working capital (i.e., cash and necessary temporary investments); investments in related foreign export corporations (including real property holding companies and associated foreign corporations); obligations issued, guaranteed, or insured by the Export Import Bank or the Foreign Credit Insurance Association; and, obligations of the Private Export Funding Corporation.

An IC-DISC, which for a taxable year failed to satisfy the gross receipts test or the gross assets test, could nevertheless satisfy these qualification requirements by making a "deficiency distribution" for such a year, whereby the IC-DISC made a distribution to its stockholders after the close of the taxable year. The IC-DISC, at this time, had to demonstrate that the failure to make these distributions prior to the close of the year was due to reasonable cause. If the IC-DISC makes this distribution after the date Form 1120-IC-DISC is due, an interest charge must be paid, equal to 4.5 percent of the distribution times the number of tax years that begin after the tax year to which the distribution relates until the date the IC-DISC made the distribution. No dividend received deduction was allowed for a deficiency distribution. However, a deduction was permitted for dividends received from domestic corporations subject to 85 percent deduction and from debt-financed stock of domestic corporations.

To qualify as an IC-DISC, a new or previously existing corporation had to file an election requesting to be treated as an IC-DISC on the Form 4876A, Election To Be Treated as an Interest Charge DISC.

An IC-DISC usually acquired export property from its parent or an affiliated corporation ("related suppliers") and then sold the property abroad; however, it could act simply as a commission agent on export sales of related suppliers. The method used for allocating income between an IC-DISC and its related suppliers was achieved through special intercompany pricing rules. This allocation of income was affected to the extent that the IC-DISC itself incurred "export promotion expenses" (i.e., the ordinary and necessary expenses incurred to obtain qualified export receipts).

The types of corporate organizations not eligible to be treated as an IC-DISC were: (1) tax-exempt corporations; (2) Personal Holding Companies; (3) banks and trust companies; (4) mutual savings and other banks, domestic building and loan associations, and cooperative banks; (5) insurance companies; (6) regulated investment companies; and (7) S corporations electing to be taxed through their shareholders.

If a corporation is an IC-DISC or former IC-DISC, a Form 1120-IC-DISC must be filed under certain conditions. The term "former DISC" means, with respect to any taxable year, a corporation which is not a DISC for such year but was a DISC in a preceding taxable year and at the beginning of the taxable year had undistributed previously taxed income or accumulated DISC income.

Employee Benefit Programs

Contributions made by employers to such plans as death benefit plans, health plans, accident and sickness plans,

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and other welfare plans were deductible under Code section 162. The statistics for this item include amounts identified in the cost of sales and operations schedules.

Employee Stock Ownership Credit

ERTA contained revised provisions for an employee stock ownership (ESOP) tax credit. The investment-based credit for employer contributions to ESOP's for industries that were more capital-intensive was terminated at the end of 1982 and was replaced by a new credit tied to payroll. The new credit, reported on Form 8007, was designed to encourage formation of such plans in industries that were more labor-intensive and was based on the lesser of (a) the value of employer stock (or cash with which to buy such stock) contributed by the corporation to the plan each year, or (b) a specified percentage of the total compensation of those employees participating in the plan that was paid or accrued during the portion of the corporation's accounting period that fell within a given calendar year. The percentage for 1983 (and 1984) was .5; for 1985-87, it was .75. The new credit was then due to expire, on January 1, 1988. No credit was allowed regulated public utility companies, if, for example, it resulted in a reduced cost of service for rate making purposes or as shown in its regulated books of account or if it served to reduce the base to which the employer's rate of return was computed for rate making purposes. The credit allowed was limited to \$25,000 plus 85 percent of the tax in excess of \$25,000.

The 1984 Act combined the Employee Stock Ownership Credit with three business income tax credits. The investment tax, targeted jobs, alcohol fuels, and ESOP credits were combined into one general business credit and the sum of these credits equaled the current year business credit. The income tax against which this credit was applied was after reduction by foreign tax, possessions tax, orphan drug, nonconventional source fuel, and research credits. Unused credits could be carried back for use in the 3 preceding years and then, if necessary, carried over to the 15 succeeding years.

Estimated Tax Payments (#)

Corporations subject to taxation under Code sections 11, 1201(a) or subchapter L of Chapter 1 (relating to insurance companies) were required to make quarterly tax payments if the estimated tax for the taxable year was expected to be \$40 or more. Estimated tax was the excess of the income tax (estimated) imposed by Code sections 11, 1201(a), or Subchapter L of Chapter 1 (excluding minimum tax on tax preferences) over the amount the corporation estimated as the sum of credits against tax (including foreign tax, possessions tax, nonconventional source fuel, research, orphan drug and general business credits). Also, the Tax Equity and Fiscal Responsibility Act of 1982 increased the

percentage of current year tax liability which corporations had to pay in estimated tax payment from 80 to 90 percent for taxable years beginning after 1982.

Estimated tax payments shown in this report may be somewhat less than the legal maximum percentages of tax due because, under the provisions of Code section 6655, certain tolerances were allowed in the relationship of the installment payments to the tax. For example, a corporation was not required to pay an estimated tax greater than the amount of tax liability for the previous year provided that the corporation had a tax liability for the previous year. Besides the limitations based on law, payments shown in the statistics may be slightly understated because of taxpayer reporting variations and the inability to identify all of the amounts from the tax returns.

Separate statistics are presented for the components of net estimated tax payments which include 1984 overpayments claimed as a credit, 1985 estimated tax payments, and refund of estimated tax payments.

Excessive Net Passive Income Tax

In general, under prior law (Code section 1372), an S corporation was not allowed to have passive investment income greater than 20 percent of its gross receipts unless that taxable year was the first or second year the corporation commenced the active conduct of any trade or business or the passive investment income for such taxable year was less than \$3,000.

Effective for tax years beginning in 1982, the Subchapter S Revision Act of 1982, Public Law 97-354 repealed the old 20 percent limitation on passive income for S corporations. The new law increased the limit on passive income to 25 percent for S corporations that had accumulated earnings or profits from prior subchapter C status and provided for a 46 percent tax on excessive net passive income. Passive investment income, in general, was gross receipts derived from royalties, rents, dividends, interest, annuities, or the sales or exchange of stock or securities.

Foreign Sales Corporation (#)

Domestic International Sales Corporations (DISC's) have largely been replaced by Foreign Sales Corporations (FSC's). Under the FSC system, a portion of foreign trade income was exempt from corporate tax.

To be a FSC or small FSC (as defined below), a corporation must be created or organized under the laws of a qualifying foreign country or U.S. possession. The FSC cannot have more than 25 shareholders nor can it have preferred stock.

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A FSC, other than a small FSC, must also meet certain foreign management and foreign economic process requirements which require that certain activities take place outside the U.S.

FSC's must maintain an office in a qualifying foreign country or U.S. possession where it maintains a permanent set of books, and must also maintain a location in the U.S. for financial records. At least one FSC director must not be a U.S. resident, and a FSC may not be a member of a controlled group of which an IC-DISC is a member.

The tax year of a FSC must conform to the tax year of the principal shareholder who at the beginning of the FSC's tax year has the highest percentage of voting power. Furthermore, each shareholder must consent to the election to be a FSC or small FSC.

A corporation can elect to be a FSC or small FSC. In order to qualify as a small FSC, a corporation must have filed Form 8279 as part of its election and cannot be a member of a controlled group which includes a FSC unless it is a small FSC. A small FSC is treated as a FSC on the first \$5,000,000 of its foreign trading gross receipts without meeting the foreign economic process requirements. Any gross receipts in excess of the limitation are treated as non-foreign trading gross receipts.

Foreign Tax Credit (#)

Code section 901 allowed a credit against the U.S. income tax for income, war profits and excess profits taxes paid or accrued to foreign countries or U.S. possessions including Puerto Rico. Credit was also allowed against the U.S. tax under Code sections 902 and 960 for foreign taxes "deemed paid." Foreign taxes included amounts paid by partnerships that were allocated directly to the partners (including those that were corporations) for their use as a credit (or a deduction, as described below). Also, credit was allowed for taxes deemed paid on distributions constructively received from controlled foreign corporations under Code section 951. The credit was allowed for these distributions if the domestic corporation owned 10 percent or more of the voting stock of the first-tier controlled foreign corporation.

The credit could be claimed by domestic corporations, and also by foreign corporations engaged in trade or business in the United States for foreign taxes on income "effectively connected" with the U.S. business.

However, the credit was not allowed for S Corporations electing to be taxed through shareholders even when these corporations were taxed on certain capital gains income. These corporations had to deduct from gross income any foreign taxes they paid and could not pass them on to their

shareholders for their use as a foreign tax credit. The credit was also not allowed for regulated investment companies which elected under Code section 853 to allow their stockholders to claim the credit for the foreign taxes paid by these companies. Since Interest Charge Domestic International Sales Corporations (IC-DISC's) themselves were not taxable, the foreign tax credit was not applicable; however, IC-DISC stockholders could claim a credit for foreign taxes paid by an IC-DISC.

A corporation that claimed the foreign tax credit could not also claim a business deduction for foreign taxes paid. The U.S. income tax which could be reduced by the credit excluded the tax from recomputing prior-year investment credit, the additional tax for tax preferences (minimum tax), and the Personal Holding Company tax.

Generally, five types of income from foreign sources were specified for purposes of computing the foreign tax credit. For taxes paid in connection with certain interest income, the credit was computed separately. Also, for dividends received from IC-DISC's or former DISC's, for foreign trade income of a FSC, and for distributions from a FSC or former FSC, the foreign tax credit limitation was computed separately, and then for other foreign source income. Additionally, corporations had to compute their foreign tax credit separately for foreign oil-related income, which included foreign oil and gas extraction income.

Foreign taxes in excess of the limitation for any one year could be carried back, chronologically, to the 2 preceding years and then carried over to the 5 succeeding years to reduce income tax, subject to the foreign tax credit limitation of the years to which they were carried. (Excess taxes carried back or carried over were applied against the amount by which a limitation exceeded the creditable foreign taxes in a given year.)

General Business Credit

The Tax Reform Act of 1984 revised and rearranged the order of many of the income tax credits. Beginning in 1984, there was a new "general business credit" consisting of the investment credit (Form 3468), jobs credit (Form 5884), alcohol fuel credit (Form 6478), and employee stock ownership plan (ESOP) credit (Form 8007). If a taxpayer claimed more than one of these credits, on their tax return, Form 3800 was to be filed with the return. The purpose of the new general business credit was to provide a uniform limitation on the amount that may be offset against tax liability and uniform rules for carrybacks and carryforwards. Each of the four credits were computed separately and then the total of these credits became the general business credit for the purpose of applying the maximum tax liability rules and the carryback and carryforward rules.

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The four credits were computed the same under the 1984 Act as they were previously. However, the separate tax liability limitations and the separate rules for carrying unused credits to other years for each of these credits were eliminated. Also, a taxpayer could elect for post-1983 years not to have the alcohol fuels credit or the targeted jobs tax credit apply.

The general business credit could reduce the tax liability to the extent of 100 percent of the first \$25,000 of net tax liability and 85 percent of the net tax liability over \$25,000. When the credit exceeds the \$25,000-plus-85 percent limitation in any year, the excess is an unused business credit. An unused business credit could be carried back to the three years preceding the unused credit year and forward to the 15 years following that year.

Income Subject to Tax

The 1954 Code provided different tax bases upon which tax was levied for different types of corporations. These were the "taxable income" bases defined by Code section 63, used by the majority of corporations, and to which the tax rates applied; a variation of this base in combination with long-term capital gain when the lower capital gains rate was applicable; the special capital gains tax base of S corporations electing to be taxed through their shareholders; the several tax bases applicable to insurance companies; and the amounts taxable to regulated investment companies and real estate investment trusts. All of these tax bases are under the heading, Income Subject to Tax. However, small amounts of regulated investment company undistributed long-term capital gains (described below) were excluded. Since Interest Charge Domestic International Sales Corporations (IC-DISC's) themselves were not taxable, income subject to tax for these corporations was not applicable (see "Domestic International Sales Corporation Returns").

For most corporations, income subject to tax consisted of net income minus certain "statutory special deductions" (described in this report under a separate heading). However, there were certain exceptions. In some cases, the statutory special deductions for dividends received and for dividends paid on certain preferred stock of public utilities exceeded net income. For these returns, income subject to tax was reduced to zero and the excess of the two special deductions became the statutory loss for the year, available for net operating loss deduction purposes over the prescribed carryback and carryover periods.

Also, the tax bases applicable to S corporations electing to be taxed through their shareholders, life insurance companies, regulated investment companies, and real estate investment trusts were not defined as net income less statutory special deductions.

Depending on which resulted in the lowest tax, the tax base for S corporations electing to be taxed through their shareholders was: (1) net income; (2) net long-term capital gain in excess of \$25,000, when net long-term capital gain was more than 50 percent of a net income that was over \$25,000; or (3) the amount attributed to gain from the disposition of property using a "substituted basis" (i.e., the basis that was transferred from another corporation which was not a S corporation electing to be taxed through its shareholders). No net operating loss or "special deductions" were available. In addition, effective for tax years beginning in 1982, S corporations were subject to a 46 percent tax on excessive net passive income, which is described in this section.

For the life insurance company statistics, net income was derived from gain or loss from operations to which statutory special deductions were added back; income subject to tax was the smaller of gain from operations (which included statutory special deductions) or taxable investment income. To this amount the following were added: (1) when taxable investment income was smaller than gain from operations, 50 percent of the difference between these two amounts, and (2) amounts subtracted from the policyholders' surplus account (which contained income nontaxable in the year earned, but taxable later on when withdrawn from this reserve account, even if the company had no current-year net income).

In addition, the life insurance company provisions applied to life insurance departments of mutual savings banks, where the departments were separately taxed from the remainder of the banks. However, data for the banking and life insurance departments were combined in the statistics.

In the case of regulated investment companies and real estate investment trusts, any net long-term capital gain (reduced by net short-term capital loss) which was not distributed to stockholders was taxed to the companies at the capital gains rate, even though the alternative tax method was not allowed. The balance of undistributed income was taxed at the normal tax rates. Undistributed net long-term capital gain taxed at the capital gains rate was not available from the income tax computation schedule of the return form and no attempt was made to obtain it from attached schedules for the statistics.

See also "Income Tax."

Income Tax (#)

Income tax was the gross amount of income tax liability before deducting the foreign tax, U.S. possessions tax, orphan drug, nonconventional source fuel, research, and general business credits.

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Effective for taxable years beginning after December 31, 1982, the corporate tax rates were:

Taxable income	Tax rate
Under \$25,000	15 percent
\$25,000 to \$50,000	18 percent
\$50,000 to \$75,000	30 percent
\$75,000 to \$100,000	40 percent
Over \$100,000	46 percent

For tax years beginning after 1983, a corporation with taxable income over \$1,000,000, besides paying its regular tax, paid an additional tax equal to the lesser of; 5% of its taxable income that exceeds 1,000,000, or \$20,250. Component members of a controlled group of corporations are treated as one corporation for the additional tax. The taxable income of all component members is taken into account, and the new tax is divided among them in the same manner as they share the group's single taxable income amount in each tax bracket.

For corporations with net long-term capital gains, an alternative method of tax computation was advantageous if using the alternative method resulted in a lower tax liability than the regular method. For these corporations the excess of net long-term capital gain over net short-term capital loss was taxed at the capital gains rate while the balance of income was taxed at the regular tax rate. This method of computing income tax was not available to regulated investment companies and real estate investment trusts. The alternative capital gains rate was 28 percent. (See "Net Capital Gains" in this section.)

In addition to the regular and alternative taxes, the statistics for income tax also include:

- (1) an additional tax for tax preferences ("minimum tax" described under a separate heading);
- (2) the tax from recomputing a prior-year investment credit (described under a separate heading);
- (3) the personal holding company tax (described under a separate heading);
- (4) the excessive net passive income tax for S corporations (described under a separate heading);
- (5) the 28-percent tax on certain long-term capital gains of S corporations electing to be taxed through their shareholders; and
- (6) the 28-percent tax on undistributed net long-term capital gain (reduced by net short-term capital loss), and the regular tax and surtax on the balance of undistributed income of regulated investment companies and real estate investment trusts.

Income tax shown in this report for returns without net income was attributable to the small number of returns showing:

- (1) income tax under special provisions of the Internal Revenue Code applicable to life insurance businesses;

- (2) tax from recomputing a prior-year investment credit;
- (3) additional tax for tax preferences ("minimum tax");
- (4) personal holding company tax; and

Statistics for income tax do not reflect any adjustments to the tax liability such as those resulting from:

- (1) recomputation of the current year taxable income to reflect the carryback of net operating losses and certain capital losses for future years;
- (2) reduction of income tax by foreign tax, U.S. possessions tax, orphan drug, nonconventional source fuel, research, and general business credits recomputed to take account of the carryback of unused general business credits and of unused foreign taxes, of certain future years; and
- (3) audit examinations and other enforcement activities.

Therefore, the statistics differ somewhat from the actual income tax collections and the final income tax liability of corporations for the Tax Year. Publication 55, *Annual Report of the Commissioner and Chief Counsel of Internal Revenue*, contains income tax collection data on a fiscal year basis as opposed to the income year basis used in this publication. Publication 55 is available from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC, 20402.

Intangible Assets

The total gross value (before the reduction by amounts of accumulated amortization) of contracts, copyrights, formulas, licenses, patents, registered trademarks, research or experimental expenditures and similar assets were included in this category only if amortization (or depreciation) was actually being taken. These assets could be amortized only if they had a definite life and value. Other intangible assets which were not amortizable were included in the statistics under "Other Assets."

Accumulated amortization represented the cumulative adjustment to these intangible assets as shown on the corporation's books of account. Amounts of accumulated depreciation shown as adjustments to intangible assets are included in the statistics with "Accumulated Amortization."

Interest

Taxable interest, a component of total receipts, was received from obligations issued by the United States, its agencies, or its instrumentalities.

Also included in this item were amounts received on loans, notes, mortgages, bonds, bank deposits, and corporate bonds. The amounts shown for this item were reduced by the amortizable bond premium. For installment

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sales, interest received included amounts stated in the contract and certain unstated amounts of interest, as provided in Code section 483.

For Interest Charge Domestic International Sales Corporations (IC-DISC's), this item included "Interest on Producer's Loans" and "Other Interest". See the explanation of "Domestic International Sales Corporation Returns" in this section.

Interest on Government Obligations: State and Local

The interest on tax-exempt obligations issued by States, municipalities and other local Governments, the District of Columbia, and U.S. possessions, including Puerto Rico, was not subject to the income tax. The amounts shown for this item are reduced by the amortizable bond premium.

For statistical presentation, this interest is shown as part of the income statement and is included in "Total Receipts." Most corporations reported this tax-exempt interest in the "Reconciliation of income per books with income per returns" (see Schedule M-1 on the Form 1120 tax return facsimile in section 6 of this report). Because of taxpayer reporting variations this item could not always be identified and therefore the state and local interest statistics may be understated.

Interest Paid

These amounts include interest paid by corporations on business indebtedness including amounts paid on installment purchases if they were stated in the contract, as well as certain "unstated" amounts under Code section 483. For banking and savings institutions the amounts also included interest paid on deposits and withdrawable shares.

Inventories

Based on amounts reported on the balance sheet, inventories included such items as raw materials, finished and partially finished goods (work in progress), merchandise on hand or in transit, and growing crops reported as assets by agricultural concerns. Inventories were generally valued at cost or at the lower of cost or market price. When valued at cost, inventories were generally identified by first-in, first-out (FIFO) or last-in, first-out (LIFO) methods.

Amounts reported by mutual life insurance companies, life insurance companies and life insurance departments of mutual savings banks were excluded from inventories and included in the statistics for "Other Current Assets." Amounts reported by nonconsolidated security and commodity brokers, dealers and exchanges, subdividers and developers, and holding and other investment companies

(except bank holding companies) were excluded from inventories and included in "Other Investments." For other nonconsolidated corporations within the "Finance, Insurance, and Real Estate" industrial division and for all bank holding companies, amounts reported as inventories were excluded and included in "Other Current Assets."

See also "Cost of Sales and Operations."

Investment Credit

Investment credit was the reduction of income tax allowed corporations for investment in qualifying depreciable (or amortizable) property with a useful life of at least 3 years. Such property could not be disposed of or cease to be qualifying property prior to the end of the useful life used as the basis of the credit; otherwise, the credit already taken had to be repaid as an additional tax for the year in which the disposition or disqualification occurred. (See "Tax from Recomputing Prior-Year Investment Credit.")

The Tax Equity and Fiscal Responsibility Act of 1982 reduced the depreciable basis of property placed in service after December 31, 1982 by 50 percent of the regular, energy, or certified historic structure investment tax credit taken for the property. The corporation either reduced the depreciable basis of the property by one-half of the investment credit taken or made an election to take a reduced credit.

Generally, investment credit property included the following:

- (1) tangible personal property defined in Code section 48(a)(1). Tangible personal property comprised all property contained in or attached to a building, such as machinery or equipment. Certain types of property, even though physically located outside a building or accessory to a building, were also considered tangible personal property;
- (2) elevators and escalators;
- (3) other tangible property, including certain real property, used as an integral part of manufacturing, production, or extraction, or used as a research facility or bulk storage facility;
- (4) livestock other than horses as long as not sold and replaced by substantially identical animals during a relatively short period of time;
- (5) certain single-purpose agricultural or horticultural structures defined in Code section 48(p);
- (6) rehabilitation expenditures for qualified 30-year buildings, 40-year buildings, and certified historic structures;
- (7) forestation and reforestation expenditures that are amortizable under Code section 194; and
- (8) petroleum storage facilities.

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Property ineligible for the investment credit were:

- (1) property used for lodging, except for coin-operated machines in apartment buildings;
- (2) property used predominately outside the United States, except for commercial communication satellites, submarine telephone cable used exclusively in communication links between the United States and foreign countries, and drilling equipment used in international or territorial waters;
- (3) property used by certain tax-exempt organizations;
- (4) property used by governmental units, or international organizations;
- (5) property consisting of horses, or of other livestock if sold and replaced by substantially identical animals during a relatively short period of time;
- (6) amortized or depreciated pollution control facilities, railroad rolling stock, coal mine safety equipment, on-the-job training and child care facilities, and expenditures for the rehabilitation of low-income rental housing;
- (7) property expensed under Code section 179 (certain depreciable business assets); and
- (8) certain property acquired or constructed from grants made after September 30, 1979 under any program listed in Code section 126(a) or by grants under the Energy Security Act.

Property eligible for business energy was not included in the cost of property used for investment credit. Business energy investment credit was, however, included in the investment credit amount.

Property eligible for investment credit also included "qualified progress expenditures" property the corporation elected to claim advance credits for taxable years before the qualified property was placed in service. The investment credit (before limitations) was equal to 10 percent for "investmentqualified for credit" (total qualified investment in 10 percent property) for all corporate taxpayers. The investment-related ESOP credit was terminated at the end of 1982 and replaced by a payroll-related credit. See "ESOP Credit" also included in this section.

Generally a corporation could claim an investment credit of half of the regular investment credit for certain vessels, as specified in Code sections 46(g)(1) through (6).

Certain limitations on the credit were applicable to special classes or kinds of corporations. Code section 46(e) limited the applicability of the credit for mutual savings banks, regulated investment companies and real estate investment trusts. Also, Code section 48(k) placed limitations on figuring investment credit for movie and television films or tapes.

The income tax available for investment credit did not include the tax from recomputing prior-year investment

credit, the additional tax for tax preferences, the Personal Holding Company tax, and the special capital gains tax on S corporations electing to be taxed through their shareholders. (Since these corporations were not eligible to claim the investment credit, their investment was allocated among the stockholders who then claimed the credit.)

The 1984 Act changed the method investment credit was reported. The credit was computed as in prior years, but was claimed as one of the components of the general business credit under Code Section 38. As a component of the general business credit, the investment credit was subject to the net tax liability limitation of Code Section 38 and the carryback and carryforward rules of Code Section 39.

Investment Credit Carryover

The 1984 Act provided that unexpired investment credit from each pre-1984 taxable year will be combined with other credits into the general business credit carryforward from each unused credit year to be carried to post-1983 years. The carryforward period will not exceed 15 years from the year of the original unused credit. The unused credit was applied first to the earliest of the years to which it could be carried, and then to each of the other tax years, in chronological order. Because the data in this book do not include any information from amended returns, the statistics will not reflect any changes in tax liability due to investment credit carryback.

Investment Qualified for Credit

See "Investment Credit."

Investments in Government Obligations

This balance sheet asset item comprised (1) bonds or other obligations of a State or U.S. possession (including Puerto Rico), including obligations of political subdivisions and of the District of Columbia, and (2) U.S. obligations, including those of instrumentalities of the Federal Government.

Jobs Credit (#)

The targeted jobs credit was combined with the credits for investment tax, alcohol fuels and employee stock ownership under the rules of the general business credit. As a component of the general business credit, the jobs credit was subject to the net tax liability limitation of Code Section 38 and carryback and carryforward rules of Code Section 39.

The credit was allowed to taxpayers who hired individuals from any of the following targeted groups: (1) vocational

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rehabilitation referrals; (2) economically disadvantaged young adults; (3) Vietnam era veterans from an economically disadvantaged family; (4) federal, state, and local welfare recipients; (5) general assistance recipients; (6) economically-disadvantaged former felons; (7) youths participating in a qualified cooperative education program; (8) eligible work incentive employees; or (9) qualified summer youth employees.

The credit was taken with respect to wages paid to employees who began work before January 1, 1986. The credit was limited to the sum of 50 percent of the first \$6,000 of "qualified first-year wages" and 25 percent of the first \$6,000 of "qualified second-year wages."

Land

Land, which was reported as a separate capital asset on the balance sheet, may be understated in this report because it could not always be identified. Some corporations may have included land as part of depreciable or depletable assets or included it in "other investments." Whenever corporations included and identified land as part of depreciable assets, the amount was reclassified as land.

Loans from Stockholders

This balance sheet liability item was regarded as long-term-in-duration and included loans to the company from holders of the company's stock.

Loans to Stockholders

This balance sheet asset item was regarded as long-term in duration and included loans to persons who held stock in the corporation.

Members of Controlled Groups

Members of controlled groups were those corporations related to one another generally through 80 percent or more common stock ownership and which could file separate tax returns, under special provisions of the Code.

These provisions also effectively covered the filing prerequisites for most consolidated returns since the stock ownership requirement used to define an affiliated group eligible to file a consolidated return was similar to the controlled group ownership requirements. In computing income tax, Code section 1561 limited the taxable income brackets to a maximum amount in such brackets, whether or not the group was included in a consolidated return. (See "Consolidated Returns.")

The controlled group provisions applied when (1) a common parent corporation had 80 percent or more

control of one or more chains of subsidiaries (parent-subsidary group), or (2) five or fewer persons (individuals, estates, or trusts), individually or in combination, had 80 percent or more control of each of two or more corporations, but where the sum of each person's "identical" ownership in the group totaled more than 50 percent (brother-sister group). "Identical" ownership was considered to be the lowest common percent of ownership of an individual owner in each of the corporations comprising the group. Thus, if a company had ownership in each corporation in a given group and the smallest percent ownership was, for example, 5 percent of corporation A, that company's identical ownership in the entire group was considered to be 5 percent. Combination groups were possible when a person or persons controlled two or more corporations, one of which was the parent of one or more subsidiary corporations.

Under prior law, two or more related life insurance companies were required to be treated as a controlled group separate from any other corporation to which they have been related. Starting with taxable years beginning after December 31, 1980, insurance companies were allowed to be included with noninsurance companies as long as the noninsurance companies had been members of the affiliated group for 5 taxable years (see "Consolidated Returns"). Interest Charge Domestic International Sales Corporations (IC-DISC's) were generally members of controlled groups; however, control was defined in terms of 50 percent stock ownership. Foreign Sales Corporations (FSC's) were also likely to be controlled group members, however a FSC could not be a member of a controlled group of corporations of which an IC-DISC was a member at any time during the taxable year.

Mortgage and Real Estate Loans

In general, mortgage and real estate loans were the total amount a corporation loaned on a long-term basis, accepting mortgages, deeds of trust, land contracts, or other liens on real estate as security.

Because the return form did not provide a separate place for reporting any reserve for uncollectible mortgage and real estate loan accounts, such reserves may have been included in the "Allowance for Bad Debts," shown in this report as an adjustment to "Notes and Accounts Receivable." If a corporation reported an uncollectible mortgage and real estate loan reserve on a separate schedule, those amounts were moved, in this report, to "Allowance for Bad Debts."

Mortgages, Notes, and Bonds Payable

These liabilities were separated on the balance sheet according to the length of time to maturity of the obligations

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payable in less than one year or payable in more than one year. The length of time to maturity was based on the date of the balance sheet rather than on the date of issue of the obligations. Accordingly, long-term obligations, maturing within the coming year were included together with short-term obligations in the statistics for mortgages, notes, and bonds payable in less than one year.

Deposits and withdrawable shares may have been reported in mortgages, notes, and bonds payable by banks and savings institutions. When identified, such amounts were transferred to "Other Current Liabilities."

Net Capital Gains

Net capital gains represented the excess of gains over losses from the sales or exchanges of capital assets subject to the limitations described below. For assets acquired after June 22, 1984, the 1984 Act decreased the long-term capital gain holding period to "more than 6 months" from the prior law's "more than one year" requirement. The "more than a one year" holding period was scheduled to be effective again for assets acquired after December 31, 1987. For assets purchased within this time period, any recognized gain or loss eligible for capital gain or loss treatment will qualify for long-term treatment only if the asset has been held for more than six months. If the asset was held for six months or less, the gain or loss will be short-term.

Net short-term gains (reduced by net long-term losses) were taxed as ordinary income. However, net long-term gains (reduced by net short-term losses) were taxed at a rate of 28 percent.

Excess net losses could be carried back as short-term losses to be applied against the net capital gains of the 3 preceding years; any losses remaining after carryback were carried over the 5 succeeding years. Use of the carryback for excess net losses was limited; it was not allowed to increase or cause a deductible "net operating loss" for prior years and was not allowed for foreign expropriation capital losses (although a special carryover period of 10 years for such losses was allowed instead) or for capital losses of S corporations electing to be taxed through their shareholders. If the unused capital loss carryover was not eliminated within the prescribed span of years, it could not be taken. Regardless of origin, all carrybacks and carryovers are treated as short-term capital losses for carryback and carryover purposes.

In general, "capital assets" for tax purposes meant property regarded or treated as an investment, such as stocks and bonds. Code section 1221 defined the capital assets (or transactions) to which special treatment applied as all property held by the corporation except:

- (1) stock in trade, or property of a kind includable in inventories;
- (2) property held for sale to customers in the ordinary course of business;
- (3) notes and accounts receivable acquired in the ordinary course of business;
- (4) certain short-term Government obligations sold at a discount;
- (5) depreciable property used in the trade or business;
- (6) real property used in the trade or business; and
- (7) certain copyrights, literary, musical, or artistic compositions or similar properties.

Net gains from dispositions of some of the property types excluded from the definition of capital assets under Code section 1221 could receive capital gain treatment under special conditions set forth in other sections, while net gains from some of the property types included under the definition could be denied capital gain treatment under still other sections. The latter are referred to under the heading, "Net Gain (or Loss), Noncapital Assets."

Property used in trade or business, excluded from the tax definition of capital assets, received special treatment under Code section 1231. Gains and losses from sales or other dispositions of this property had to be aggregated first. If the overall result was a net gain, it was included in the computation of net long-term capital gain or loss. If the overall result was a net loss, it was included in the computation of net gain or loss from sales of property other than capital assets. Thus, a net gain under section 1231 could receive the more beneficial treatment of a long-term capital gain taxable at the alternative tax rate, while a net loss under section 1231 could receive the more beneficial treatment as an ordinary loss fully deductible against all types of income and not just against capital gain income.

The types of property (or transactions) to which Code section 1231 applied were:

- (1) real and depreciable property used in the trade or business, held for more than 12 months (six months for property acquired after June 22, 1984) and not includable in inventory or not held for sale in the ordinary course of business;
- (2) timber cut by the taxpayer during the year, if owned, or held under contract to cut, for more than 12 months (six months for property acquired after June 22, 1984) and if an election was made under Code section 631 to treat the cutting as a sale or exchange of property used in trade or business (the holding period was measured up to the time of cutting);
- (3) domestic iron ore, timber, or coal, held for more than 12 months (six months for property acquired after June 22, 1984), if disposed of under a royalty contract whereby the owner retained an economic interest in the property, so that under Code section 631,

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the net gain or loss on the royalty income was treated as a net gain or loss on a sale or exchange of property used in trade or business;

- (4) unharvested crops disposed of with the land on which they were growing and used in the business of farming if the land was held for more than 12 months (six months for property acquired after June 22, 1984); and
- (5) certain livestock.

The amounts of gain eligible for capital gains treatment under Code section 1231 was reduced in the case of certain real and depreciable property by Code sections 1245, 1251, 1252, and 1254, and in the case of certain mining property, by section 617.

Net gains and certain net losses under Code section 1231 also resulted from "involuntary conversions," not only of the property types or transactions otherwise covered by Code section 1231, but also of the capital assets defined in Code section 1221, if they were held for more than 6 months. Gain or loss from involuntary conversions such as by condemnation were included in the regular consolidation of Code section 1231 gains and losses previously described. However, a separate netting of gains and losses was required for involuntary conversions by theft, or from fire, storm, shipwreck or other casualty, whether insured or uninsured. If the result was a net loss, it was treated as a fully deductible loss (without regard to other Code section 1231 transactions) and was excluded from the capital gain statistics. If, on the other hand, the result was a net gain, then it was consolidated with other gains and losses under Code section 1231. See the discussions of "Net Gain (or Loss), Noncapital Assets" and "Other Deductions."

See also, "Additional Tax for Tax Preferences."

Net Gain (or Loss), Noncapital Assets

In general, "noncapital assets" related to property of a business nature. The computation of net gain or loss, noncapital assets, resulted mostly from the sale or exchange of: (1) certain depreciable, depletable, and real property (described below); (2) notes and accounts receivable acquired in the ordinary course of business for services rendered or from the sale of property includable in inventory, or ordinarily held for sale; (3) certain copyrights, literary, musical, or artistic compositions or similar properties; (4) securities by dealers; (5) securities, including Government obligations, and other evidence of indebtedness, such as convertible debentures, by banking, savings, and certain other financial institutions; (6) certain patents, inventions or designs, secret formulas or processes, and similar property rights by domestic corporations to their more-than-50-percent owned foreign subsidiaries; and (7) qualified export assets by Interest Charge Domestic Interna-

tional Sales Corporations (IC-DISC's). Also included in the computation were amounts resulting from certain "involuntary conversions" including net losses from casualty and theft, and amounts resulting from certain sales, exchanges, or redemptions of Controlled Foreign Corporation stock (see "Dividends Received from Foreign Corporations").

With respect to the statistics for net gain or loss, noncapital assets, the following assumption was made in the case of sales of stocks and commodities by stock and commodity dealers, and sales of real estate by real estate subdividers, developers, and operative builders. If these transactions were included on the tax return in gross receipts and cost of goods sold, instead of in net gain or loss from noncapital assets, the resulting profit or loss from the transactions (representing the difference between the receipts and the cost of sales) was transferred to the statistics for net gain or loss, noncapital assets, but only if the cost of sales was 50 percent or more of the receipts (if less than 50 percent, the receipts were regarded as commission income). The tax return data for receipts and cost of sales were accordingly adjusted for the statistics.

As explained under "Net Capital Gains," a net gain from dispositions of (or certain transactions involving) specified types of business assets that were considered noncapital assets based on Code section 1221 could receive capital gains treatment under section 1231. Gains and losses from these dispositions or transactions first had to be aggregated. If the overall result was a net gain, it was included in the computation of net long-term capital gain, but if the overall result was a net loss, it was included in the computation of net gain or loss, noncapital assets. The special treatment in this computation of gains and losses resulting from involuntary conversions, due mostly to casualty and theft, is described under "Net Capital Gains." Form 4797, Supplemental Schedule of Gains and Losses, called for net losses from casualty and theft to be included in the computation of "net gain or loss, noncapital assets" (although some corporations reported them in "other deductions").

The amount of gains (but not losses) on dispositions of property includable in the computation of net gain or loss under Code section 1231, was limited as a result of sections 1245, 1250, 1252, 1254 (described below), and 617. To the extent the amount eligible for capital gains treatment was thereby reduced, the amount included in the statistics for net gain or loss, noncapital assets, was increased.

Code sections 1245 and 1250 applied to certain depreciable property. Section 1252 prescribed additional rules for much of this same property if it was used in the business of farming, as well as for certain other types of property used in farming and covered under section 1231. Section 617 applied to certain depletable property.

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Code sections 1245 and 1250:

The depreciable property to which Code section 1245 applied was: (1) personal property other than livestock, whether tangible (such as machinery and equipment) or intangible (such as patents and copyrights); and (2) other tangible property including certain realty other than buildings and their structural components, if it was an integral part of specified business activities, or which constituted research or storage facilities used in connection with such activities. The business activities qualifying were manufacturing, production, or the providing of transportation, communications, electrical energy, gas, water, or sewage disposal services.

The depreciable property to which Code section 1250 applied was real property not already covered by section 1245. In general, this property consisted of buildings and their structural components, in the case of tangible property; or leaseholds of land, in the case of intangible property. The Tax Reform Act of 1984 changed the recovery period for property defined as section 1250 class property. The Act extended the recovery period from 15 to 18 years for certain realty placed in service after March 15, 1984. A further explanation of section 1250 property is contained in the Explanation of Terms section of this report under "Depreciation."

The amount of gain on dispositions of depreciable property under Code sections 1245 and 1250, treated as ordinary income and included in the statistics for net gain or loss, noncapital assets, generally depended upon the amount of depreciation claimed on the asset after a certain date prior to its disposition, although other factors were also considered in the case of section 1250 dispositions.

Under Code section 1245, the amount of gain treated as ordinary income was based on the depreciation (or amortization in the case of defense "emergency facilities") allowed or allowable after 1961 (after 1963 for elevators and escalators and after 1969 for livestock (including fur-bearing animals such as chinchillas, minks, and foxes)).

This "depreciation recapture" applied to dispositions of property made during taxable years beginning after 1962 (after 1963 for elevators and escalators and after 1969 for livestock).

Under Code section 1250, the amount of gain treated as ordinary income was based, in general, on the excess of accelerated over straight-line depreciation allowed or allowable after 1963. However, this "depreciation recapture" was further qualified in the case of depreciation taken during 1963-69 so that if the property was held for more than 20 months, the "recapture" was further reduced to a proportion of this difference until, when the property was held for

10 years, the "recapture" as ordinary gain was not applicable at all. For depreciation taken after 1969, these qualifications were rescinded (with certain exceptions for residential rental housing, housing rehabilitation expenditures, and Government subsidized housing), so that the entire amount of post-1969 excess depreciation was "recaptured" as ordinary income.

Code sections 1252:

Under Code section 1252, net gain or loss from noncapital assets included ordinary gains from the sale or other disposition of certain types of farm lands which would otherwise have been eligible for long-term capital gain treatment under section 1231. Dispositions already regarded as ordinary gain or loss using section 1250 rules were excluded.

This recapture was based on a declining annual percentage of total post-1969 deductions for expenditures. The percentage was reduced to zero when land was held for 10 years or more, at which time the additional recapture did not apply.

Code section 1254:

Code section 1254 required recapture of amounts deducted for intangible drilling expenses on productive wells to the extent that those amounts deducted exceeded the amounts which were allowable had the intangible drilling expenses been capitalized and amortized over the useful life of the well. This was in addition to the requirement that the gain on the sale of oil and gas property be recognized as ordinary income to the extent of depreciation of tangible personal property.

Code section 617:

Under Code section 617, corporations engaged in domestic mining operations that elected to claim unlimited deductions for exploration and development expenses (except for oil and gas) had to "repay" their post-1969 deductions when the mine reached the producing stage or when it was sold. If the mine was sold, the profit was treated as an ordinary net gain from a noncapital asset to the extent that the gain was equal to or less than any post-1969 deductions not already "recaptured" prior to the sale. Such gains are reflected in the statistics for net gain (or loss), noncapital assets. Any net gain in excess of the deductions was a net gain under section 1231, and eligible for capital gains treatment.

Net Income (or Deficit) (#)

This was the difference between gross receipts and the ordinary and necessary business deductions allowed by

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the Code, and reflected not only actual receipts but "constructive" receipts (i.e., certain income from Controlled Foreign Corporations and foreign dividend income resulting from foreign taxes deemed paid) as well. Interest from State and local government obligations was excluded from this item.

Because certain statutory special deductions including the net operating loss deduction were allowed most corporations in computing their income subject to tax, the statistics for net income are generally larger than the amounts shown for "Income Subject to Tax." Net income statistics do not include amounts for S corporations (only certain long-term capital gains were taxable to these corporations). Included are amounts from Interest Charge Domestic International Sales Corporations (IC-DISC's); these corporations were not taxable. Net income from Foreign Sales Corporations (FSC's) also was included. For FSC's net income (or deficit) represents the amount after an exemption of certain foreign trade income and Subpart F income taxable to its corporate owners.

These statistics also include foreign corporations with income effectively connected in the United States. Income is considered effectively connected if the corporation has a fixed place of business in the United States and the income is attributable to that place of business.

For mutual insurance companies other than life or marine and other than certain fire or flood insurance companies, the net income (or deficit) in this report is the sum of the net investment income or loss, the statutory underwriting income or loss, and the subtractions from the "protection against loss" (PAL) account before reduction by the statutory special deductions allowed corporations in general. Consequently, net income (or deficit) reflects not only the ordinary business deductions, but the statutory deductions from underwriting income allowed only to these mutual insurance companies. Net income (or deficit) also reflects the additions (if any) to taxable income of amounts in the PAL account previously deferred from taxation. Further, for some small mutual insurance companies electing to report under Code section 821(c), net income was net investment income only. (Electing companies were not required to report underwriting income.) The section 821(c) provisions were applicable only to companies with income from investments (other than capital gains) with premiums of less than \$500,000, and with no reserve in the PAL account.

For life insurance companies, the net income (or deficit) used for statistical purposes comprised the gain or loss from operations adjusted by adding back the dividends received and the operations loss deductions. Gain or loss from operations (which included both underwriting and investment income) represented gross taxable receipts

reduced by ordinary and necessary business deductions and by additions to required reserves, certain other statutory deductions pertinent only to these companies, and by the dividends received and operations loss deductions.

Net Long-Term Capital Gain Reduced by Net Short-Term Capital Loss (#)

See "Net Capital Gains" in this section.

Net Long-Term Capital Gain Taxed at Alternative Rate

This part of the tax base was used for the tax computation for those returns using the alternative tax rate. The alternative method, allowed under Code section 1201, was used if it provided a lower tax liability than did the use of the tax rates on total taxable income. See the discussions of "Income Subject to Tax" and "Income Tax."

Income subject to tax for returns with alternative tax was the sum of (1) net long-term capital gain (reduced by net short-term capital loss), and (2) income taxed at regular rates (the balance of taxable income).

For most corporations, use of the alternative tax did not affect the amount shown as "Income Subject to Tax." However, when net long-term capital gain (reduced by net short-term capital loss) was greater than taxable income (net income minus statutory special deductions), the alternative rate (28 percent) applied to the capital gains was less than the regular rates applied to taxable income. Therefore, the capital gains, rather than taxable income, became the tax base and was used for the "Income Subject to Tax" statistics.

Net Short-Term Capital Gain Reduced by Net Long-Term Capital Loss (#)

See "Net Capital Gains" in this section.

Net Worth

Net worth represented the stockholders' equity in the corporation (total assets minus the claims of creditors). In the statistics, net worth comprises the net sum of the following items:

- (1) capital stock;
- (2) paid-in or capital surplus;
- (3) retained earnings, appropriated;
- (4) retained earnings, unappropriated;
- (5) less the cost of treasury stock;

Three additional items are included in net worth for corporations filing Form 1120S:

- (6) shareholders' undistributed taxable income;

- (7) accumulated adjustments account; and
- (8) other adjustments account.

Each of these items is explained under its own heading in this section.

Noncalendar Year Returns

Returns filed for a 12-month accounting period ending in other than December were included in this classification. Figure B in section 1 shows the percentage of returns filed for each of the accounting periods covered in this report.

Nonconventional Source Fuel Credit (#)

Prior to 1980, no income tax credit was available for the production and sale of fuel derived from energy sources other than oil and conventional sources of natural gas. Congress believed that the use of fuels derived from other energy sources should be encouraged by providing a tax incentive for their production and sale. Currently a credit is allowed for the sale of qualified fuels produced from a nonconventional source. Because these alternative fuels frequently compete with oil and gas, Congress believed that production incentives should be linked to the uncontrolled price of domestic oil and should phase out as that price rose to the level where efficiently produced alternative fuels could compete effectively with oil.

In general, the amount of credit is equal to \$3 for each quantity of fuel that would yield energy equal to that of a barrel of oil, the so-called barrel-of-oil equivalent which is approximately 5.8 million British Thermal Units (BTU's). The Crude Oil Windfall Profit Tax Act of 1980 provided a tax credit for the domestic production and sale of qualified fuels to unrelated persons. Such fuels generally had to be produced and sold after December 31, 1979, and before January 1, 2001, from facilities placed in service after December 31, 1979, and before January 1, 1990, or from wells drilled after December 31, 1979, and before January 1, 1990, on properties which began production after December 31, 1979. Only production within the U.S. or a U.S. possession is taken into account.

The credit was available for production and sale of the following:

- (1) fuel produced from shale and tar sands;
- (2) gas produced from geopressurized brine, Devonian shale, coal seams, or a tight formation;
- (3) gas produced from biomass;
- (4) liquid, gaseous, or solid synthetic fuel (including alcohol) produced from coal (including lignite), including such fuels when used as feedstocks;
- (5) qualifying processed wood fuels; and
- (6) steam from solid agricultural byproducts (not including timber byproducts).

The tax credit was to be phased out proportionately as the annual average wellhead price for a barrel of uncontrolled domestic oil (the "reference price") rose, adjusted for inflation. The reference price was to be estimated by the Secretary of the Treasury and published, together with the inflation adjustment factor, by April of the year following that for which the credit was to be computed. The inflation adjustment factor is a fraction of which the numerator is the gross national product (GNP) implicit price deflator for the calendar year and the denominator is the GNP implicit price deflator for 1979.

Nonqualifying Interest and Dividends

This was an income item for an S corporation. Nonqualifying interest was taxable interest that was included in ordinary income from all sources. It did not include interest exempt from tax and interest on tax-free covenant bonds. Nonqualifying dividends were taxable dividends that were included in ordinary income and for which the individual shareholder was not entitled to an exclusion under section 116. These include taxable dividends from controlled foreign corporations, exempt organizations, farmer's cooperatives, regulated investment companies and real estate investment trusts.

Notes and Accounts Receivable (#)

In general, notes and accounts receivable were the gross amounts arising from business sales or services to customers on credit during the ordinary course of trade or business which would normally be converted to cash within 1 year. Current nontrade receivables were generally included in "Other Current Assets." This category includes certificates of deposit, commercial paper, charge accounts, current intercompany receivables, property improvement loans, and trade acceptances. For Form 1120-FSC, notes and accounts receivable include commissions receivable.

The balance sheets on most corporation income tax forms called for the reporting of both "gross" receivables and the "allowance for bad debts" (explained under a separate heading in this section). However, some corporations reported only the net amount. In the case of insurance companies filing balance sheets in the form required under State law, only the net amount was reported.

Loans and mortgages may have been reported in notes and accounts receivable by savings and loan associations. When identified, such mortgage loans were transferred to "Mortgage and Real Estate Loans."

The "Allowance for Bad Debts," shown as an adjustment, may also include the reserves for the separate account "Mortgage and Real Estate Loans." As a result, it was

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possible for the "Allowance for Bad Debts" to exceed the amount of notes and accounts receivable.

In those tables where the item "Notes and Accounts Receivable, Net" appears, the amount shown includes a deduction of "Allowance for Bad Debts."

Number of Returns (#)

Returns of inactive corporations were excluded from the statistics. (See "Returns of Inactive Corporations.") The number of Form 1120-IC-DISC 1120-FSC and Form 1120S returns filed, respectively, by Interest Charge Domestic International Sales Corporations, Foreign Sales Corporations and S corporations are included in each total number (except for those tables which specifically exclude these returns) and are also shown separately in some of the tables.

See also "Consolidated Returns" and "Returns of Active Corporations."

Orphan Drug Credit

Orphan drug credit was a credit against tax for an amount equal to 50 percent of the qualified clinical testing expenses of certain drugs for rare disease or conditions. In order to claim the credit, the expenses must have been for a drug that was designated as an orphan drug under Section 526 of the Federal Food, Drug and Cosmetic Act. Form 6765 is used for claiming the orphan drug credit. The income tax against which the credit was applied was after reduction by foreign tax and possessions tax credits.

Other Adjustments Account

The other adjustments account was maintained only by S corporations that had retained earnings at year end. The account was adjusted for tax-exempt income and nondeductible expenses of the corporation. After these adjustments the account was reduced for distributions made during the tax year.

Other Assets

In general, other assets comprised noncurrent assets which were not allocable to a specific account on the balance sheet, and certain accounts for which no distinction could be made between current and noncurrent status. Both tangible and intangible assets are included in this category.

Includable were items such as deposits on contracts reported as noncurrent by the corporation, interest discounts when reported as noncurrent by the corporation, guaranty deposits, and intangible assets not subject to

amortization. Other assets of life insurance companies included the market value of real estate and that portion of stock and bond holdings in excess of book value. For Interest Charge Domestic International Sales Corporations (IC-DISC's), this item also included "nonqualified assets" (i.e., assets that were not export-related or that failed to meet the requirements indicated for "qualified export assets" in Code section 993). It does not include any asset with a life of less than one year, nor any asset properly considered an investment.

Other Capital Assets Less Reserves

This item, shown in tables 6 and 7, consisted of depletable assets less accumulated depletion, land and intangible assets less accumulated amortization. Each is described separately under its own heading in this section.

Other Credits and Payments (#)

This amount, shown in Table 8, was the total of overpaid windfall profits tax, credit for tax paid by regulated investment companies and federal tax on special fuels and oils. Each is explained under its own heading in this section.

Other Current Assets

Other current assets included assets not allocable to a specific current account on the balance sheet, and assets specifically reported as short-term by the corporation.

Includable were marketable securities, prepaid expenses (unless reported as long-term), nontrade receivables, coupons and dividends receivable, and similar items. For construction corporations, amounts reported as current for contract work in progress in excess of billings were includable.

Also includable in other current assets were amounts reported as inventories on nonconsolidated returns of banks, credit agencies, insurance companies, insurance agents, brokers, real estate operators, lessors, condominium management and cooperative housing associations. Also, inventories for all bank holding companies were included.

Other Current Liabilities

Other current liabilities included certain amounts due and payable within the coming year. The account comprised accrued expenses, as well as current payables not arising from the purchase of goods and services. Examples of other current liabilities were taxes accrued or payable, accrued employee accounts such as for payrolls and contributions to benefit plans, dividends payable, overdrafts, accrued interest or rent, and deposits and withdraw-

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able shares of banking and savings institutions, if not reported as long-term by the corporation.

For construction corporations, amounts for uncompleted contracts or jobs in progress were included in this item, if reported as current.

Other Deductions

Other deductions comprised (1) business expenses which were not allocable to a specific deduction item on the return form, or which were not included elsewhere on the return form, and (2) certain amounts which were given special treatment in the course of statistical processing.

The first category included such items as administrative, general, and selling expenses; bonuses and commissions (unless reported as cost of goods or salaries and wages); delivery, freight, and shipping expenses; sales discounts; travel and entertainment expenses; utility expenses not reported as part of the cost of goods sold; and similar items.

The second category included amortization of financial items, amortization of intangible drilling costs, unrealized profit on current-year installment sales, direct pensions (paid by a company to an individual but not to pension plans), employee welfare (but not payments to welfare or benefit plans), moving expenses (for employees), partnership net losses, and patronage dividends paid. Also included were itemized business deductions and other deductions unique to Interest Charge Domestic International Sales Corporations (IC-DISC's), Foreign Sales Corporations (FSC's), life and most mutual insurance companies. In the case of IC-DISC's, the statistics include deductions such as those for market studies, sales commissions, and freight and other expenses (whether or not they were considered export promotion expenses). For corporations filing a Form 1120-A, depletion, pension, profit-sharing and employee benefit plans are included in Other Deductions.

The statistics for other deductions may include losses resulting from involuntary conversions by theft, or from fire, storm, shipwreck, or other casualty, if these losses were reported in the taxpayer's own schedule for other deductions. For the statistics, no attempt was made to transfer the data to the ordinary gains or losses computation. Losses from involuntary conversions which were reported as ordinary losses derived from Form 4797, Supplemental Schedule of Gains and Losses, were included in the estimates for "Net Gain (or Loss), Noncapital Assets." See also the discussion under "Net Capital Gains" in this section.

Other Investments

This category generally included long-term non-Government investments and certain investments for which

no distinction could be made as to their current or long-term nature. Non-Government investments generally not held for conversion to another form within the coming year included stocks, bonds, loans on notes or bonds, loans to subsidiaries, and other types of financial securities. Also included in this category were investments unique to Interest Charge Domestic International Sales Corporations (IC-DISC's), such as investments in related foreign export corporations, Export-Import Bank obligations, and producer's loans.

Real estate not reported as a fixed asset could also be included. In certain instances, land and buildings owned by real estate operators (except lessors of real property other than buildings), and real holdings of insurance carriers (other than their home office and branch office buildings and equipment), were reported as "other investments."

In one respect the statistics may be somewhat overstated. Treasury stock held for resale or for future distribution may have been reported as an asset on some tax returns and would have been included in the statistics for "Other Investments."

Also includable in other investments were amounts reported as inventories on nonconsolidated returns of holding and other investment companies (except operating holding companies); security and commodity brokers, dealers, and exchanges; and real estate subdividers and developers.

Other Investments and Loans

This item, shown in tables 6, 7 and 10, is the sum of loans to stockholders, mortgage and real estate loans, and other investments. Each is described separately under its own heading in this section.

Other Liabilities

Other liabilities were obligations which were not allocable to a specific account on the balance sheet and which were either noncurrent accounts, in general not due within 1 year, or accounts which could not be identified as either current or long-term. Included are the excess of reserves for amortization, depreciation, depletion over the asset accounts they are shown against.

Examples of other liabilities were deferred or unearned income not reported as part of a current account, provisions for future taxes based on the effects of either accelerated depreciation or possible income tax adjustments such as for the investment credit, and principal amounts of employee and similar funds. Accounts and notes payable, borrowed securities, commissions, intercompany accounts, loans, overdrafts, and unearned income are also included.

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Other Receipts

Other receipts included amounts not elsewhere reported on the return form, such as: profits from sales of commodities other than the principal commodity in which the corporation dealt; income from minor operations; cash discounts; income from claims, license rights, judgments, and joint ventures; net amount earned under operating agreements; profit from commissaries; profit on prior-years' collections (installment basis); profit on the purchase of a corporation's own bonds; recoveries of losses and bad debts previously claimed for tax purposes; refunds for the cancellation of contracts; and income from sales of scrap, salvage, or waste. Also regarded as other receipts were certain dividends received, such as from Federal Reserve and Federal Home Loan Banks, and from the following special classes of corporations: corporations deriving a large percent of their gross income from sources within a U.S. possession; and tax-exempt charitable, educational, religious, scientific and literary organizations, and mutual and cooperative societies including farmers' cooperatives.

For Interest Charge Domestic International Sales Corporations (IC-DISC's), other receipts comprised all "nonqualified" gross receipts reported on the return except nonqualified dividends. In addition, in the case of IC-DISC's acting as commission agents for someone else, only the commissions earned and not the underlying gross receipts on which the commissions were earned were included in the statistics. Nonqualified gross receipts thus took into account: (1) sales of goods and services for ultimate use or consumption in the United States; (2) exports subsidized by the U.S. Government; (3) certain direct or indirect sales or leases for use by the U.S. Government; and (4) sales to other IC-DISC's in the same controlled group of corporations.

See also "Business Receipts."

Overpaid Windfall Profits Tax (#)

A corporation that overpaid its windfall profit tax could claim a tax credit for such overpayment as a credit on its income tax return. The windfall profit tax was a federal excise tax on the "windfall" profit from domestically produced crude oil. Although the producer of oil was liable for the tax, the first purchaser of the oil generally withheld the tax and deposited it. The producer could claim any over-withholding as a credit against its income tax. For newly discovered oil, the tax rate ranges from 22.5 percent in 1985, to 15 percent after 1988.

Overpaid windfall profits tax credit is shown in Table 13.

Overpayments Claimed as a Credit

This was the amount of the 1984 overpayment the corporation specifically requested to be credited to the

1985 year's estimated tax, in lieu of requesting a refund in 1984. The credit is reflected in the amount shown as estimated tax payments in table 8.

Paid-In or Capital Surplus

This balance sheet item comprised additions to the corporation's capital from sources other than earnings. These sources included appreciation of assets, receipts from the sale of capital stock in excess of stated value, stock redemptions or conversions, and similar transactions. The amounts shown are after deducting any negative amounts.

Part-Year Returns

Part-year returns were those filed for accounting periods of less than 12 months. Such returns were filed as a result of business liquidations, reorganizations, mergers, and changes to new accounting periods. Figure B in section 1 shows the percentage of returns filed for each of the accounting periods covered in this report. Data from part-year returns are included in the statistics.

Payments With Applications for Extension of Filing Time (Form 7004) (#)

These statistics were derived from the income tax returns rather than from the application for extension of time to file, Form 7004. The automatic extension of time to file a corporate tax return is 6 months.

Requesting the extension of time to file the return did not postpone the payment of tax. When an extension was filed on Form 7004, the full amount of tax liability was due. (Table 8 shows the amount of tax paid for returns with net income other than Forms 1120-S, 1120-IC-DISC and 1120-FSC when the corporation filed Form 7004.)

The statistics may be slightly understated because of taxpayer reporting variations and because of the inability to identify the total amount from the tax returns.

Pension, Profit-Sharing, Stock Bonus, and Annuity Plans (#)

Employers who maintain a pension, profit-sharing or other funded deferred compensation plan are required to file a Form 5500, 5500-C or 5500-R depending on the number of participants. Contributions made by employers to these plans were deductible under Code section 404 allowing deductible employer contributions made to benefit plans established for U.S. citizens and for certain citizens employed by foreign subsidiaries and branches of domestic corporations. Affiliated corporations eligible to file a consolidated return may establish and maintain a joint profit sharing or stock bonus plan. The statistics for this item

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include such amounts identified in the cost of sales and operations schedules. Excess contributions may be carried over to succeeding years.

Personal Holding Company Tax (#)

In addition to being subject to regular income tax and additional tax for tax preferences, corporations classified as personal holding companies were subject to another tax equal to 50 percent of their "undistributed personal holding company income." A corporation is taxed as a personal holding company under Section 542 if at least 60 percent of its adjusted ordinary gross income for the tax year is personal holding company income and at any time during the last half of the tax year more than 50 percent in value of its outstanding stock is owned directly or indirectly by not more than five individuals.

The personal holding company tax is a tax on undistributed personal holding company income which is taxable income with certain adjustments, minus the dividends paid deduction. Since most personal holding companies distribute all of their personal holding company income, only a small number were actually subject to the tax. In addition, the tax is slightly understated because the personal holding company tax was not always reported separately from the regular income tax.

The tax appears in the statistics for industries other than "Holding and Other Investment Companies" because a personal holding company could be a subsidiary included in a consolidated return classified in some other industry. The following corporations are exempt from personal holding tax: corporations exempt from income tax, banks, domestic building and loan associations, life insurance and security companies, certain lending and finance companies, foreign personal holding companies, and certain small business investment companies.

Provision for Federal Income Tax

In general, this was the net amount of federal income tax accrued, or the provision for such tax, for the taxable year as reported in corporations' books of account and in tax return schedules reconciling book and tax profits (see Schedule M-1, "Reconciliation of income per books with income per return," on the Form 1120 return facsimile in section 6 of this report), or in the case of most insurance companies, from the annual statements filed with the returns.

If the corporation identified the amount of Federal income tax as current and deferred amounts, the entire amount was used for the statistics.

Corporations occasionally reported foreign and state taxes together with federal taxes and the components were

not separately identified. The resulting effect on the statistics was to overstate the provision for Federal income tax. This had no effect, of course, on the after-tax profit amount shown in the statistics as "Book Net Income (or Deficit)."

Refunds of Estimated Tax Payments

A corporation which had determined that it had overpaid its estimated tax could have filed for a quick refund or adjustment of the overpayment even before it had filed its return. To have done so, the estimated tax overpayment had to be at least \$500 and be at least 10 percent of the expected "final" income tax liability reported on the tax return.

The application for refund had to be made within 2-1/2 months after the close of the taxable year and before the corporation had filed its income tax return.

Rent Paid on Business Property

This deduction consisted of rents paid for the use of land or structures, and rents paid for leased roads, rolling stock, and work equipment for railroad companies. Identifiable amounts of taxes paid and other expenses of lessees in connection with rent paid were included in their respective deduction headings.

Rents

These were the gross amounts received for the use or occupancy of property. Expenses related to rental property, such as depreciation, repairs, interest paid, and taxes paid, were not deducted directly from the rental income, but were reported as business deductions from total receipts. The rental income of manufacturing, public utility, and service corporations, which frequently leased rather than sold their products, was included in the "Business Receipts" rather than in rents.

Repairs

Repairs reported as an ordinary and necessary business expense were the costs of maintenance and incidental repairs and could include the cost of labor, supplies and other items which did not add to the value or appreciably prolong the life of the property. Expenditures for new buildings, machinery or equipment, or for permanent improvements which increased the cost or basis of the property were not deductible currently and were charged to capital expenditures, which were generally depreciable.

Research Activities Credit (#)

The Economic Recovery Tax Act of 1981 set forth provisions for a nonrefundable income tax credit of 25 percent

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for qualifying expenses incurred after June 30, 1981, and before January 1, 1986, for increased activity in research. This credit applied whether the expense was deducted or capitalized. It was limited to 25 percent of the "incremental" amount of research expense, over the average expenditures during a specified base period. In most cases the base period was the three taxable years preceeding the tax year for which the credit was being determined. The base period research expenses could never comprise less than half of the qualified research expenses for the current tax year. In the case of a short taxable year, research expenditures were annualized.

Two types of research were considered to be qualified for this credit. The first type consisted of the expenses incurred for the taxpayer's own wages and supplies for research, plus certain other charges for the use of research equipment. The other type consisted of the expenses paid to qualified organizations, such as colleges and other tax-exempt organizations, for basic research. The taxpayer was allowed a credit for 65 percent of this latter type of expense. Qualified research involves the development of a pilot or experimental model, process, product, formula, invention or an improvement. It must be done within the United States and may not involve the social sciences or humanities. Research funded by another person, by a grant, or by a government agency were also ineligible for the credit.

Controlled groups and other businesses under common control were treated as a single taxpayer for credit purposes. Each member of the group was limited to its proportionate share of the increase in the expenses generating the credit. S corporations electing to be taxed through their shareholders had to apportion the credit among shareholders.

All research credits paid or incurred in the U.S. were to be allocated or apportioned to U.S. source income for a two-year period, effective for the first taxable year beginning after the date of enactment. Corporations were also allowed an increased deduction subject to limitations for contributions of certain research and experimental property to educational institutions. The amount of the credit was limited to the taxpayers tax liability as reduced by certain credits. Amounts which exceed this limitation can be carried back three years and forward fifteen years.

Table 17 provides data on the research credit.

Retained Earnings, Appropriated

Earnings set aside for specific purposes and not available for distribution to stockholders were included under this heading. Included were guaranty funds (for certain finance companies), reserves for plant expansion, bond retirements, contingencies for extraordinary losses and

general loss reserves. Also included were the total amount of all the companies reserves not defined as valuation reserves or reserves included in other liabilities. Specifically excluded were the reserves for bad debts, depreciation, depletion, and amortization, which are shown separately in this report. Unrealized profits were included in other liabilities. Unearned income, if not current, was also included in other liabilities. Any amount of retained earnings not identified as appropriated or unappropriated was considered unappropriated for purposes of these statistics.

Retained Earnings, Unappropriated

Retained earnings, unappropriated, consisted of the retained earnings and profits of the corporation less any reserves (these reserves are shown in the statistics as "Retained Earnings, Appropriated"). These accumulated earnings include income from normal and discontinued operations, extraordinary gains or losses and prior period adjustments. Also included were undistributed earnings (income or profits) and undivided earnings (income or profits). For railroads, funded debt retired through income and surplus, and additions to property through income and surplus were included. Dividends and distributions to stockholders are paid from this account. The statistics shown are net figures after deduction of any negative amounts.

For Interest Charge Domestic International Sales Corporations (IC-DISC's), this item included previously taxed income, accumulated IC-DISC income, accumulated pre-1985 DISC income, and other earnings and profits.

Similarly, for S corporations electing to be taxed through their shareholders, this item included earnings from before the corporation's election as well as earnings since the election, to the extent that they had not yet been distributed to the shareholders. (See "Shareholders' Undistributed Taxable Income Previously Taxed.")

Returns of Active Corporations

These returns were the basis for all financial statistics presented in the report. They comprised the vast majority of the returns filed, and were defined for the statistics as returns of corporations reporting any income or deduction items including tax-exempt interest.

Returns of Inactive Corporations

Corporations in existence during any portion of the taxable year were required to file a return even though they may have been inactive (Code Sec. 6012(a)(2)). Inactive corporations are defined for this report as returns showing no item of income or deduction. Financial data from these returns were excluded from the statistics.

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Returns With Book Net Income or Deficit (#)

Returns with book net income or deficit were those which reported tax return schedules reconciling their income per books with income as reported on the tax return. (See "Book Net Income (or Deficit).") Table 14 provides data for these returns.

Returns With Net Income

Returns with net income were those showing gross taxable receipts exceeding the ordinary and necessary business deductions allowed by the Code. (See "Net Income (or Deficit).")

Returns Without Net Income

Returns without net income were those for which ordinary and necessary business deductions allowed by the Code exceeded gross taxable receipts. In addition to deficit returns, this classification also included returns whose gross taxable receipts and business deductions were equal. (See "Net Income (or Deficit).")

Royalties

Royalties were gross payments received, generally on an agreed percentage basis, for the use of property rights. Included were amounts received from such properties as copyrights, patents, and trademarks; and from natural resources such as timber, mineral mines, and oil wells. Expenses relating to royalties, depletion or taxes, were not deducted directly from this income, but were reported among the various business deductions from total gross income.

Excluded from the statistics were certain royalties received under a lease agreement on timber, coal deposits, and domestic iron ore deposits, which were allowed special tax treatment. Under elective provisions of Code section 631, the net gain or loss on such royalties was included in the computation of net gain or loss on sales or exchanges of certain business property under section 1231. If the overall result of this computation was a net gain, it was eligible for treatment as a long-term capital gain, taxable at the capital gains rates. If the overall result was a net loss, it was fully deductible in the current year as an ordinary noncapital loss. See the discussions of "Net Capital Gains" and "Net Gain (or Loss), Noncapital Assets."

S Corporation Returns

Form 1120S, U.S. Income Tax Return for an S Corporation, was filed by corporations electing to be taxed through shareholders under section 1372 of the Code.

To qualify as an S corporation, a firm had to be a domestic corporation which was not a member of an affiliated group (as defined by Code section 1504) and did not:

- (1) have more than 35 shareholders;
- (2) have as a shareholder a person (other than an estate and other than a trust) who was not an individual;
- (3) have a nonresident alien as a shareholder;
- (4) have more than one class of stock; or
- (5) for each of three consecutive tax years, have both Subchapter C earnings and profits, and gross receipts more than 25 percent of which are derived from passive investment income as defined in Section 1362(d)(3)(D).

An S corporation also could not be a financial institution that is allowed a bad debt deduction, an insurance company (other than certain stock casualty companies), a corporation electing a possessions tax credit, or an IC-DISC or former DISC.

Net income of S corporations was computed in the same manner as for most corporations. The net operating loss deduction and other statutory special deductions allowed most corporations, such as for dividends received, could not be taken.

An electing S corporation was generally not taxed. Only capital gains are a taxable preference item for S corporations. Other tax preference items realized pass through proportionately to the shareholders. However, an existing corporation that elected (under Code section 1372) to become an S corporation was subject to a special tax for the first 3 taxable years of the election. On the other hand, a new corporation which had been in existence for less than 4 years and which was an electing S corporation for each year of its existence was not subject to the special tax at all. Section 1378 of the Code provided that the amount of the tax was the lower of the following: (1) 28 percent of the excess of net long-term capital gain (reduced by net short-term capital loss) over \$25,000 when net long-term capital gain was more than 50 percent of a net income that was over \$25,000; (2) 30 percent of the gain from the disposition of property using a "substituted basis" (i.e., the basis that was transferred from another corporation which was not also an electing S corporation); or (3) the tax rates applied to net income. Foreign tax credit, U.S. possessions tax credit, orphan drug credit, nonconventional source fuel credit, research credit and general business credit were not available to the corporation to reduce this tax (although the cost of investment credit property was allocated to shareholders for their use in computing their credits). Also, see "Excessive Net Passive Income Tax."

Every S corporation was required to file a return on Form 1120S even though it may not be subject to tax. The corporation reported gross income and allowable deduc-

tions as well as information about the shareholders. An S corporation also was required to use calendar year reporting unless there was a valid business purpose for a fiscal year. The corporation's ordinary income is passed through (deemed distributed) as one amount. Generally, each shareholder's share of the income (loss) and expenses of the corporation is passed through pro-rata on a per-share, daily basis. Dividends are paid from prior year earnings (retained earnings).

Shareholders' Undistributed Taxable Income Previously Taxed

Shareholders' undistributed taxable income previously taxed, an end-of-year balance sheet item, was the accumulated taxable income, i.e., net income (or deficit), earned by S corporations since they had first elected to be taxed through their shareholders, to the extent that it had not yet been distributed to the shareholders. Taxable income, whether distributed or not to the shareholders, was taxable to the shareholders in the year earned so that later distributions from this account were nontaxable. (See "S Corporation Returns.") This item is reflected in the statistics for "Retained Earnings, Unappropriated" and "Net Worth" in tables which show these items.

Size of Business Receipts

Size of business receipts was based on the gross amounts from sales and operations for industries except those in the finance, insurance, and real estate divisions. For these industries, total receipts, which is the sum of business receipts and investment income, were used as the basis for classification. See the discussions of "Business Receipts" and "Total Receipts."

Size of Income Tax After Credits

This classification is based on the net amount of income tax liability after deducting the foreign tax, possessions tax, orphan drug, nonconventional source fuel, research, and general business credits. It included the regular tax and alternative tax, personal holding company tax, tax from recomputing prior-year investment credit, additional tax for tax preferences, and excessive net passive income tax.

Size of Total Assets

Size of total assets was based on the amount reported in the end-of-year balance sheet. Returns with zero assets were used as a classification for returns of: (1) liquidating or dissolving corporations which had disposed of all their assets and whose income tax returns were final returns; (2) merging corporations whose assets and liabilities were included in the returns of the acquiring corporations; (3) corporations filing a part-year tax return because of a

change in accounting period; and (4) foreign corporations with income effectively connected with the conduct of a trade or business within the United States (except foreign insurance companies providing balance sheet information for U.S. branches). See also "Total Assets and Total Liabilities."

Statutory Special Deductions (#)

Statutory special deductions is the term used for the statistics to describe the deductions for: (1) net operating losses of prior years, and (2) total "special deductions" as defined by the Code, i.e., the sum of deductions for intercorporate dividends received and for dividends paid on certain preferred stock of public utilities. Since these deductions were allowed by law, in addition to ordinary and necessary business deductions, they are shown as deductions from net income.

In general, net income less statutory special deductions equalled income subject to tax. However, the two dividend deductions were not restricted to returns with net income, nor, in general, to the amount of net income, and thus became part of the statutory "net operating loss" for some corporations. Statutory special deductions were not allowed to S corporations for which an election was made to be taxed through shareholders, nor to regulated investment companies and real estate investment trusts.

Although Interest Charge Domestic International Sales Corporations (IC-DISC's) were not taxable, in order to compute "tax deferred income and income taxable to stockholders," two of the statutory special deductions, i.e., net operating loss deduction and intercorporate dividends received deduction, discussed below, were allowed.

Definitions for the statutory special deductions contained in the statistics are as follows:

- (1) *Net operating loss deduction (NOLD)*.—The total net operating loss deduction was based on statutory net operating losses of prior or subsequent years which could be used to reduce taxable income for a specified number of years. The amount shown in this report, however, consists only of losses from prior years actually used to reduce taxable income for the current year. Losses incurred after the current year and carried back to that year at a later date could not be reported on the returns used for this report. In general, losses were carried back over a 3-year period, chronologically, and any amount not offset against income during that time could then be carried forward against income for a period not exceeding 15 years. Real Estate Investment Trusts (REIT's) and Regulated Investment Companies (RIC's) cannot carry back a NOLD. Instead, a fifteen year carryover is allowed for REIT's and an eight year carryover is

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allowed for RIC's. Banks have a ten year carryback and a five year carryover period.

Net operating losses on which the current year deduction was based included: (a) the excess of ordinary and necessary business expenses over income in the previous loss years, and (b) statutory special deductions claimed in the 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).

The net operating loss deducted for the current year was the excess of allowable deductions over gross income with certain adjustments: no NOLD is allowed, and capital losses are only deductible to the extent of capital gains. A deduction for dividends received is allowed without regard to limitations.

Net operating losses incurred by Interest Charge Domestic International Sales Corporations (IC-DISC's) were deductible from net income only if the IC-DISC had been a corporation prior to its election to become a IC-DISC (or former DISC) and only for losses incurred prior to the election. The statistics are overstated to the extent small amounts of net operating loss deductions were reported by DISC's without net income; no attempt was made to suppress these amounts for the statistics.

(2) *Total special deductions.*—The total special deductions contained in this report were the sum of the following deductions:

(a) *Intercorporate dividends received deduction.*—The intercorporate dividends received deduction, under Code sections 243–246, was the sum of the following components:

(1) A deduction equal to 85 percent of dividends received from domestic corporations which were themselves subject to the income tax. This particular deduction accounted for the major portion of the intercorporate dividends received deduction. Since IC-DISC's were not subject to tax, the intercorporate dividends received deduction was not allowed for dividends received by their stockholders. However, if the dividends were paid out of earnings and profits from a year before the election was made to become an IC-DISC, the stockholders were entitled to the deduction for such dividends.

(2) A deduction limited to the percentage of the dividend determined by computing the product of (a) 85 percent, and (b) 100 percent minus the average indebtedness percentage. The average indebtedness percentage is obtained by dividing the (a) average amount of portfolio indebtedness with respect to stock during the base period, by (b) the corporations average amount of the adjusted basis of stock during the same period.

(3) A deduction equal to 85 percent of certain dividends received from foreign corporations (a) which had been engaged in a trade or business within the United States for at least 3 years, and (b) which also had at least 50 percent of their gross income "effectively connected" with the U.S. trade or business.

(4) A deduction equal to 100 percent of certain intragroup dividends allowed members of controlled groups not electing to file consolidated returns, but sharing instead, one \$25,000 amount in each of the four income tax brackets under Code section 1561.

(5) A deduction equal to 100 percent of dividends received from wholly-owned foreign subsidiaries whose entire gross income was "effectively connected" with the conduct of a trade or business within the United States.

(6) A deduction equal to about 59.13 percent of dividends received on certain preferred stock of public utilities for which a dividends paid deduction, described below, was also allowed the distributing corporation. The applicable percentage was based on the income tax rate.

(7) A deduction equal to 100 percent of dividends received by small business investment companies. For tax returns with net income for the taxable year, there was a limitation on the deduction, based on net income, for dividends received not subject to the 100 percent deduction (Code section 246). For these returns the deduction could not exceed 85 percent of net income less any 100 percent deduction for domestic intragroup dividends. This limitation was not applicable if the corporation had no net income for the year. In this case, the deduction became part of the statutory net operating loss previously described. In the case of life insurance companies, the above percentage deductions were further reduced by the ratio of investment yield less total exclusions (operations) to investment yield.

(b) *Deduction for dividends paid on certain preferred stock of public utilities.*—For public utility companies, as defined by law, a special deduction was allowable under Code section 247 for dividends if paid on certain preferred cumulative stock deemed issued prior to October 1, 1942. This deduction, based on the income tax rate, amounted to about 30.4 percent of the dividends paid on such stock.

If the dividends paid were greater than net income reduced (in general) by all other statutory special deductions of the year, the deduction could not exceed the above-described percentage of net income after this adjustment.

Taxable Income (#)

See "Income Subject to Tax"

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Tax Due at Time of Filing

Tax due was the amount of income tax liability reported as due at the time the return was filed. To show the amount of tax due the return had to have income tax after foreign tax, possessions tax, orphan drug, nonconventional source fuel, research, and general business credits. For this purpose, the income tax included tax from recomputing prior-year investment credit, additional tax for tax preferences, tax on undistributed personal holding company income, and excess net passive income tax. Tax due based on this total tax was the amount payable after taking into account (a) credit for taxes deemed paid by regulated investment companies on undistributed capital gain dividends; (b) payments with applications for extension of time in which to file; (c) payments and refunds on estimated tax; (d) credit for taxes on special fuels, nonhighway gasoline, and lubricating oil; and (e) overpaid windfall profit tax.

The entire tax due could be paid with the return at the time of filing, or the corporation could elect to pay the tax due in two equal installments. One installment had to be paid at the prescribed time of filing. The balance was due not later than 3 months after that date.

The amounts shown do not reflect adjustments made after the return was filed. The results of tax audit, the carryback of net operating losses, the carryback of foreign taxes paid or accrued in future years, the carryback of unused tax credits or the carryback of certain capital losses, may affect the final tax liability and the tax due.

Tax from Recomputing Prior Year Investment Credit

This tax, a recapture of investment credit, was required when depreciable (or amortizable) property used in computing the investment credit of a prior year was either disposed of or ceased to be qualifying property before the end of its useful life assumed at the time the credit was originally computed.

The tax was payable for the year in which the property was disposed of or became disqualified. It amounted to the difference between the credit originally claimed based on the intended life in the year of acquisition and the credit that would have been allowed based on the actual life in the year of disposition or disqualification.

For investment credit property placed in service after 1980, a new "2-percent" recapture rule applied. The regular credit was computed upon early disposition by allowing a 2 percent credit for each year the property was held. Therefore, no recapture was required for eligible 5-year, 10-year, or 15-year recovery property held for at least 5 years or for eligible 3-year property held for at least 3 years. If certain "listed property" such as transportation,

entertainment, recreation or amusement property placed in service after June 18, 1984 ceased to be used predominantly for business, corporations may have to recapture the investment credit taken on the property.

Unless otherwise indicated, tax from recomputing prior-year investment credit is included in the statistics for "Income Tax" in this report.

See also "Investment Credit" in this section.

Tax Overpayment

This was the amount reported as the excess of payments and credits for the tax already paid over total income tax liability at the time the return was filed. For this purpose, the income tax liability included tax from recomputing prior-year investment credit, additional tax for tax preferences, and tax on undistributed personal holding company income; but it was after reduction by the foreign tax, possessions tax, nonconventional source fuel, research, orphan drug, and general business credits. Overpayment then, was the excess of payments and credits over total tax liability after taking into account (a) credit for taxes deemed paid by regulated investment companies on undistributed capital gain dividends; (b) payments with applications for extension of time in which to file; (c) payments and refunds on estimated tax; (d) credit for taxes on special fuels, nonhighway gasoline, and lubricating oil; and (e) overpaid windfall profits tax.

The overpayment could be credited toward the following year's estimated tax, refunded, or partially refunded and partially credited.

The amounts shown do not reflect adjustments made after the return was filed. The results of audit, the carryback of net operating losses incurred in future years, the carryback of certain foreign taxes paid or accrued in future years used to increase the current year foreign tax credit, the carryback of unused tax credits, or the carryback of certain capital losses, may affect the final tax liability and the tax overpayment.

Also, see "Tax Due at Time of Filing."

Tax Preference Items

See "Additional Tax for Tax Preferences."

Taxes Paid

Taxes paid included the amounts reported as an ordinary and necessary business deduction as well as identifiable amounts reported in the cost of sales and operations schedules. Included among the deductible taxes were

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ordinary State and local taxes paid or accrued during the year; social security and payroll taxes; unemployment insurance taxes; import and tariff duties; and business, license and privilege taxes. Income and profit taxes paid to foreign countries or U.S. possessions were also deductible unless claimed as a credit against income tax. However, S corporations electing to be taxed through their shareholders had to deduct from gross income any foreign taxes they paid. They could not claim a foreign tax credit, nor could they pass these taxes on to their shareholders for their use as a foreign tax credit. (See "Foreign Tax Credit.")

Taxes not deductible included Federal income and excess profits taxes, gift taxes and taxes assessed against local benefits.

Some corporations included sales taxes and excise and related taxes, which were part of the sales price of their products, as receipts. When this occurred, an equal and offsetting amount was usually included in the cost of sales and operations or as part of the separate deduction for taxes paid. When included in the cost of sales and operations, these taxes often were not identifiable and, therefore, could not be included in the statistics for taxes paid.

Total Assets and Total Liabilities

Total assets and total liabilities were those reported in the end-of-year balance sheet in 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. When reserves for bad debts were reported as liabilities, they were treated as reductions from the asset accounts to which they related and the totals of assets and liabilities were adjusted accordingly. When used in this report, the term total liabilities includes both the claims of creditors and stockholders' equity (see "Net Worth"). In addition, total liabilities were net amounts after reduction by the cost of Treasury stock.

Asset and liability estimates for returns of corporations that failed to provide complete balance sheet information were imputed from data in other schedules on the return form or by using either reference books or relationships between income statement and balance sheet items on similar returns in the same industrial group.

Because Forms 1120L and 1120M used by life insurance companies and certain mutual insurance companies did not provide for the complete reporting of balance sheet information, asset and liability data for these companies were obtained from reference books or from balance sheets filed with the returns in the form required by State law. These sources were also used for any other insurance companies, not filing returns on Forms 1120L or 1120M,

which filed balance sheets in the form required by State law in lieu of the income tax return schedule. (See also "Size of Total Assets.")

Total Deductions

As presented in the tables of this publication, total deductions comprised (1) the cost of sales and operations, (2) the ordinary and necessary business deductions from gross income, and (3) net loss from sales of noncapital assets. Components of total deductions are shown in the income statement segment of various tables throughout this report.

For certain mutual insurance companies, with total receipts under \$500,000, total deductions represents only investment expenses; business expenses were excluded by law. (See also "Total Receipts.")

Total Income Tax

See "Income Tax."

Total Qualified Investment in 10 Percent Property

See "Investment Credit."

Total Receipts

The components of total receipts are shown in the income statement segment of various tables throughout this report. This amount was derived as follows:

Included items—(1) Gross taxable receipts (before deduction of cost of sales and operations, ordinary and necessary business expenses, and net loss from sales of noncapital assets), and (2) Nontaxable interest received from State and local Government obligations.

Excluded items—(1) Other nontaxable income recognized by the corporation, and (2) Certain taxable income from related foreign corporations only constructively received.

For certain mutual insurance companies, with total receipts under \$500,000, the gross taxable receipts included in the statistics represent only the receipts from investments; operating income was excluded by law. (See also "Total Deductions.")

Total Receipts Less Total Deductions

This item differed from net income (less deficit) for tax purposes in that it included nontaxable "Interest on State and Local Government Obligations" and excluded "Constructive Taxable Income from Related Foreign Corpora-

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tions." As such, it included all of the income "actually" (as opposed to "constructively") received by the corporation and reported on the income tax return.

U.S. Possessions Tax Credit (#)

In order to provide a tax incentive for domestic corporations to invest in Puerto Rico and U.S. possessions (including American Samoa, Guam, Johnston Island, Midway Islands, and Wake Island), the Tax Reform Act of 1976 added a tax credit—the U.S. possessions tax credit in lieu of the ordinary foreign tax credit. Under Code section 936, the U.S. possessions tax credit was equal to the U.S. tax on the corporations' income from sources within a possession in which the corporations actively conducted a trade or business. Qualification for the credit is generally effective ten years and cannot be revoked except by IRS consent.

Before the U.S. possessions tax credit could be claimed, a domestic corporation had to make an election and satisfy two tests: (1) receive for the "applicable" period immediately preceding the close of the taxable year at least 80 percent of its gross income from sources within a U.S. possession, and (2) receive for the "applicable" period at least 65 percent of its gross income from the active conduct of a trade or business within a U.S. possession. "Appli-

cable" period was the lesser of 3 years or the period during which the corporation was engaged in the active conduct of a trade or business within a U.S. possession. IC-DISC's and FSC's were ineligible for the credit. Besides not being allowed to take a foreign tax credit if the possessions tax credit is taken the corporation is prohibited from joining in a consolidated return.

Zero Assets

- In general, returns in this total assets-size class were:
- (1) final returns of liquidating or dissolving corporations which had disposed of all assets;
 - (2) final returns of merging corporations whose assets and liabilities were reported in the returns of the acquiring corporations;
 - (3) part-year returns of corporations (except initial returns of newly incorporated businesses); and
 - (4) returns of foreign corporations with income "effectively connected" with the conduct of a trade or business in the United States (however, balance sheet data for U.S. branches of foreign insurance companies are included in the statistics and are classified by the size of total assets of these branches). See also "Size of Total Assets".

SECTION 6

FORMS AND INSTRUCTIONS

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Form 1120
 Department of the Treasury
 Internal Revenue Service

U.S. Corporation Income Tax Return
 For calendar 1985 or tax year beginning 1985, ending 1985

OMB No. 1545-0123
1985

Check for a: Consolidated return, Personal Holding Co., Business Code No. (See instructions)

Use IRS label, Other-wise please print or type: Name, Number and street, City or town, state, and ZIP code

D Employer identification number, E Date incorporated, F Total assets (see Specific Instructions)

6 Check box if there has been a change in address from the previous year

Income

1 a Gross receipts or sales, b Less returns and allowances, Balance ▶ 1c
 2 Cost of goods sold and/or operations (Schedule A) 2
 3 Gross profit (line 1c less line 2) 3
 4 Dividends (Schedule C) 4
 5 Interest 5
 6 Gross rents 6
 7 Gross royalties 7
 8 Capital gain net income (attach separate Schedule D) 8
 9 Net gain or (loss) from Form 4797, line 17, Part II (attach Form 4797) 9
 10 Other income (see instructions—attach schedule) 10
 11 TOTAL income—Add lines 3 through 10 and enter here 11

Deductions

12 Compensation of officers (Schedule E)
 13 a Salaries and wages, b Less jobs credit, Balance ▶ 13c
 14 Repairs 14
 15 Bad debts (Schedule F if reserve method is used) 15
 16 Rents 16
 17 Taxes 17
 18 Interest 18
 19 Contributions (see instructions for 10% limitation) 19
 20 Depreciation (attach Form 4562) 20
 21 Less depreciation claimed in Schedule A and elsewhere on return 21a
 22 Depletion 22
 23 Advertising 23
 24 Pension, profit-sharing, etc. plans 24
 25 Employee benefit programs 25
 26 Other deductions (attach schedule) 26
 27 TOTAL deductions—Add lines 12 through 26 and enter here 27
 28 Taxable income before net operating loss deduction and special deductions (line 11 less line 27) 28
 29 Less: a Net operating loss deduction (see instructions) 29a
 b Special deductions (Schedule C) 29b
 29c
 30 Taxable income (line 28 less line 29c) 30
 31 TOTAL TAX (Schedule J) 31

Tax and Payments

32 Payments:
 a 1984 overpayment allowed as a credit.
 b 1985 estimated tax payments
 c Less 1985 refund applied for on Form 4466
 d Tax deposited with Form 7004
 e Credit from regulated investment companies (attach Form 2439)
 f Credit for Federal tax on gasoline and special fuels (attach Form 4136)
 32
 33 Enter any PENALTY for underpayment of estimated tax—check if Form 2220 is attached 33
 34 TAX DUE—If the total of lines 31 and 33 is larger than line 32, enter AMOUNT OWED 34
 35 OVERPAYMENT—If line 32 is larger than the total of lines 31 and 33, enter AMOUNT OVERPAID 35
 36 Enter amount of line 35 you want: Credited to 1986 estimated tax ▶ Refunded ▶ 36

Please Sign Here: Signature of officer, Date, Title
 Paid Preparer's Use Only: Preparer's signature, Date, Check if self-employed, Preparer's social security number, Firm's name (or yours, if self-employed) and address, E.I. No., ZIP code

Form 1120 (1985)
Schedule A Cost of Goods Sold and/or Operations (See instructions for line 2, page 1) Page 2

1 Inventory at beginning of year. 1
 2 Purchases 2
 3 Cost of labor 3
 4 Other costs (attach schedule) 4
 5 Total—Add lines 1 through 4 5
 6 Inventory at end of year. 6
 7 Cost of goods sold and/or operations—Line 5 less line 6. Enter here and on line 2, page 1 7

8 a Check all methods used for valuing closing inventory:
 (i) Cost
 (ii) Lower of cost or market as described in Regulations section 1.471-4 (see instructions)
 (iii) Writedown of "subnormal" goods as described in Regulations section 1.471-2(c) (see instructions)
 (iv) Other (Specify method used and attach explanation) ▶

b Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)

c If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO Bc

d If you are engaged in manufacturing, did you value your inventory using the full absorption method (Regulations section 1.471-11)? Yes No

e Was there any change in determining quantities, cost, or valuations between opening and closing inventory? Yes No If "Yes," attach explanation.

Schedule C Dividends and Special Deductions (See instructions for Schedule C)

	(a) Dividends received	(b) %	(c) Special deductions: multiply (a) X (b)
1 Domestic corporations subject to 85% deduction (other than debt-financed stock)		85	
2 Debt-financed stock of domestic corporations (section 246A)		see instructions	
3 Certain preferred stock of public utilities		59.13	
4 Foreign corporations subject to 85% deduction		85	
5 Wholly-owned foreign subsidiaries and FSCs subject to 100% deduction (sections 245(b) and (c))		100	
6 Total—Add lines 1 through 5. See instructions for limitation		100	
7 Affiliated groups subject to the 100% deduction (section 243(a)(3))			
8 Other dividends from foreign corporations not included in lines 4 and 5			
9 Income from controlled foreign corporations under subpart F (attach Forms 5471)			
10 Foreign dividend gross-up (section 78)			
11 IC-DISC or former DISC dividends not included in line 1 and/or 2 (section 246(d))			
12 Other dividends			
13 Deduction for dividends paid on certain preferred stock of public utilities (see instructions)			
14 Total dividends—Add lines 1 through 12. Enter here and on line 4, page 1			
15 Total deductions—Add lines 6, 7 and 13. Enter here and on line 29b, page 1			

Schedule E Compensation of Officers (See instructions for line 12, page 1)
 Complete Schedule E only if total receipts (line 1a, plus lines 4 through 10, of page 1, Form 1120) are \$150,000 or more.

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	

Total compensation of officers—Enter here and on line 12, page 1

Schedule F Bad Debts—Reserve Method (See instructions for line 15, page 1)

(a) Year	(b) Trade notes and accounts receivable outstanding at end of year	(c) Sales on account	Amount added to reserve		(f) Amount charged against reserve	(g) Reserve for bad debts at end of year
			(d) Current year's provision	(e) Recoveries		
1980						
1981						
1982						
1983						
1984						
1985						

Schedule J Tax Computation (See instructions)

1 Check if you are a member of a controlled group... 2 If line 1 is checked, see instructions... 3 Income tax... 4a Foreign tax credit... 4b Possessions tax credit... 4c Orphan drug credit... 4d Credit for fuel... 4e Research credit... 4f General business credit... 5 Total—Add lines 4a through 4f... 6 Line 3 less line 5... 7 Personal holding company tax... 8 Tax from recomputing prior-year investment credit... 9 Minimum tax on tax preference items... 10 Total tax—Add lines 6 through 9.

Additional Information (See instruction F)

H Did the corporation claim a deduction for expenses connected with: (1) Entertainment facility... (2) Living accommodations... (3) Employees attending conventions... (4) Employees' families... I (1) Did the corporation at the end of the tax year own, directly or indirectly, 50% or more of the voting stock... J Refer to the list in the instructions and state the principal: Business activity... Product or service... K Was the corporation a U.S. shareholder of any controlled foreign corporation... L At any time during the tax year, did the corporation have an interest in a foreign country... M Was the corporation the grantor of, or transferor to, a foreign trust... N During this tax year, did the corporation pay dividends... O During this tax year did the corporation maintain any part of its accounting/tax records on a computerized system? P Check method of accounting: (1) Cash (2) Accrual (3) Other (specify)

Schedule L Balance Sheets

Table with columns: Assets, Liabilities and Stockholders' Equity. Rows include: 1 Cash, 2 Trade notes and accounts receivable, 3 Inventories, 4 Federal and State government obligations, 5 Other current assets, 6 Loans to stockholders, 7 Mortgage and real estate loans, 8 Other investments, 9 Buildings and other depreciable assets, 10 Depletable assets, 11 Land, 12 Intangible assets, 13 Other assets, 14 Total assets, 15 Accounts payable, 16 Mortgages, notes, bonds payable, 17 Other current liabilities, 18 Loans from stockholders, 19 Mortgages, notes, bonds payable, 20 Other liabilities, 21 Capital stock, 22 Paid-in or capital surplus, 23 Retained earnings—Appropriated, 24 Retained earnings—Unappropriated, 25 Less cost of treasury stock, 26 Total liabilities and stockholders' equity.

Schedule M-1 Reconciliation of Income Per Books With Income Per Return

Do not complete this schedule if the total assets on line 14, column (d), of Schedule L are less than \$25,000. 1 Net income per books... 2 Federal income tax... 3 Excess of capital losses over capital gains... 4 Income subject to tax not recorded on books... 5 Expenses recorded on books... 6 Total of lines 1 through 5... 7 Income recorded on books this year not included in this return... 8 Deductions in this tax return not charged against book income... 9 Total of lines 7 and 8... 10 Income (line 28, page 1)—line 6 less line 9.

Schedule M-2 Analysis of Unappropriated Retained Earnings Per Books (line 24, Schedule L)

Do not complete this schedule if the total assets on line 14, column (d), of Schedule L are less than \$25,000. 1 Balance at beginning of year... 2 Net income per books... 3 Other increases (itemize)... 4 Total of lines 1, 2, and 3... 5 Distributions: a Cash b Stock c Property... 6 Other decreases (itemize)... 7 Total of lines 5 and 6... 8 Balance at end of year (line 4 less line 7).

Corporation Returns/1985 • Forms and Instructions

Form 1120-A

U.S. Short-Form Corporation Income Tax Return

1234

OMB No. 1545-0890

1985

Department of the Treasury Internal Revenue Service

For calendar 1985 or tax year beginning 1985, ending 1985

See Instructions for principal business: A Activity, B Product or service, C Code

Name, Number and street, City or town, state, and ZIP code

D Employer identification number (EIN), E Date incorporated, F Total assets

G Check method of accounting: (1) Cash (2) Accrual (3) Other (specify)
H Check box if there has been a change in address from the previous year

Income section table with lines 1-11 including Gross receipts or sales, Cost of goods sold, Gross profit, Dividends, Interest, Gross rents, Gross royalties, Capital gain net income, Net gain or loss, Other income, and TOTAL income.

Deductions section table with lines 12-25 including Compensation of officers, Salaries and wages, Repairs, Bad debts, Taxes, Interest, Contributions, Depreciation, and Less: Net operating loss deduction and Special deductions.

Tax and Payments section table with lines 26-32 including Taxable income, TOTAL TAX, Payments (1984 overpayment, 1985 estimated tax, Less 1985 refund, Tax deposited, Credit for regulated investment companies, Credit for Federal tax on gasoline and special fuels), Enter any PENALTY for underpayment of estimated tax, TAX DUE, OVERPAYMENT, and Enter amount of line 31 you want credited to 1986 estimated tax.

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer, Date, Title, Preparer's signature, Date, Check if self-employed, Preparer's social security number, Firm's name (or yours, if self-employed) and address, E.I. No., ZIP code

Form 1120-A (1985)

Form 1120-A (1985) Part II Tax Computation (See Instructions) Page 2

Enter EIN

Summary table with lines 1-6: 1 Income tax, 2 General business credit, 3 Line 1 less line 2, 4 Tax from recomputing prior-year investment credit, 5 Minimum tax on tax preference items, 6 Total tax.

Additional Information (See instruction F)

I Was a deduction taken for expenses connected with: (1) An entertainment facility, (2) Employees' families at conventions or meetings.
J Did any individual, partnership, estate or trust at the end of the tax year own, directly or indirectly, 50% or more of the corporation's voting stock?
K If the reserve method is used for bad debts, complete (1) and (2) for the current year: (1) Amount added to the reserve account, (a) Current year's provision

(b) Recoveries (2) Amount charged against the reserve account.
L If an amount for cost of goods sold and/or operations is entered on line 2, page 1, complete (1) and (2): (1) Purchases, (2) Other costs.
M At any time during the tax year, did you have an interest in or a signature or other authority over a financial account in a foreign country?
N During this tax year was any part of your accounting/tax records maintained on a computerized system?
O Enter amount of cash distributions and the book value of property (other than cash) distributions made in this tax year.

Part II Balance Sheets

Balance Sheets table with columns (a) Beginning of tax year and (b) End of tax year. Rows include Assets (Cash, Trade notes and accounts receivable, Inventories, Federal and State government obligations, Other current assets, Loans to stockholders, Mortgage and real estate loans, Depreciable, depletable, and intangible assets, Land, Other assets, Total assets) and Liabilities and Stockholders' Equity (Accounts payable, Other current liabilities, Loans from stockholders, Mortgages, notes, bonds payable, Other liabilities, Capital stock, Paid-in or capital surplus, Retained earnings, Less cost of treasury stock, Total liabilities and stockholders' equity).

Part III Reconciliation of Income Per Books With Income Per Return (See Instructions)

Reconciliation table with lines 1-7: 1 Enter net income per books, 2 Federal income tax, 3 Income subject to tax not recorded on books this year, 4 Expenses recorded on books this year not deducted in this return, 5 Income recorded on books this year not included in this return, 6 Deductions in this tax return not charged against book income, 7 Income (line 24, page 1). Enter the sum of lines 1, 2, 3, and 4 less the sum of lines 5 and 6.

Grid area for additional information or calculations.

1985



Department of the Treasury
Internal Revenue Service

Instructions for Forms 1120 and 1120-A

(Section references are to the Internal Revenue Code, unless otherwise noted.)

Changes You Should Note

New Reporting Requirements

All taxpayers claiming either a deduction or credit for automobiles or other "listed property" are required to complete the appropriate sections of Part III of Form 4562, Depreciation and Amortization.

Reduced Depreciation for Vehicles

For automobiles placed in service after April 2, 1985, the depreciation deduction for each vehicle, including any section 179 expense deduction, is limited to \$3,200 in the first tax year, and \$4,800 in each succeeding tax year. These limitations are further reduced if your business and/or investment use is less than 100%. See Form 4562 and instructions for limitations and details.

New Limitations for Investment Tax Credit

For an automobile leased or placed in service after April 2, 1985, the investment tax credit amount is limited to \$675. This amount is further limited to \$450 if the taxpayer elects not to decrease the basis for depreciation purposes. See Form 3468, Computation of Investment Credit, and instructions for limitations and details.

Form 1120-A

If a corporation meets all the qualifications under General Instruction B, Who May File Form 1120-A, it can file Form 1120-A, U.S. Short-Form Corporation Income Tax Return, instead of Form 1120, U.S. Corporation Income Tax Return.

Form 1120-A is now printed in a special colored ink to permit processing by optical character recognition (OCR) equipment. This equipment cannot process photocopies. Therefore, please file the original Form 1120-A, rather than a copy.

Voluntary Contributions to Reduce the Public Debt

Quite often inquiries are received about how voluntary contributions to reduce the public debt may be made. A corporation may contribute by enclosing a separate check, payable to "Bureau of the Public Debt," with the tax return. These amounts are tax-deductible, subject to the rules and limitations for charitable contributions. Please keep the contribution to reduce the public debt separate from any amount payable with the tax return. Tax remittances should be made payable to "Internal Revenue Service."

Paperwork Reduction Act Notice

We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

General Instructions

Note: In addition to those publications listed throughout these Instructions, taxpayers may wish to get: Publication 534, Depreciation; Publication 535, Business Expenses; and Publication 542, Tax Information on Corporations.

A. Purpose of Form

In general, Form 1120 and Form 1120-A are used to report income, gains, losses, deductions, and credits of U.S. corporations.

B. Filing Form 1120 and Form 1120-A

Who Must File

The organizations listed below must file Form 1120, unless they qualify to file Form 1120-A. (Note: If an organization more nearly resembles a corporation than a partnership or trust, it will be considered an association taxed as a corporation.)

- Domestic corporations, whether or not they have any taxable income, unless exempt under section 501.
- Real estate investment trusts defined in section 856.
- Regulated investment companies defined in section 851.
- Insurance companies described in section 831.

Who May File Form 1120-A

Form 1120-A may be filed by a corporation if it meets all of the following requirements:

- Its gross receipts (line 1a on page 1) must be under \$250,000;
- Its total income (line 11 on page 1) must be under \$250,000;
- Its total assets (line 11, column (b), Part II on page 2) must be under \$250,000;
- It does not have any ownership in a foreign corporation;
- It does not have foreign shareholders who own, directly or indirectly, 50% or more of its stock;
- It is not a member of a controlled group of corporations (sections 1561 and 1563);
- It is not a personal holding company (sections 541 through 547);

- It is not a consolidated corporate return filer;
- It is not a corporation undergoing a dissolution or liquidation;
- It is not filing its final tax return;
- Its only dividend income is from domestic corporations (none of which represent debt-financed securities), and those dividends qualify for the 85% deduction;
- It has no non-refundable tax credits other than the general business credit, which is the sum of the investment credit, jobs credit, alcohol fuel credit, and employee stock ownership plan credit; and
- It is not required to file a special tax return as stated below under Special Returns for Certain Organizations.

Form 1120-A Filers

To make it easier for us to process Form 1120-A, we ask all filers to please:

- Keep all entries inside the entry boxes;
- Not use dollar signs;
- If possible, type or machine print all entries on the tax return; and
- File the original form instead of a copy.

Special Returns for Certain Organizations

Certain organizations, listed below, may have to file special returns.

- Foreign corporations other than life and mutual insurance companies filing Forms 1120L and 1120M: File Form 1120F.
- Foreign sales corporations (section 922): File Form 1120-FSC.
- Life insurance companies (section 801): File Form 1120L.
- Mutual insurance companies (section 821): File Form 1120M.
- Farmers' cooperatives (section 1381): File Form 990-C.
- Exempt organizations with unrelated trade or business income: File Form 990-T.
- S corporations (section 1361): File Form 1120S.
- Interest Charge Domestic International Sales Corporations (section 992): File Form 1120-IC-DISC.
- Political organizations (section 527): File Form 1120-POL.
- Homeowners associations (section 528): File Form 1120-H.

When to File

In general, a corporation must file its income tax return by the 15th day of the 3d month after the end of the tax year. A new corporation filing a short period return must generally file by the 15th day of the 3d month after the short period ends. A corporation that has dissolved must generally file by the 15th day of the 3d month after the date it dissolved.

Extension.—File Form 7004, Application for Automatic Extension of Time To File Corporation Income Tax Return, to request an automatic 6-month extension of time to file.

Period covered.—File the 1985 return for calendar year 1985 and fiscal years that begin in 1985 and end in 1986. For a fiscal year, fill in the tax year space at the top of the form.

Final return.—If the corporation ceases to exist, write "Final return" at the top of the form. Do not file Form 1120-A; use Form 1120.

Where to File

Use the pre-addressed envelope. If you do not use the envelope, file your return at the applicable IRS address listed below.

If the corporation's principal business, office, or agency is located in

Use the following Internal Revenue Service Center address

New Jersey, New York City and counties of Nassau, Rockland, Suffolk, and Westchester	Holtzville, NY 00501
New York (all other counties); Connecticut, Maine, Massachusetts, Minnesota, New Hampshire, Rhode Island, Vermont	Andover, MA 05501
Alabama, Florida, Georgia, Mississippi, South Carolina	Atlanta, GA 31101
Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Kansas, Louisiana, New Mexico, Oklahoma, Texas	Austin, TX 73301
Alaska, Arizona, California (counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201
California (all other counties), Hawaii	Fresno, CA 93888
Illinois, Iowa, Missouri, Wisconsin	Kansas City, MO 64999
Arkansas, Indiana, North Carolina, Tennessee, Virginia	Memphis, TN 37501
Delaware, District of Columbia, Maryland, Pennsylvania	Philadelphia, PA 19255

Corporations having their principal place of business outside the United States or claiming a possessions tax credit (section 936) must file with the Internal Revenue Service Center, Philadelphia, PA 19255.

The separate income tax returns of a group of corporations located in several Service Center regions may be filed with the principal office of the managing corporation that keeps all the books and records is located.

Signature

The return must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or any other corporate officer (such

as tax officer) authorized to sign. A receiver, trustee, or assignee must sign and date any return required to be filed on behalf of a corporation.

If a corporate officer filled in the corporate tax return, the Paid Preparer's space under "Signature of officer" should remain blank. If someone prepares the tax return and does not charge the corporation, that person should not sign the return. Certain others who prepare the tax return should not sign. For example, a regular, full time employee of the corporation such as a clerk, secretary, etc., does not have to sign.

Generally, anyone who is paid to prepare the tax return must sign it and fill in the other blanks in the Paid Preparer's Use Only area of the return.

The preparer required to sign the return MUST complete the required preparer information and:

- Sign it, by hand, in the space provided for the preparer's signature. (Signature stamps or labels are not acceptable.)
- Give a copy of the tax return to the taxpayer in addition to the copy filed with IRS.

Tax return preparers should be familiar with their responsibilities. See Publication 1045, Information and Order Blanks for Preparers of Federal Income Tax Returns, for more details.

C. Filing and Paying the Tax

1. Accounting

Accounting methods.—Taxable income must be computed using the method of accounting regularly used in keeping the corporation's books and records. In all cases, the method adopted must clearly reflect taxable income. (See section 446.)

Generally, corporations engaged in farming operations must use the accrual method of accounting. See section 447 for exceptions.

Unless the law specifically permits otherwise, the corporation may change the method of accounting used to report taxable income in earlier years (for income as a whole or for any material item) only by first getting consent on Form 3115, Application for Change in Accounting Method. Also see Publication 538, Accounting Periods and Methods.

Change in accounting period.—Before changing an accounting period, the Commissioner's approval must be obtained (Regulations section 1.442-1) by filing Form 1128, Application for Change in Accounting Period. Also see Publication 538.

2. Rounding Off To

Whole-Dollar Amounts

The corporation may show the money items on the return and accompanying schedules as whole-dollar amounts. To do so, drop any amount less than 50 cents and increase any amount from 50 cents through 99 cents to the next higher dollar.

3. Depository Method of Tax Payment

The corporation must pay the tax due in full when the return is filed but no later than 2 1/2 months after the end of the tax year.

Deposit corporation income tax payments (and estimated tax payments) with a Federal Tax Deposit Coupon (Form 8109). Make these tax deposits with either a financial institution qualified as a

Depository for Federal taxes or the Federal Reserve Bank or Branch servicing the geographic area where the corporation is located. Do not submit deposits directly to an IRS office, otherwise the corporation may be subject to a 5% Federal Tax Deposit penalty. Records of deposits will be sent to IRS for crediting to the corporation's account. See the instructions contained in the coupon book (Form 8109) for more information.

To get more deposit coupons, use the reorder form (Form 8109A) provided in the coupon book.

For more information concerning deposits, see Publication 583, Information for Business Taxpayers.

4. Estimated Tax

A corporation must make estimated tax payments if it can expect its estimated tax (income tax minus credits) to be \$40 or more. Use Form 1120-W, Corporation Estimated Tax, as a worksheet to compute estimated tax. Use the Payment Coupons (Forms 8109) in making deposits of estimated tax.

If the corporation overpaid estimated tax, it may be able to get a "quick refund" by filing Form 4466, Corporation Application for Quick Refund of Overpayment of Estimated Tax. The overpayment must be both: (1) at least 10% of expected income tax liability, and (2) at least \$500. To apply, file Form 4466 within 2 1/2 months after the end of the tax year and before the corporation files its tax return.

5. Timing Change in Deducting Accrued Expenses

Generally, an accrual basis taxpayer can deduct accrued expenses in the tax year that all events have occurred that determine the liability and the amount of the liability can be figured with reasonable accuracy. However, generally all the events that establish liability for the amount are treated as occurring only when economic performance takes place. There are exceptions for recurring items. See section 461(h).

6. Rule of 78's Not an Acceptable Method of Figuring Interest

Taxpayers are reminded that generally, the Rule of 78's is not an acceptable method for computing interest income and expense. Anyone using the Rule of 78's should see Revenue Procedures 84-27, 84-28, 84-29 and 84-30, (which are in Cumulative Bulletin 1984-1) to change their method.

D. Penalties

Avoid penalties and interest by correctly filing and paying the tax when due. The corporation may have to pay the following penalties unless it can show that failure to file or to pay was due to reasonable cause and not willful neglect: (These penalties are in addition to the interest charge on unpaid tax that is figured at a rate that is determined under section 6621.)

• A corporation that fails to file its tax return when due (including any extensions of time for filing) may be subject to a penalty of 5% a month or fraction of a month, up to a maximum of 25%, for each month the return is not filed. (The penalty is imposed on the net amount due.) The minimum penalty for failure to file a tax return within 60 days of the due date for filing (including extensions) is the lesser of the underpayment of tax or \$100.

• A corporation that fails to pay the tax when due may be subject to a penalty of ½% a month or fraction of a month, up to a maximum of 25%, for each month the tax is not paid. (The penalty is imposed on the net amount due.)

• A corporation that fails to pay the proper estimated tax when due may be subject to an underpayment penalty for the period of underpayment. To avoid the estimated tax penalty, the amount of estimated tax payments required by a corporation is 90%. See sections 6655(b)(1) and (d)(3).

Underpaid estimated tax.—If the corporation underpaid estimated tax, attach Form 2220, Underpayment of Estimated Tax by Corporations, to show how the corporation figured the penalty or which exceptions the corporation believes it meets. Also be sure to check the box on line 33, Form 1120 or line 29, Form 1120-A. If the corporation owes a penalty, enter the amount of the penalty on this line.

Penalty for overstated tax deposits.—If deposits are overstated, the corporation may be subject to a penalty. See section 6656(b).

E. Other Forms, Returns, Schedules, and Statements That May Be Required

1. Forms

The corporation may have to file any of the following:

Forms W-2 and W-3. Wage and Tax Statement; and Transmittal of Income and Tax Statements.

Form W-2P. Statement for Recipients of Annuities, Pensions, Retired Pay, or IRA Payments.

Form 966. Corporate Dissolution or Liquidation.

Form 1096. Annual Summary and Transmittal of U.S. Information Returns.

(For transmitting Form 1099-R information, use Form W-3-G, Transmittal of Certain Information Returns.)

Form 1098. Mortgage Interest Statement. This form is used to report the receipt from any individual of \$600 or more of mortgage interest in the course of the corporation's trade or business for any calendar year after 1984.

Forms 1099-A, B, DIV, INT, MISC, OID, PATR, and R. Information returns for reporting abandonments, acquisitions through foreclosure, proceeds from brokers and barter exchange transactions, certain dividends and distributions, interest income, payments for certain fishing boat crew members, medical and dental health care payments, direct sales of consumer goods for resale, miscellaneous income payments, nonemployee compensation, original issue discount, patronage dividends, and total distributions from profit-sharing plans, retirement plans, and

individual retirement arrangements. Also use these returns to report amounts that were received as a nominee on behalf of another person.

For more information, see Publication 916, Information Returns.

Note: Every corporation must file information returns if it makes payments of rents, commissions, or other fixed or determinable income (see section 6041) totaling \$600 or more to any one person in the course of its trade or business during the calendar year.

Form 5452. Corporate Report of Nontaxable Dividends.

Form 5498. Individual Retirement Arrangement Information, is to be used to provide IRS with contribution information on individual retirement accounts, simplified employee pensions, and deductible voluntary employee contributions.

Form 5713. International Boycott Report, for persons having operations in or related to "boycotting" countries. In addition, persons who participate in or cooperate with an international boycott, may have to complete Schedule A or Schedule B and Schedule C of Form 5713 to compute their loss of the following items: the foreign tax credit, the deferral of earnings of a controlled foreign corporation, IC-DISC benefits, and FSC benefits.

Form 8264. Application for Registration of a Tax Shelter. Used by tax shelter organizers to register tax shelters with the IRS, for the purpose of receiving a tax shelter registration number.

Form 8271. Investor Reporting of Tax Shelter Registration Number. Used by taxpayers who have acquired an interest in a tax shelter, which is required to be registered, to report the tax shelter's registration number. Form 8271 must be attached to any tax return (including an application for tentative refund (Form 1139) and an amended return (Form 1120X)) on which a deduction, credit, loss, or other tax benefit attributable to a tax shelter, is taken.

Form 8300. Report of Cash Payments Over \$10,000 Received in a Trade or Business. Generally, this form is used to report the receipt of more than \$10,000 in cash or foreign currency in one transaction (or a series of related transactions).

2. Consolidated Return

The parent corporation of an affiliated group of corporations must attach Form 951, Affiliations Schedule, to the consolidated return. For the first year a consolidated return is filed, each subsidiary must attach Form 1122, Authorization and Consent of Subsidiary Corporation to be Included in a Consolidated Income Tax Return.

File supporting statements for each corporation included in the consolidated return. Use columns to show the following, both before and after adjustments:

- Items of gross income and deductions.
- A computation of taxable income.
- Balance sheets as of the beginning and end of the tax year.
- A reconciliation of retained earnings.
- A reconciliation of income per books with income per return.

Attach consolidated balance sheets and a reconciliation of consolidated retained earnings.

3. Real Estate Investment Trusts
Attach the appropriate schedules to Form 1120. See sections 856 through 860 for special rules.

4. Statements

Stock ownership in foreign corporations.—Attach the required statement to Form 1120 if the corporation owned 5% or more in value of the outstanding stock of a foreign personal holding company and the corporation was required to include in its gross income any undistributed foreign personal holding company income from a foreign personal holding company. See section 551(c).

A corporation that controls a foreign corporation, or that is a 10%-or-more shareholder of a controlled foreign corporation, or acquires, disposes or owns 5% or more ownership in the outstanding stock of a foreign corporation, may have to file Form 5471, Information Return with Respect to a Foreign Corporation.

A domestic corporation or a foreign corporation that is engaged in a trade or business in the United States and is controlled by a foreign person may have to file Form 5472, Information Return of a Foreign Owned Corporation.

Transfers to a corporation controlled by the transferor.—If a person receives stock or securities of a corporation in exchange for property, and no gain or loss is recognized under section 351, the person (transferor) and the transferee must attach to Form 1120 the information required by Regulations section 1.351-3.

Corporations that liquidate within one calendar month under section 333.—These corporations must attach to Form 1120 a computation of accumulated earnings and profits, including all items of income and expense accrued up to the date the transfer of all property is completed. Use the format in Rev. Proc. 75-17, 1975-1 C.B. 677.

5. Amended Return

Use Form 1120X, Amended U.S. Corporation Income Tax Return, to correct any error in a previously filed Form 1120 or Form 1120-A.

6. Financial Statements

Do not complete Schedules M-1 and M-2 (Form 1120 only) if the corporation's total assets at the end of the tax year (line 14, column (d) of Schedule L, Form 1120) are less than \$25,000.

A corporation that files Form 1120-A must complete all applicable lines of the Income Per Books with Income Per Return. The less than \$25,000 assets exception noted in the previous paragraph does not apply to Form 1120-A.

7. Attachments

Attach Form 4136, Computation of Credit for Federal Tax on Gasoline and Special Fuels, after page 4, Form 1120 or page 2, Form 1120-A. Attach schedules in alphabetical order and other forms in numerical order after the Form 4136.

In order to process the return we ask that you complete every applicable entry space on Form 1120. Please, do not attach statements and write "See attached" in lieu of completing the entry spaces on Form 1120.

If more space is needed on the forms or schedules, attach separate sheets indicating at the top of each attachment the form number or schedule letter of the form or schedule being continued. Also, show the same information called for on the form in the same order as on the printed forms. Be sure to show totals on the printed forms. Please use sheets that are the same size as the forms and schedules. Attach these separate sheets after all the schedules and forms. Also, put the corporation's name and employer identification number (EIN) on each sheet.

F. Additional Information

Be sure to answer questions H through P on page 3, Form 1120, or questions I through O on page 2, Form 1120-A. The instructions that follow are keyed to these questions.

1. Question I(2)(c), Form 1120 only

U.S. person.—The term "U.S. person" means:

1. A citizen or resident of the United States;
2. A domestic partnership;
3. A domestic corporation; or
4. Any estate or trust (other than a foreign estate or trust within the meaning of section 7701(a)(31)).

"Owner's country."—For individuals, is the owner's country of residence. For all others, it is the country where incorporated, organized, created, or administered.

2. Question L, Form 1120, and Question M, Form 1120-A

Foreign financial accounts.—Check the Yes box if either a. or b., below, applies to the corporation; otherwise, check the No box.

- a. At any time during the year the corporation had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account); AND
- The combined value of the accounts was more than \$5,000 at any time during the year; AND
- The account was NOT with a U.S. military banking facility operated by a U.S. financial institution.

b. The corporation owns more than 50% of the stock in any corporation that would answer the question "Yes" based on Item a above.

Get form TD F 90-22.1, Report of Foreign Bank and Financial Accounts, to use if the corporation is considered to have an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account).

If Yes is checked for this question, file form TD F 90-22.1 by June 30, 1986, with the Department of the Treasury at the address shown on the form. Form TD F 90-22.1 is not a tax return, so do not file it with the IRS.

Form TD F 90-22.1 may be obtained from many IRS offices.

Also, if Yes is checked for this question, write the name of the foreign country or countries. Attach a separate sheet if more space is needed.

Specific Instructions

Employer identification number. If the employer identification number (EIN) on the label is wrong or if the corporation did not receive a label, enter the correct number at the top of the return. Also, filers of Form 1120-A should enter their EIN at the top of page 2 of the return.

A corporation that does not have an EIN should apply for one on Form SS-4. Application for Employer Identification Number. This form may be obtained from most IRS and Social Security Administration offices. Send Form SS-4 to the same Internal Revenue Service Center to which Form 1120 or Form 1120-A is mailed. If the EIN has not been received by the filing time for the corporation return, write "Applied for" in the space for the EIN.

For more information concerning an EIN, see Publication 583.

Total Assets. Enter the total assets of the corporation. If there are no assets at the end of the tax year, enter the total assets as of the beginning of the tax year.

Income

Line 1

Gross receipts. Enter gross receipts or sales from all business operations except those that must be reported in lines 4 through 10. For reporting advance payments and long-term contracts, see Regulations sections 1.451-3 and 1.451-5.

If the installment method is used, enter on line 1 the gross profit on collections from installment sales, and carry the same amount to line 3. Attach a schedule showing the following for the current year and the 3 preceding years: a. gross sales, b. cost of goods sold, c. gross profits, d. percentage of gross profits to gross sales, e. amount collected, and f. gross profit on amount collected.

Line 2

Cost of goods sold and/or operations. Both Form 1120 and Form 1120-A filers must enter their cost of goods sold and/or operations on line 2, page 1, of their respective forms. However, a Form 1120 filer must also complete Schedule A on page 2 of the form.

While there is not a similar schedule on Form 1120-A to compute this entry, the following worksheet is provided to help in figuring this amount.

Note: If a corporation is using either Schedule A, Form 1120 or the following worksheet to figure cost of operations, where inventories are not an income-determining factor, it should do so by entering a zero on lines 1 and 6 of the schedule or worksheet.

Worksheet

1. Inventory at start of year (enter here and on page 2, Part II, line 3, Column (a), Form 1120-A)
2. Purchases (enter here and on page 2, Item L(1), Form 1120-A)
3. Cost of labor (enter here and include in total on page 2, Item L(2), Form 1120-A)
4. Other costs (enter here and include in total on page 2, Item L(2), Form 1120-A)
5. Subtotal—Add lines 1 through 4
6. Inventory at end of year (enter here and on page 2, Part II, line 3, Column (b), Form 1120-A)
7. Total—Line 5 less line 6 (enter here and on page 1, line 2, Form 1120-A)

Inventory valuation methods. Inventories can be valued at: 1. cost; 2. cost or market value (whichever is lower); or 3. any other method that is approved by the Commissioner of Internal Revenue and that conforms to the provisions of the applicable regulations cited below.

Taxpayers using erroneous valuation methods must change to a method permitted for Federal income tax purposes. Such change should be made by filing Form 3115. For more information about the change, see Regulations section 1.461-1(e)(3) and Rev. Proc. 84-74, 1984-2 C.B. 738.

In line 8a of Schedule A, Form 1120 only, check the method(s) used for valuing inventories. Under "lower of cost or market," market generally applies to normal market conditions where there is a current bid price prevailing at the date the inventory is valued. When no regular open market exists or when quotations are nominal because of inactive market conditions, use fair market prices from the most reliable sales or purchase transactions that occurred near the date the inventory is valued. For more requirements, see Regulations section 1.471-4.

Inventory may be valued below cost when the merchandise is 1. unsalable at normal prices or 2. unusable in the normal way because the goods are "subnormal" (that is because of damage, imperfections, shop wear, etc.) within the meaning of Regulations section 1.471-2(c). Such goods may be valued at a current bona fide selling price minus direct cost of disposition (but not less than scrap value) if such a price can be established. See Regulations section 1.471-2(c) for more requirements.

If this is the first year the "Last-in First-out" (LIFO) inventory method was either adopted or extended to inventory goods not previously valued under the LIFO method provided in section 472, attach Form 970, Application To Use LIFO Inventory Method, or a statement with the information required by Form 970. Also check the LIFO box in line 8b of Schedule A, Form 1120 only. Enter the amount or percent of total closing inventories covered under section 472 in line 8c. Estimates are acceptable.

If the corporation changed or extended its inventory method to LIFO and had to "writeup" its opening inventory to cost in the year of election, report the effect of this writeup as income (line 10, page 1) proportionately over a 3-year period that begins in the tax year you made this election. (Section 472(d).)

Full absorption method of inventory costing. For a corporation engaged in manufacturing or production operations, use the full absorption method of inventory costing. If the corporation is not using the full absorption method, it must change to it. Under this method, both direct and certain indirect production costs are included for inventory valuation purposes. Change to full absorption by filing Form 3115. For more details, see: Rev. Proc. 75-40, 1975-2 C.B. 571; Regulations section 1.471-11; and Rev. Rul. 81-272, 1981-2 C. B. 116.

Line 4 Dividends

Form 1120-A filers.—Because Form 1120-A can be filed by corporations that only received dividends from domestic corporations (which are not from debt-financed stock) which qualify for the 85% dividends-received deduction, they should enter the total of those dividends on line 4, page 1, Form 1120-A.

Form 1120 filers.—See the instructions for Schedule C, Form 1120.

Line 5 Interest

Enter interest on U.S. obligations and on loans, notes, mortgages, bonds, bank deposits, corporate bonds, tax refunds, etc. Do not offset interest income against interest expense.

Line 6 Gross rents

Enter the gross amount received for the rent of property. Deduct expenses such as repairs, interest, taxes, and depreciation in the proper lines for deductions.

Line 8 Capital gain net income

Every sale or exchange of a capital asset must be reported in detail on Schedule D (Form 1120), Capital Gains and Losses, even though no gain or loss is indicated.

If the net long-term capital gain is more than the net short-term capital loss, or if there is only a net long-term capital gain, compute the alternative tax to see if it produces a smaller tax.

Line 9 Net gain or (loss)

Enter the net gain or (loss) from Form 4797, Gains and Losses From Sales or Exchanges of Assets Used in a Trade or Business and Involuntary Conversions, line 17, Part II.

Line 10 Other income

Enter any other taxable income not listed above, and explain its nature on an attached schedule. Examples of other income are recoveries of bad debts deducted in prior years under the specific charge-off method; the amount of credit for alcohol used as fuel (determined without regard to the limitation based on tax) that was entered on Form 6478, Credit for Alcohol Used as Fuel; and refunds of taxes deducted in prior years to the extent it reduced income subject to tax in the year deducted (see section 111). Do not offset current year's taxes with tax refunds. If "other income" consists of only one item, explain what it is in parentheses on line 10.

Deductions

Limitations on deductions.—

1. Transactions between related taxpayers. Generally, an accrual basis taxpayer may only deduct business expenses and interest owed to a related party in the year the payment is included in the income of the related party. See section 267 for limitation on deductions for unpaid expenses and interest.

2. Limitation on deductions for tax preference items. Corporations may be required to reduce deductions for the following tax preference items by 20% except where noted:

- Depletion of iron ore and coal (including lignite) (15%);
- Section 1250 capital gain;
- Amortizable basis of pollution control facilities (15% for property placed in service before January 1, 1985);
- Intangible drilling, and exploration and development costs; and
- Bad debt deductions for financial institutions.

3. Real property construction period interest and taxes. For construction started after 1982, no deduction (except as allowed under section 189(d)) shall be allowed for real property construction period interest and taxes. See section 189.

4. Golden parachute payments. A portion of the payments made by a corporation to key personnel that exceeds their usual compensation may not be deductible. This occurs when the corporation has an agreement (golden parachute) with these key employees to pay them these excessive amounts if control of the corporation changes. See section 280G.

5. Business start-up expenses are required to be capitalized unless an election is made to amortize over a period of 60 months. See section 195.

Line 12 Compensation of officers

Besides entering the total officer's compensation on line 12, Form 1120 filers must complete Schedule E on page 2 if their total receipts (line 1a, plus lines 4 through 10, of page 1, Form 1120) are \$150,000 or more.

Complete Schedule E, columns (a) through (f), for all officers. The corporation determines who is an officer under the laws of the State where incorporated.

In a consolidated return, each member of an affiliated group must furnish this information.

Line 13 Salaries and wages

Enter on line 13a the amount of total salaries and wages paid or incurred for the tax year. Do not include salaries and wages deducted elsewhere on the return, such as contributions to a simplified employee pension.

Caution: If you provided taxable fringe benefits to your employees, such as personal use of a car, do not deduct as wages the amount allocated for depreciation and other expenses that you claimed on lines 20 and 26, Form 1120-A.

Enter on line 13b the amount of jobs credit from Form 5884, Jobs Credit.

Line 14 Repairs

Enter the cost of incidental repairs, such as labor and supplies, that do not add to the value of the property or appreciably prolong its life.

Line 15 Bad debts

Bad debts may be treated either:
1. As a deduction for debts that become worthless in whole or in part, or
2. As a deduction for a reasonable addition to a reserve for bad debts. (See section 166.)

Financial institutions should see section 291 for the limitation on the amount that may be deducted.

Use Form 3115 to apply for a change in the method of computing bad debts.

Line 17 Taxes

Enter taxes paid or accrued during the tax year, but do not include the following:

- Federal income taxes;
- Foreign or U.S. possession income taxes if a tax credit is claimed; or
- Taxes not imposed on the corporation.

See section 164(d) for apportionment of taxes on real property between seller and purchaser.

Line 18 Interest

Note: See section 1277 for rules on the deferral of the interest deduction that is allocable to accrued market discount on bonds acquired after July 18, 1984, and section 1282 for rules on the deferral of the interest deduction that is allocable to the accrued discount on certain short-term obligations acquired after July 18, 1984.

Do not include interest on indebtedness incurred or continued to purchase or carry obligations on which the interest is wholly exempt from income tax. (For exceptions, see section 265(2).)

Mutual savings banks, building and loan associations, and cooperative banks can deduct the amounts paid or credited to the accounts of depositors as dividends, interest, or earnings. (See section 591.)

Generally, a cash basis taxpayer cannot deduct prepaid interest allocable to years following the current tax year. For example, a cash basis calendar year taxpayer, who in 1985 prepaid interest allocable to any period after 1985, can deduct only the amount allocable to 1985. Please see Publication 545, Interest Expense.

Generally, the interest and carrying charges on straddles cannot be deducted and must be capitalized. See section 263(g).

Line 19 Contributions

Enter contributions or gifts actually paid within the tax year to or for the use of charitable and governmental organizations described in section 170(c) and any unused contributions carried over from prior years.

The total amount claimed may not be more than 10% of taxable income (line 30, Form 1120 or line 26, Form 1120-A) computed without regard to the following:

- Any deduction for contributions;
- The special deductions in line 29b, Form 1120 or line 25b, Form 1120-A;
- Deductions allowed under sections 249 and 250;
- Any net operating loss carryback to the tax year under section 172; and
- Any capital loss carryback to the tax year under section 1212(a)(1).

Charitable contributions over the 10% limitation may not be deducted for the tax year but may be carried over to the next 5 tax years.

A contribution carryover is not allowed, however, to the extent that it increases a net operating loss carryover. See section 170(d)(2)(B).

Corporations on the accrual basis may elect to deduct contributions paid by the 15th day of the 3d month after the end of the tax year if the contributions are authorized by the board of directors during the tax year. Attach to the return a declaration, signed by an officer, stating that the resolution authorizing the contributions was adopted by the board of directors during the tax year. Also attach a copy of the resolution.

If a contribution is in property other than money and the total claimed value of all property contributed exceeds \$500, corporations (except closely held and personal service corporations) shall attach a schedule describing the kind of property contributed and the method used in determining its fair market value.

Closely held corporations and personal service corporations must complete Form 8283, Noncash Charitable Contributions, and attach it to their returns.

Also, a corporation must keep records, as required by the regulations for section 170, for all of its charitable contributions.

If the corporation made a "qualified conservation contribution" under section 170(h), also include the fair market value of the underlying property before and after the donation, the type of legal interest contributed, and describe the conservation purpose furthered by the donation.

If a contribution carryover is included, show the amount and how it was determined.

Special rule for contributions of certain property. For a charitable contribution of property, the corporation must reduce the contribution by the sum of:

- The ordinary income, short-term capital gain that would have resulted if the property were sold at its fair market value; and
- For certain contributions, 60.87% of the long-term capital gain that would have resulted if the property were sold at its fair market value.

The reduction for 60.87% of the long-term capital gain applies to:

- Contributions of tangible personal property for use by an exempt organization for a purpose or function unrelated to the basis for its exemption; and

2. Contributions of any property (except stock for which market quotations are readily available—see section 170(e)(5)) to or for the use of certain private foundations. (See section 170(e) and Regulations section 1.170A-4.)

For special rules for contributions of inventory and other property to certain organizations, see section 170(e)(3) and Regulations section 1.170A-4A.

Charitable contributions of scientific property used for research. A corporation (other than a personal holding company or a service organization) can receive a larger deduction for contributing scientific property used for research to an institution of higher education. For further information, see section 170(e).

Line 20 Depreciation

Besides depreciation, include in line 20 the part of the cost (up to \$5,000) that the corporation elected to expense for certain recovery property placed in service during tax year 1985. See the instructions for Form 4562, Depreciation and Amortization.

Line 22, Form 1120 only Depletion

See sections 613 and 613A for percentage depletion rates applicable to natural deposits. Also, see section 291 for the limitation on the depletion deduction for iron ore and coal (including lignite).

Attach Form T (Timber), Forest Industries Schedules, if a deduction for depletion of timber is taken.

Line 24, Form 1120 only Pension, profit-sharing, etc., plans

Employers who maintain a pension, profit-sharing, or other funded deferred compensation plan whether or not qualified under the Internal Revenue Code and whether or not a deduction is claimed for the current tax year, generally are required to file one of the forms described below. There are penalties for failure to timely file these forms.

Form 5500.—Complete this form for each plan with 100 or more participants.

Form 5500-C or 5500-R.—Complete the applicable form for each plan with fewer than 100 participants.

Line 25, Form 1120 only Employee benefit programs

Enter the amount of contributions to employee benefit programs (for example, insurance, health and welfare programs) that are not an incidental part of a pension, profit-sharing, etc., plan included on line 24. Also include contributions to a qualified group legal services plan. See section 120(e) for termination of a qualified group legal services plan for tax years ending after December 31, 1985.

Line 26, Form 1120 and Line 22, Form 1120-A Other deductions

Include in this line the deduction taken for amortization of pollution control facilities, organization expenses, etc. See Form 4562.

A corporation may deduct dividends it pays in cash on stock held by an employee stock ownership plan or tax credit employee

stock ownership plan, that the corporation maintains. However, a deduction may only be taken if, according to the plan, the dividends are:

- Paid in cash directly to the plan participants; or
- Paid to the plan, which distributes them in cash to the plan participants no later than 90 days after the end of the plan year in which the dividends are paid. (See section 404(k).)

Generally, a deduction may not be taken for the amount of any item or part thereof allocable to a class of exempt income. (See section 265(2) for exceptions.)

Generally, a corporation can deduct all ordinary and necessary travel and entertainment expenses paid or incurred in its trade or business. However, it cannot deduct an expense paid or incurred for a facility (such as a yacht or hunting lodge) that is used for an activity that is usually considered entertainment, amusement, or recreation. (Note: The corporation may be able to deduct the expense if the amount is treated as compensation and reported on Form W-2 for an employee or on Form 1099-MISC for an independent contractor.)

See Publication 463, Travel, Entertainment, and Gift Expenses, for more details.

Note: Do not deduct penalties imposed on corporations such as those included in General Instruction D.

Form 1120-A filers.—These filers should also include on line 22 of Form 1120-A the expenses described above for lines 22, 24, and 25 of Form 1120 and any other deductible expense not discussed above.

Line 28, Form 1120 and Line 24, Form 1120-A Taxable income before NOL deduction and special deductions

Special "at risk" rules under section 465 generally apply to closely held corporations engaged in any activity as a trade or business or for the production of income. Such corporations may have to adjust the amount on line 28, Form 1120 or line 24, Form 1120-A. See below. However, the "at risk" rules do not apply to: 1. holding real property other than mineral property; 2. equipment leasing under sections 465(c)(4), (5), and (6); and 3. any qualifying business of a qualified corporation under section 465(c)(7).

Personal service corporations. Adjust the amount on this line for section 465(d) losses. These losses are limited to the amount for which such corporation is "at risk" for each separate activity at the close of the tax year. A corporation involved in more than one activity that incurs a loss for the year, should report each loss separately and file Form 6198, Computation of Deductible Loss From an Activity Described in Section 465(c), for each "at risk" activity.

If the corporation sells or otherwise disposes of an asset or its interest (either total or partial) in an activity to which the "at risk" rules apply, determine the net profit or loss from the activity by combining the gain or loss on the sale or disposition with the profit or loss from the activity. If the corporation has a net loss, it may be limited because of the "at risk" rules.

Treat any loss from an activity not allowed for the tax year as a deduction allocable to the activity in the next tax year.

Personal holding companies. For the amount to enter on line 28, Form 1120 only, see Schedule PH (Form 1120), Computation of U.S. Personal Holding Company Tax, Specific Instructions for Line 1, regarding section 465 losses.

Line 29a, Form 1120 and Line 25a, Form 1120-A

Net operating loss deduction

The "net operating loss deduction" is the amount of the net operating loss carryovers and carrybacks that can be deducted in the tax year. See section 172(a). If this deduction is taken, explain its computation on an attached schedule.

Generally, a corporation may carry a net operating loss back to each of the 3 years preceding the year of the loss and carry it over to each of the 15 years following the year of the loss. A corporation may carry back 10 years the part of the net operating loss attributable to a product liability loss. (See section 172(b)(1)(i)). There is also an available election to carry a net operating loss over to just each of the 15 years following the year of the loss. The election may be made by attaching a statement to a return that is filed on time (including extensions). The election is irrevocable.

After applying the net operating loss to the first tax year to which it may be carried, the portion of the loss the corporation may carry to each of the remaining tax years is the excess, if any, of the loss over the sum of the modified taxable income for each of the prior tax years to which the corporation may carry the loss. (See section 172(b).)

If there is a carryback of a net operating loss, net capital loss, an unused investment credit, unused alcohol fuel credit, unused research credit, unused alcohol fuel credit, unused employee stock ownership plan credit, or for tax years beginning after 1983, an unused general business credit, file Form 1139, Corporation Application for Tentative Refund, within 12 months after the close of the tax year for a "quick refund" of taxes. (See section 6411.)

See section 172 for special rules, limitations, and definitions pertaining to net operating loss carrybacks and carryovers. Also see Publication 536, Net Operating Losses and the At-Risk Limits.

Line 29b, Form 1120 and Line 25b, Form 1120-A

Special deductions

Form 1120 filers.— See the instructions for Line 6, Column (c) under Schedule C, Form 1120.

Form 1120-A filers.— Generally, enter 85% of line 4, page 1, on line 25b. However, this deduction may not be more than 85% of line 24, page 1. For this purpose, compute line 24 without regard to any adjustment under section 1059, and without regard to any capital loss carryback to the tax year under section 1212(a)(1).

In a year in which a net operating loss occurs, this 85% limitation does not apply even if the loss is created by the dividends-received deduction. (See sections 172(d) and 246(b).)

Line 32e, Form 1120 and Line 28e, Form 1120-A

Credit for overpaid windfall profit tax
A corporation that has overpaid its windfall profit tax may claim a credit on its income tax return. Use Form 6249, Computation of Overpaid Windfall Profit Tax, to figure the credit. Include the amount of the credit in the total for this line. Write in the margin, next to the entry on this line, the amount of the credit and identify it as "Overpaid Windfall Profit Tax."

Schedule C, Form 1120 only

Dividends and Special Deductions

Line 1, Column (a)

Enter dividends (except those received on debt-financed stock acquired after July 18, 1984—see section 246A and line 2, column (a)) that are received from domestic corporations subject to income tax and that are subject to the 85% deduction under section 243(a)(1). Include on this line taxable distributions from an IC-DISC or former DISC that are designated as being eligible for the 85% deduction and after 1984, certain dividends of Federal Home Loan Banks (see section 246(a)(2)).

Small business investment companies must enter dividends received from domestic corporations subject to income tax even though a deduction is allowed for the entire amount of such dividends in line 1, column (c). For dividends received from a regulated investment company, see section 854 for the amount subject to the 85% deduction.

So-called dividends or earnings received from mutual savings banks, etc., are really interest. Do not treat them as dividends.

Line 2, Column (a)

Enter dividends on debt-financed stock (acquired after July 18, 1984) that are received from domestic corporations subject to income tax and that would otherwise be subject to the 85% dividends-received deduction under section 243(a)(1). Generally, debt-financed stock is stock that the corporation acquired, and, in doing so, incurred a debt (for example, it borrowed money to buy the stock). See the instructions for lines 1, 2, 3, 4, and 5, Column (c), below, as well as section 246A to figure the dividends-received deduction for this stock.

Line 3, Column (a)

Enter dividends received on the preferred stock of a public utility that is subject to income tax and is allowed the deduction provided in section 247 for dividends paid.

Line 4, Column (a)

Enter dividends that are received from foreign corporations and that qualify for the 85% deduction provided in section 245(a).

Line 5, Column (a)

Enter dividends that are received from wholly-owned foreign subsidiaries and FSCs, and that are eligible for the 100% deduction provided in sections 245(b) and (c), respectively.

In general, the deduction under section 245(b) applies to dividends paid out of the earnings and profits of a foreign corporation for a tax year during which:

1. All of its outstanding stock is owned (directly or indirectly) by the domestic corporation receiving the dividends, and
2. All of its gross income from all sources is effectively connected with the conduct of a trade or business within the U.S.

Lines 1, 2, 3, 4, and 5, Column (c)

Dividends received on debt-financed stock that are reported on line 2, column (a) are not entitled to the full 85% dividends-received deduction. Instead, the 85% deduction is reduced by a percentage that is related to the amount of debt incurred to acquire the stock. See section 246A. A schedule showing how the dividends-received deduction on debt-financed stock (amount on line 2, column (c)) was figured must be attached to Form 1120.

A small business investment company operating under the Small Business Investment Act of 1958 may deduct 100% of dividends received from domestic corporations subject to income tax. (Section 243(a)(2).)

No deduction is allowed under section 243 for a dividend from an IC-DISC or former DISC (as defined in section 992(a)) to the extent the dividend:

1. Is paid out of the corporation's accumulated IC-DISC income or previously taxed income, or
2. Is a deemed distribution under section 995 (b)(1).

In general, no dividends-received deduction will be allowed on any share of stock:

1. That is disposed of if the corporation held it 45 days or less, or
2. To the extent the corporation is under an obligation to make related payments for substantially similar or related property.

Line 6, Column (c)

Limitation on dividends-received deduction. Line 6 of column (c) may not be more than 85% of the difference between line 28 (Form 1120) without regard to any adjustment under section 1059, and without regard to any capital loss carryback to the tax year under section 1212(a)(1).

In a year in which a net operating loss occurs, this 85% limitation does not apply even if the loss is created by the dividends-received deduction. (See sections 172(d) and 246(b).)

For a small business investment company, the dividends-received deduction of 100% included in line 6 of column (c) is not subject to the overall 85% limitation. The 100% dividends-received deduction under section 245(c)(1) for dividends received from a FSC included in line 6 of column (c) is not subject to the overall 85% limitation.

Financial institutions should see section 596 for the special limitation on the dividends-received deduction.

Line 7, Columns (a) and (c)

Enter only those dividends that are subject to the elective provisions of section 243(b) and that are entitled to the 100%

dividends-received deduction under section 243(a)(3). Corporations making this election are subject to the provisions of section 1561.

Line 8, Column (a)

Enter foreign dividends not reportable on lines 4 and 5 of column (a). Exclude distributions of amounts constructively taxed in the current year or in prior years under subpart F (sections 951 through 964).

Line 9, Column (a)

Include income constructively received from controlled foreign corporations under subpart F. This amount should equal the total of amounts reported on Schedule J, Form(s) 5471.

Line 10, Column (a)

Include gross-up for taxes deemed paid under sections 902 and 960.

Line 11, Column (a)

Enter taxable distributions from an IC-DISC or former DISC that are designated as not being eligible for the 85% deduction.

Line 12, Column (a)

Include the following:

1. Dividends (other than capital gain dividends and exempt interest dividends) that are received from regulated investment companies and that are not subject to the 85% deduction.
2. Dividends from tax-exempt organizations.
3. Dividends (other than capital gain dividends) received from a real estate investment trust which, for the tax year of the trust in which the dividends are paid, qualify under sections 856 through 860.
4. Dividends not eligible for a dividends-received deduction because of the holding period of the stock or an obligation to make corresponding payments with respect to similar stock.
5. Any other taxable dividend income not properly reported above (including distributions under section 934(e)(3) or 936(h)(4)). If patronage dividends or per-unit retain allocations are included in Schedule C, line 12, column (a), identify the total of these amounts in a schedule attached to Form 1120.

Line 13, Column (c)

Deduction for dividends paid on certain preferred stock of public utilities. Section 247 allows public utilities a deduction of 30.435% of the lesser of:

1. Dividends paid on their preferred stock during the tax year, or
2. Taxable income computed without regard to this deduction.

In a year in which a net operating loss occurs, compute the deduction without regard to section 247(a)(1)(B). (See section 172(d).)

Tax Computation

A corporation that files Form 1120-A or Form 1120 will compute its tax on its taxable income as follows (members of a

controlled group should see the instructions below for Lines 1 and 2 under heading B.):

If its taxable income (line 30, Form 1120, or line 26, Form 1120-A) on page 1 is:		Its tax is:		Of the amount over—	
Over—	But not over—				
0	\$25,000		15%		0
\$25,000	50,000	\$3,750 + 18%		\$25,000	
50,000	75,000	8,250 + 30%		50,000	
75,000	100,000	15,750 + 40%		75,000	
100,000		25,750 + 46%		100,000	

Additional Tax. If a corporation's taxable income exceeds \$1,000,000, the total tax imposed under section 11 (see the table above) is increased by the lesser of: 5% of the excess over \$1,000,000, or \$20,250.

Alternative Tax. If the alternative tax does not apply, enter on line 1, Part I, Form 1120-A, or line 3, Schedule J, Form 1120, the amount computed above. If the alternative tax applies, see Schedule D (Form 1120).

(Personal holding companies—see instructions for line 7, Schedule J, Form 1120, before figuring tax. Note: Generally, personal holding companies that qualify as regulated investment companies are taxed at the highest corporate rate (46%) on their undistributed taxable income (see section 852).)

A. Form 1120-A, Part I, Page 2 Line 2

General business credit. This credit is made up of the sum of the following credits:

Investment credit. If the corporation invested in certain types of trade or business property, or qualified energy property, it may be able to take the investment credit, or the energy investment credit, or both credits. Use Form 3468, Computation of Investment Credit, to figure these credits.

Jobs credit. The jobs credit, if elected, is allowed for hiring members of targeted groups during the tax year. See Form 5884, Jobs Credit, for definitions, special rules, and limitations. Also see Publication 906, Jobs and Research Credits.

Do not take an expense deduction for the part of the wages or salaries paid or incurred which is equal to the amount of the jobs credit (determined without regard to the limitation based on the tax (section 38(c))).

Any WIN credit carryover is claimed on Form 3800, General Business Credit. See the instructions for Form 3800 for more information.

Alcohol fuel credit. A corporation may be able to take a credit for alcohol used as fuel. Use Form 6478, Credit for Alcohol Used As Fuel, to figure the credit.

Employee stock ownership plan credit. Corporations may take a tax credit equal to the value of employer stock (or the amount of cash used to buy stock) that they contribute to a tax credit employee stock ownership plan (ESOP). See Form 8007, Credit for Employee Stock Ownership Plan, for definitions, limitations and the computation of the credit.

Form 3800. Enter on the appropriate line of the corporate tax return the amount of the credit from Form 3800, General Business Credit, and check the boxes indicating which forms are attached to the return. If the corporation is claiming only one of the above credits, DO NOT complete Form 3800. Instead, check the appropriate box and attach the form for which the credit is being taken. However, if the corporation has a carryforward or carryback of any of these credits, it must use Form 3800.

Line 4

Tax from recomputing prior-year investment credit. If property is disposed of or ceases to be qualified property before the end of the life-years used in computing the regular or energy investment credit, there may be a recapture of the credit. See Form 4255, Recapture of Investment Credit.

Line 5

Minimum tax. Attach Form 4626, Computation of Minimum Tax-Corporations, if the corporation has tax preference items in excess of \$10,000, OR if there is any minimum tax liability deferred from a prior tax year.

B. Form 1120, Schedule J Lines 1 and 2

Members of a controlled group, as defined in section 1563, are entitled to only one \$25,000 amount in each taxable income bracket.

When a controlled group adopts or later amends an apportionment plan, each member must attach to its tax return a copy of its consent to this plan. The copy (or an attached statement) must show the part of the \$25,000 amount in each taxable income bracket apportioned to that member. There are other requirements as well. See Regulations section 1.1561-3(b) for them and for the time and manner of making the consent.

Note. Members of a controlled group of corporations are treated as one corporation for purposes of figuring the applicability of the additional tax that must be paid by corporations with taxable income in excess of \$1,000,000. If the additional tax applies, each member of the controlled group will pay that tax based on the portion of the \$25,000 amount that is used in each taxable income bracket to reduce that member's tax. (See section 1561(a).) Each member of the group must attach to its tax return a schedule that shows the taxable income of the entire group as well as how its portion of the additional tax was figured.

Equal Apportionment Plan. If no apportionment plan is adopted, the members of the controlled group must divide the \$25,000 in each taxable income bracket equally among themselves. For example, controlled group AB consists of corporation A and corporation B. They do not elect an apportionment plan. Therefore, corporation A is entitled to \$12,500 (one-half of \$25,000) in each taxable income bracket. Corporation B is also entitled to \$12,500 in each taxable income bracket. **Unequal Apportionment Plan.** Members of a controlled group may elect an unequal apportionment plan and divide the \$25,000

in each taxable income bracket as they wish. There is no need for consistency between taxable income brackets. Any member of the controlled group may be entitled to all, some, or none of the \$25,000 in a taxable income bracket. (But the total amount for all members of the controlled group cannot be more than \$25,000 in any taxable income bracket.)

Each member of a controlled group must compute the tax as follows:

1. Enter taxable income (line 30, page 1, Form 1120)
2. Enter line 1 or the corporation's portion of the first \$25,000 taxable income bracket, whichever is less
3. Subtract line 2 from line 1
4. Enter line 3 or the corporation's portion of the second \$25,000 taxable income bracket, whichever is less
5. Subtract line 4 from line 3
6. Enter line 5 or the corporation's portion of the third \$25,000 taxable income bracket, whichever is less
7. Subtract line 6 from line 5
8. Enter line 7 or the corporation's portion of the fourth \$25,000 taxable income bracket, whichever is less
9. Subtract line 8 from line 7
10. 15% of line 2
11. 18% of line 4
12. 30% of line 6
13. 40% of line 8
14. 46% of line 9
15. If the taxable income (line 1 above) of the controlled group exceeds \$1,000,000, enter the portion of the lesser of: 5% of the excess over \$1,000,000, or \$20,250, that this member must pay
16. Total of lines 10 through 15. Enter this amount on line 3 of Form 1120, Schedule J

Note: If the alternative tax applies, do the following:

1. Complete lines 1 and 2 of Schedule J;
2. On line 1 above, instead of entering amount from line 30, page 1, Form 1120, enter amount from line 14, Schedule D;
3. Complete lines 2 through 16 above; and
4. Enter amount from line 16 above on line 15 of Schedule D and complete balance of Schedule D.

Line 3

Bank Holding Companies. Section 6158 provides that a bank holding company may elect to pay in installments the tax attributable to the sale of certain assets whose divestiture is certified by the Board of Governors of the Federal Reserve System. If the bank holding company chooses this election, attach a statement showing the tax computation and the amount of the installment paid with this return. Also, in the right hand margin next to line 3, Schedule J, enter the amount of the installment payment followed by the words "computed under section 6158." If an election under section 1103(g) or (h) applies, enter the words "section 1103(g) election" or "section 1103(h) election," as the case may be.

Mutual savings bank conducting life insurance business. The tax under section 594 consists of the sum of: 1. a partial tax computed on Form 1120 on the taxable income of the bank determined without regard to income or deductions allocable to the life insurance department, and 2. a partial tax on the taxable income computed on Form 1120L of the life insurance department. Enter the combined tax on line 3 of Schedule J, Form 1120. Attach Form 1120L as a schedule and identify it as such.

Line 4a

Foreign tax credit. See Form 1118, Computation of Foreign Tax Credit-Corporations, for an explanation of when a corporation can take this credit for payment of income tax to a foreign country.

Line 4b

Possessions tax credit. See Form 5712, Election To Be Treated as a Possessions Corporation Under Section 936, for rules on how to elect to claim the possessions tax credit (section 936). Compute the credit on Form 5735, Computation of Possessions Corporation Tax Credit Allowed Under Section 936.

Line 4c

Orphan drug credit. See section 28 and Form 6765, Credit for Increasing Research Activities (or for claiming the orphan drug credit), for an explanation of when a corporation can take this credit as well as how it is figured.

Line 4d

Credit for fuel produced from a nonconventional source. A credit is allowed for the sale of qualified fuels produced from a nonconventional source. Section 29 contains a definition of qualified fuels, provisions for figuring the credit, and other special rules. Attach a separate schedule to the return showing the computation of the credit.

Line 4e

Research credit. Certain amounts paid or incurred for increasing qualified research expenses in carrying on a trade or business are allowed as a credit. Use Form 6765, to figure the credit.

Line 4f

General business credit. See the earlier instructions for Form 1120-A, Line 2 under the heading, Tax Computation.

Line 7

Personal holding company tax. A corporation is taxed as a personal holding company under section 542 if:

- At least 60% of its adjusted ordinary gross income, defined in section 543(b)(2), for the tax year is personal holding company income as defined in section 543(a), and
- At any time during the last half of the tax year more than 50% in value of its outstanding stock is owned, directly or indirectly, by not more than 5 individuals.

Use Schedule PH (Form 1120), Computation of U.S. Personal Holding Company Tax, to figure this tax.

Note: Generally, personal holding companies that qualify as regulated investment companies are taxed at the highest corporate rate (46%) on their undistributed taxable income (see section 852).

Line 8

Tax from recomputing prior-year investment credit. See the earlier instructions for Form 1120-A, Line 4, under the heading Tax Computation.

Line 9

Minimum Tax. See the earlier instructions for Form 1120-A, Line 5, under the heading Tax Computation.

Line 10

Real estate investment trust excise tax. An excise tax is imposed on certain real estate investment trust taxable income not distributed during the tax year (section 4981). Attach a copy of the tax computation and include the amount of tax in the total for line 10, Schedule J, Form 1120. Write in the margin, next to the entry on line 10, the amount of the tax and identify it as "section 4981 tax."

Schedule M-2 (Form 1120 only) Unappropriated Retained Earnings

Line 5

Distributions under the Bank Holding Company Act. If an election under section 1103(g) or (h) applies to a section 1101 distribution, the bank holding company making the distribution must enter the words "section 1103(g) election" or "section 1103(h) election," as the case may be, in the right-hand margin next to line 5, Schedule M-2, Form 1120.

Codes for Principal Business Activity

These industry titles and definitions are based, in general, on the Standard Industrial Classification System authorized by Regulatory and Statistical Analysis Division, Office of Information and Regulatory Affairs, Office of Management and Budget, to classify enterprises by type of activity in which they are engaged.

Using the list below, enter on page 1, under C, the code number for the specific industry group from which the largest percentage of "total receipts" is derived. "Total receipts" means gross receipts (line 1a, page 1) plus all other income (lines 4 through 10, page 1).

On page 3, under J, Form 1120 or Items A and B, page 1, Form 1120-A, state the principal business activity and principal product or service that account for the largest percentage of total receipts. For example, if the principal business activity is "Grain mill products," the principal product or service may be "Cereal preparations."

If, as its principal business activity, the corporation (1) purchases raw materials, (2) subcontractors out for labor to make a finished product from the raw materials, and (3) retains title to the goods, the corporation is considered to be a manufacturer and must enter one of the codes (2010-3998) under "Manufacturing."

Agriculture, Forestry, and Fishing

0400 Agricultural production
0600 Agricultural services (except veterinarians), forestry, fishing, hunting, and trapping

Mining

1010 Metal mining
1010 Iron ores
1070 Copper, lead and zinc, gold and silver ores
1098 Other metal mining
1150 Coal mining
Oil and gas extraction
1330 Crude petroleum, natural gas, and natural gas liquids
1380 Oil and gas field services
Nonmetallic minerals, except fuels
1430 Dimension, crushed and broken stones; sand and gravel
1498 Other nonmetallic minerals, except fuels

Construction

General building contractors and operative builders
1510 General building contractors
1521 Operative builders
1600 Heavy construction contractors
Special trade contractors
1711 Plumbing, heating, and air conditioning
1731 Electrical work
1798 Other special trade contractors

Manufacturing

Food and kindred products
2010 Meat products
2020 Dairy products
2030 Preserved fruits and vegetables
2040 Grain mill products
2050 Bakery products
2060 Sugar and confectionary products
2081 Malt liquors and malt
2088 Alcoholic beverages, except malt liquors and malt
2089 Bottled soft drinks, and flavorings
2096 Other food and kindred products
2100 Tobacco manufacturers
Textile mill products
2228 Weaving mills and textile finishing
2250 Knitting mills
2298 Other textile mill products
Apparel and other textile products
2315 Men's and boys' clothing
2345 Women's and children's clothing
2388 Other apparel and accessories
2390 Miscellaneous fabricated textile products
Lumber and wood products
2415 Logging, sawmills, and planing mills
2430 Millwork, plywood, and related products
2498 Other wood products, including wood buildings and mobile homes
2500 Furniture and fixtures

Code

Paper and allied products
2625 Pulp, paper, and board mills
2699 Other paper products
Printing and publishing
2710 Newspapers
2720 Periodicals
2735 Books, greeting cards, and miscellaneous publishing
2799 Commercial and other printing, and printing trade services

Chemicals and allied products

2815 Industrial chemicals, plastics materials and synthetics
2830 Drugs
2840 Soap, cleaners, and toilet goods
2850 Paints and allied products
2898 Agricultural and other chemical products

Petroleum refining and related industries (including those integrated with extraction)
2910 Petroleum refining (including integrated)
2998 Other petroleum and coal products

Rubber and misc. plastics products
3050 Rubber products, plastics footwear, hose and belting
3070 Misc. plastics products

Leather and leather products
3140 Footwear, except rubber
3198 Other leather and leather products

Stone, clay, and glass products
3225 Glass products
3240 Cement, hydraulic
3270 Concrete, gypsum, and plaster products
3298 Other nonmetallic mineral products

Primary metal industries
3370 Ferrous metal industries; misc. primary metal products
3380 Nonferrous metal industries

Fabricated metal products
3410 Metal cans and shipping containers
3428 Cutlery, hand tools, and hardware; screw machine products, bolts, and similar products
3430 Plumbing and heating, except electric and warm air

3440 Fabricated structural metal products
3460 Metal forgings and stampings
3470 Coating, engraving, and allied services
3480 Ordnance and accessories, except vehicles and guided missiles
3490 Misc. fabricated metal products

Machinery, except electrical
3520 Farm machinery
3530 Construction and related machinery
3540 Metalworking machinery
3550 Special industry machinery
3560 General industrial machinery
3570 Office, computing, and accounting machines
3598 Other machinery except electrical

Code

Electrical and electronic equipment
3630 Household appliances
3665 Radio, television, and communication equipment
3670 Electronic components and accessories

3698 Other electrical equipment
3710 Motor vehicles and equipment
Transportation equipment, except motor vehicles

3725 Aircraft, guided missiles and parts
3730 Ship and boat building and repairing
3798 Other transportation equipment, except motor vehicles

Instruments and related products
3815 Scientific instruments and measuring devices; watches and clocks
3845 Optical, medical, and ophthalmic goods
3860 Photographic equipment and supplies
3998 Other manufacturing products

Transportation and Public Utilities

4000 Railroad transportation
4100 Local and interurban passenger transit
4200 Trucking and warehousing
4400 Water transportation
4500 Transportation by air
4600 Pipe lines, except natural gas
4700 Miscellaneous transportation services

Communication

4825 Telephone, telegraph, and other communication services
4910 Radio and television broadcasting
Electric, gas, and sanitary services
4920 Gas production and distribution
4930 Combination utility services
4990 Water supply and other sanitary services

Wholesale Trade

Durable
5008 Machinery, equipment, and supplies
5010 Motor vehicles and automotive equipment
5020 Furniture and home furnishings
5030 Lumber and construction

5040 Sporting, recreational, photographic, and hobby goods, toys and supplies
5050 Metals and minerals, except petroleum and scrap
5060 Electrical goods
5070 Hardware, plumbing and heating equipment and supplies
5098 Other durable goods

Non-durable

5110 Paper and paper products
5129 Drugs, drug proprietaries, and druggists' sundries
5130 Apparel, piece goods, and notions
5140 Groceries and related products
5150 Farm product raw materials
5160 Chemicals and allied products
5170 Petroleum and petroleum products
5180 Alcoholic beverages
5190 Misc. nondurable goods

Retail Trade

Building materials, garden supplies, and mobile home dealers
5220 Building materials dealers
5251 Hardware stores
5265 Garden supplies and mobile home dealers
5300 General merchandise stores
Food stores:
5410 Grocery stores
5490 Other food stores
Automotive dealers and service stations
5515 Motor vehicle dealers
5541 Gasoline service stations
5598 Other automotive dealers
5600 Apparel and accessory stores
5700 Furniture and home furnishings stores
5800 Eating and drinking places

Code

Misc. retail stores
5912 Drug stores and proprietary stores
5921 Liquor stores
5995 Other retail stores

Finance, Insurance, and Real Estate

Banking
6030 Mutual savings banks
6060 Bank holding companies
6090 Banks, except mutual savings banks and bank holding companies

Credit agencies other than banks
6120 Savings and loan associations
6140 Personal credit institutions
6150 Business credit institutions
6199 Other credit agencies
Security, commodity brokers and services
6210 Security brokers, dealers, and flotation companies

6299 Commodity contracts brokers and dealers; security and commodity exchanges; and allied services

Insurance

6355 Life insurance
6356 Mutual insurance, except life or marine and certain fire or flood insurance companies
6359 Other insurance companies
6411 Insurance agents, brokers, and service

Real estate

6511 Real estate operators and lessors of buildings
6516 Lessors of mining, oil, and similar property
6518 Lessors of railroad property and other real property
6530 Condominium management and cooperative housing associations
6550 Subdividers and developers
6599 Other real estate

Holding and other investment companies, except bank holding companies
6742 Regulated investment companies
6743 Real estate investment trusts
6744 Small business investment companies
6749 Other holding and investment companies except bank holding companies

Services

7000 Hotels and other lodging places
7200 Personal services
Business services
7310 Advertising
7389 Business services, except advertising

Auto repair; misc. repair services
7400 Auto repair and services
7600 Misc. repair services
Amusement and recreation services
7812 Motion picture production, distribution, and services
7830 Motion picture theaters
7900 Amusement and recreation services, except motion pictures

Other services

8015 Offices of physicians, including osteopathic physicians
8021 Offices of dentists
8040 Offices of other health practitioners
8050 Nursing and personal care facilities
8060 Hospitals
8071 Medical laboratories
8099 Other medical services
8111 Legal services
8200 Educational services
8300 Social services
8500 Membership organizations
8911 Architectural and engineering services
8930 Accounting, auditing, and bookkeeping
8980 Miscellaneous services (including veterinarians)

SCHEDULE D (Form 1120)

Capital Gains and Losses

OMB No. 1545-0123

To be filed with Forms 1120, 1120-A, 1120-IC-DISC, 1120F, 1120-FSC, 1120-H, 1120L, 1120M, 1120-POL, 990-C, and certain Forms 990-T

1985

Name Employer identification number

Part I Short-term Capital Gains and Losses—Assets Held Six Months or Less (one year or less if acquired before 6-23-84)

Table with 6 columns: (a) Kind of property and description, (b) Date acquired, (c) Date sold, (d) Gross sales price, (e) Cost or other basis, (f) Gain or (loss)

Summary rows for Part I: 2 Short-term capital gain from installment sales, 3 Unused capital loss carryover, 4 Net short-term capital gain or (loss)

Part II Long-term Capital Gains and Losses—Assets Held More Than Six Months (more than one year if acquired before 6-23-84)

Table with 6 columns: (a) Kind of property and description, (b) Date acquired, (c) Date sold, (d) Gross sales price, (e) Cost or other basis, (f) Gain or (loss)

Summary rows for Part II: 7 Long-term capital gain from installment sales, 8 Net long-term capital gain or (loss), 9 Enter excess of net short-term capital gain, 10 Net capital gain, 11 Total of lines 9 and 10

Part III Summary of Parts I and II

Part IV Alternative Tax Computation (Forms 1120-H and 1120-IC-DISC filers omit Part IV)

Table with 2 columns: Description, Amount. Rows include taxable income, net capital gain, partial tax, and alternative tax.

For Paperwork Reduction Act Notice, see page 1 of the Instructions for Forms 1120 and 1120-A. Schedule D (Form 1120) 1985

Instructions

(Section references are to the Internal Revenue Code.)

Purpose of Form

Schedule D should be used by a taxpayer who files either Forms 1120, 1120-A, 1120-IC-DISC, 1120F, 1120-FSC, 1120-H, 1120L, 1120M, 1120-POL, 990-C, or certain Forms 990-T...

If property is involuntarily converted because of a casualty or theft, use Form 4684, Casualties and Thefts.

Parts I and II

Generally, a corporation should report the sales and exchanges, including "like-kind" exchanges, even though there is no gain or loss.

In Part I report the sale or exchange of capital assets held six months or less (one year or less for acquisitions before June 23, 1984).

What are Capital Assets.—Each item of property the corporation held (whether or not connected with its trade or business) is a capital asset except:

- 1. Assets that can be inventoried or property held mainly for sale to customers.
2. Depreciable or real property used in the trade or business.
3. Certain copyrights, literary, musical, or artistic compositions, letters or memorandums, or similar property.
4. Accounts or notes receivable acquired in the ordinary course of trade or business...
5. A U.S. Government publication...

Exchange of "like-kind" property.—Report the exchange of "like-kind" property on Schedule D or on Form 4797, whichever applies.

If Schedule D is used, identify in column (a), the property disposed of. Enter the date it was acquired in column (b), and the date it was exchanged in column (c).

Special Rules for the Treatment of Certain Gains and Losses

Note: For more information, get Publication 544, Sales and Other Dispositions of Assets, and Publication 542, Tax Information on Corporations.

Gain and losses on section 1256 contracts and straddles.—Use Form 6781, Gains and Losses From Section 1256 Contracts and Straddles.

Gain or loss on certain short-term Federal, State, and municipal obligations.—Such obligations are treated as capital assets in determining gain or loss.

Gain from installment sales.—If property is sold at a gain this year and the corporation is to receive any payment in a later tax year, it must use the installment method and file Form 6252, Computation of Installment Sale Income.

However, the corporation may elect out of the installment method by doing the following on a timely filed return (including extensions):

- 1. Report the full amount of the sale on Schedule D.
2. If the corporation received a note or other obligation and is reporting it at less than face value (including all contingent obligations), state that fact in the margin and give the percentage of valuation.

Gain or loss on an option to buy or sell property.—See sections 1032 and 1234 for the rules that apply to a purchaser or grantor of an option.

Gain or loss from a short sale of property.—Report the gain or loss to the extent that the property used to close the short sale is considered a capital asset in the hands of the taxpayer.

Gains and losses of foreign corporations from the disposition of investment in United States real property.—Foreign corporations are required to report gains and losses from the disposition of U.S. real property interests.

Gains on certain insurance property.—Form 1120L filers with gains on property held on December 31, 1958, and certain substituted property acquired after 1958 should see section 818(c).

Loss from the sale or exchange of an insurance company's capital assets.—Report the loss if the assets were sold or exchanged to get funds to meet abnormal insurance losses.

Loss from securities that are capital assets that become worthless during the year.—Except for securities held by a bank, treat the loss as a capital loss as of the last day of the tax year.

Nonrecognition of gain on sale of stock in an ESOP.—See section 1042 for rules under which a taxpayer may elect not to recognize gain from the sale of certain stock to an employee stock ownership plan (ESOP).

Disposition of market discount bonds.—See section 1276 for rules on the disposition of any market discount bonds that were issued after July 18, 1984.

How to Determine the Cost or Other Basis of the Property

In determining gain or loss, the basis of property will generally be its cost (section 1012). The exceptions to the general rule are provided in sections contained in subchapters C, K, O, and P of the Code.

If the corporation is allowed a charitable contribution deduction because it sold property to a charitable organization, figure the adjusted basis for determining gain from the sale by dividing the amount realized by the fair market value and multiplying that result by the adjusted basis.

Capital Losses.—The amount of capital losses allowed may not be more than capital gains. A net capital loss may be carried back 3 years and forward 5 years as a short-term capital loss.

At risk limitations (section 465).—If the corporation sold or exchanged an asset used in an activity to which the at risk rules apply, combine the gain or loss on the sale or exchange with the profit or loss from the activity.

Part III—Summary of Parts I and II If the net long-term capital gain is more than the net short-term capital loss, there is a net capital gain. In that case, the corporation may want to complete Part IV to determine if the resulting alternative tax is less than the tax figured using the regular method.

Part IV—Alternative Tax Computation

Form 1120-H and 1120-IC-DISC filers omit Part IV. Form 1120L filers should see Form 1120L instructions before figuring the alternative tax.

In figuring the alternative tax, do not require deductions limited by the amount of taxable income (such as contributions and the special deductions in Schedule C of Form 1120).

If the alternative tax amount on line 17 is less than the tax figured by the regular method, enter the amount of alternative tax on Form 1120, Schedule J, line 3, or the proper line on other returns. Also check the box for Schedule D.

If there is a net capital gain, the corporation may be liable for minimum tax. See Form 4626, Computation of Minimum Tax—Corporations, for more information.

U.S. Income Tax Return of a Foreign Corporation

1985

Department of the Treasury Internal Revenue Service

tax year beginning

For calendar year 1985 or other 1985, and ending

19

Name, Employer identification number, Number and street, City or town, state and ZIP code, or country

Notes: Complete Section I to compute tax on income from U.S. sources that is NOT effectively connected with the conduct of a trade or business in the U.S.

A Country of incorporation, B Foreign country under whose laws the income reported on this return is subject to tax, C Date incorporated, D The corporation's books are in care of, E Were you at any time during the tax year engaged in a trade or business in the U.S., F At any time during the tax year, did you have a permanent establishment in the U.S. for purposes of applying section 894(b) and any applicable tax treaty between the U.S. and a foreign country?, G (1) Did you at the end of the tax year own, directly or indirectly, 50% or more of the voting stock of a U.S. corporation?, H Have you filed a U.S. income tax return for the preceding tax year?, I If you had an agent in the U.S. at any time during the year, Name, Address, J Are you a foreign personal holding company under section 552?, K Are you a personal holding company?, L Are you a controlled foreign corporation?

1 Tax from Section I (line 10, page 2), 2 Tax from Section II (line 8, Schedule J—Tax Computation, page 5), 3 Personal holding company tax (attach Schedule PH (Form 1120)), 4 Minimum tax (Form 4626), 5 TOTAL tax—Add lines 1 through 4, 6 Credits: a Overpayment from 1984 allowed as a credit, b 1985 estimated tax payments, c Less refund of 1985 estimated tax applied for on Form 4466, d Tax deposited with Form 7004, e Credit from regulated investment companies (attach Form 2439), f Federal tax on gasoline and special fuels (attach Form 4136), g U.S. income tax paid or withheld at the source (add line 11, page 2 and amount from Form 8288-A (attach Form 8288-A)), 7 Total (add lines 6a through 6g), 8 TAX DUE (subtract line 7 from line 5). See instruction C3 for method of payment, 9 OVERPAYMENT (subtract line 5 from line 7), 10 Enter amount of line 9 you want: Credited to 1986 estimated tax, Refunded

Please Sign Here, Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. Signature of officer, Date, Title, Preparer's signature, Date, Check if self-employed, Preparer's social security no., Firm's name (or yours, if self-employed) and address, E.I. No., ZIP code

For Paperwork Reduction Act Notice, see page 1 of the instructions.

SECTION I.—Income From U.S. Sources That is NOT Effectively Connected With the Conduct of a Trade or Business in the U.S.—See Instructions

If you are required to complete Section II or are using the form as a claim for refund of tax withheld at the source, include in this section ALL income from U.S. sources that is NOT effectively connected with the conduct of a trade or business in the U.S. Otherwise, you may include only those items of income on which the U.S. income tax was not fully paid at the source. The rate of tax on each item of income listed below is 30% unless limited by tax treaty. Fill in treaty rates where applicable.

Table with 5 columns: Name of treaty country, if any; Nature of income; Amount; Rate of tax (%); Amount of tax; Amount of U.S. income tax paid or withheld at the source. Rows include Interest, Dividends, Rents, Royalties, Annuities, Gains from disposal of timber, coal, or domestic iron ore, Gains from sale or exchange of patents, copyrights, etc., Fiduciary distributions, Other fixed or determinable annual or periodic income, 10 Total, 11 Total.

SECTION II.—Income Effectively Connected With the Conduct of a Trade or Business in the U.S.—See Instructions

IMPORTANT—Fill in all applicable lines and schedules. If you need more space, see instruction BB(d).

Income	1	a Gross receipts or sales \$	b Less returns and allowances \$	Balance ▶	1c	
	2	Cost of goods sold and/or operations (Schedule A)			2	
	3	Gross profit (subtract line 2 from line 1c)			3	
	4	Dividends (Schedule C, line 11)			4	
	5	Interest			5	
	6	Gross rents			6	
	7	Gross royalties			7	
	8	Capital gain net income (attach Schedule D (Form 1120))			8	
	9	Net gain or (loss) from line 17, Part II, Form 4797 (attach Form 4797)			9	
	10	Other income (see instructions—attach schedule)			10	
	11	TOTAL income—Add lines 3 through 10			11	
Deductions	12	Compensation of officers (Schedule E)			12	
	13	a Salaries and wages	b Less jobs credit	Balance ▶	13c	
	14	Repairs			14	
	15	Bad debts (Schedule F if reserve method is used)			15	
	16	Rents			16	
	17	Taxes			17	
	18	Interest			18	
	19	Contributions (see instructions for 10% limitation)			19	
	20	Depreciation (attach Form 4562)	20		20	
	21	Depreciation claimed in Schedule A and elsewhere on return	21		21	
	22	Balance (subtract line 21 from line 20)			22	
	23	Depletion			23	
	24	Advertising			24	
	25	Pension, profit-sharing, etc. plans (see instructions)			25	
	26	Employee benefit programs (see instructions)			26	
	27	Other deductions (total from page 5)			27	
	28	TOTAL deductions—Add lines 12 through 27 and enter here			28	
	29	Taxable income before net operating loss deduction and special deductions (subtract line 28 from line 11)			29	
	30	Less: a Net operating loss deduction (see instructions—attach schedule)	30a		30a	
	b Special deductions (Schedule C, line 12)	30b		30b		
31	Taxable income or (loss) (subtract line 30 from line 29)			31		

Schedule A.—Cost of Goods Sold and/or Operations (See Instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Other costs (attach schedule)	4	
5	Total—Add lines 1 through 4	5	
6	Inventory at end of year	6	
7	Cost of goods sold—Subtract line 6 from line 5. Enter here and on line 2, Section II	7	

8 a Check all methods used for valuing closing inventory:

- (i) Cost
- (ii) Lower of cost or market as described in regulations section 1.471-4 (see instructions)
- (iii) Writedown of "subnormal" goods as described in regulations section 1.471-2(c) (see instructions)
- (iv) Other (Specify method used and attach explanation) ▶

b Check if the LIFO inventory method was adopted this tax year for any goods

If checked, attach Form 970.

c If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO. Bc

d If you are engaged in manufacturing, did you value your inventory using the full absorption method (regulations section 1.471-11)? Yes No

e Was there any change in determining quantities, cost, or valuations between opening and closing inventory? Yes No
If "Yes," attach explanation.

Schedule C.—Dividends and Special Deductions (See Instructions)

	(a) Dividends Received	(b) %	(c) Special Deductions (Multiply (a) by (b))
1 Domestic corporations subject to the 85% deduction		85	
2 Debt-financed stock of domestic corporations		See Inst.	
3 Certain preferred stock of public utilities		59.13	
4 Foreign corporations subject to the 85% deduction		85	
5 Total—Add lines 1 through 4, column (c). See instructions for limitation			
6 Deduction for dividends paid on certain preferred stock of public utilities (see instructions)			
7 Other dividends from foreign corporations			
8 Foreign dividend gross-up (section 78)			
9 Taxable dividends from an IC-DISC or former DISC not included in line 1 and/or line 2 (section 246(d))			
10 Other dividends			
11 Total dividends—Add lines 1 through 10, column (a). Enter here and on line 4, Section II, page 3.			
12 Total special deductions—Add lines 5 and 6, column (c). Enter here and on line 30b, Section II, page 3.			

Schedule E.—Compensation of Officers. Complete Schedule E only if your total receipts (line 1a plus lines 4 through 10, of Section II, page 3) are \$150,000 or more. (See Instructions)

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	

Total compensation of officers—Enter here and on line 12, Section II, page 3.

Schedule F.—Bad Debts—Reserve Method (See Instructions)

(a) Year	(b) Trade notes and accounts receivable outstanding at end of year	(c) Sales on account	Amount added to reserve		(f) Amount charged against reserve	(g) Reserve for bad debts at end of year
			(d) Current year's provision	(e) Recoveries		
1980						
1981						
1982						
1983						
1984						
1985						

1985


 Department of the Treasury
Internal Revenue Service

Instructions for Form 1120F

U.S. Income Tax Return of a Foreign Corporation

(Section references are to the Internal Revenue Code, unless otherwise noted.)

Items You Should Note

New Reporting Requirements

All taxpayers claiming either a deduction or credit for automobiles and other "listed property" are required to complete the appropriate sections of Part III of Form 4562, Depreciation and Amortization.

Reduced Depreciation for Vehicles

For automobiles placed in service after April 2, 1985, the depreciation deduction for each vehicle, including any section 179 expense deduction, is limited to \$3,200 in the first year, and \$4,800 in each succeeding tax year. These limitations are further reduced if your business or investment use is less than 100%. See Form 4562 and instructions for limitations and details.

New Limitations for Investment Tax Credit

For an automobile leased or placed in service after April 2, 1985, the investment tax credit amount is limited to \$675. This amount is further limited to \$450 if the taxpayer elects not to decrease the basis for depreciation purposes. See Form 3468, Computation of Investment Credit, and instructions for limitations and details.

Paperwork Reduction Act Notice

We ask for the information to carry out the Internal Revenue laws of the United States. The information is used to ensure that taxpayers are complying with these laws and to allow us to figure and collect the correct amount of tax. You are required to give us this information.

General Instructions

A. Purpose of Form

Form 1120F is used to report a foreign corporation's income, deductions, credits, and tax to the United States. If a refund is due, Form 1120F may be used to claim it.

B. Filing the Return

1. Who Files Form 1120F.—Except for corporations described in instruction B2, every foreign corporation must file this form if, during the tax year, it did any of the following:

- Had income from any U.S. source.
- Engaged in a trade or business in the U.S., whether or not it had income from that trade or business.
- Had tax preference items, as described in section 57, that affect the corporation's computation of its unrelated business income.
- Overpaid income tax that it wants refunded.

The foreign corporation must file Form 1120F even if its income is tax-exempt under an income tax treaty or Code section.

The Mexican or Canadian branch of a U.S. mutual life insurance company must file Form 1120F on the same basis as a foreign corporation if the U.S. company elects to exclude the branch's income and expenses from its own gross income (section 814).

A receiver, assignee, or trustee in dissolution or bankruptcy must file Form 1120F if that person has or holds title to virtually all of a foreign corporation's property or business. Form 1120F is due whether or not the property or business is being operated.

An agent in the U.S. must file the return if the foreign corporation has no office or place of business in the U.S. when the return is due.

Consolidated returns.—In general, a foreign corporation cannot belong to an affiliated group of corporations that files a consolidated return. An exception is made for some Canadian and Mexican subsidiary corporations that are maintained solely to own and operate property under Canadian or Mexican law.

2. Who Does Not File Form 1120F.—A foreign corporation does not need to file Form 1120F in any of the following cases:

• It did not engage in a trade or business in the U.S. during the year, and its full U.S. tax was withheld at the source. In cases of overwithholding, see instruction D.

• It is a beneficiary of an estate or trust that engaged in a trade or business in the U.S., but would itself otherwise not need to file.

• It files Form 1120L, U.S. Life Insurance Company Income Tax Return, as a foreign life insurance company or Form 1120M, U.S. Mutual Insurance Company Income Tax Return, as a foreign mutual insurance company.

• It has filed Form 8279, Election To Be Treated as a FSC or as a Small FSC. These corporations must file Form 1120-FSC, U.S. Income Tax Return of a Foreign Sales Corporation.

3. Foreign Governments.—Foreign governments are generally not taxed on investment income from U.S. sources. Income from certain "commercial activities," however, is taxable. For rules, definitions, and examples, please see section 892 and regulations section 1.892-1.

4. Dispositions of U.S. Real Property Interest by a Foreign Corporation.—A foreign corporation that disposes of its U.S. real property interest must treat the gain or loss as income that is effectively connected with a U.S. trade or business, even if the

corporation is not otherwise engaged in a U.S. trade or business. This income must be reported in Section II of Form 1120F and must be reflected on Schedule D (Form 1120), Capital Gains and Losses.

If you have had income tax withheld on Form 8288-A, Statement of Withholding on Dispositions by Foreign Persons of U.S. Real Property Interests, include the amount withheld on that form as part of line 6g, page 1.

U.S. real property interest.—Generally, U.S. real property interest is an interest in real property located in the United States. See section 897 for further details.

5. When to File.—Corporations that do not maintain an office or place of business in the U.S. have until the 15th day of the 6th month after the end of their tax year to file Form 1120F. They may use Form 7004, Application for Automatic Extension of Time To File Corporation Income Tax Return, to request an automatic 6-month extension of time to file. However, this extension does not extend the time for payment of tax.

Corporations that maintain an office or place of business in the U.S. have until the 15th day of the 3rd month after the end of their tax year to file Form 1120F.

If these corporations elect under regulations section 1.6081-2(a) an automatic 3-month extension of time to file, they are not to use Form 7004. If a 6-month extension is anticipated, these corporations should file Form 7004 by the 15th day of the 3rd month following the close of the tax year. However, this extension does not extend the time for payment of tax.

Period covered.—File the 1985 return for calendar year 1985 and fiscal years that began in 1985 and ended in 1985. If the return is for a fiscal year, fill in the tax year space at the top of the form.

Change in accounting period.—To change the corporation's accounting period see regulations section 1.442-1 and Form 1128, Application for Change in Accounting Period.

Final return.—If the corporation ceased to exist during the tax year, write "Final return" at the top of the form.

6. Address.—The address used on the return should be the location of the books and records used in the preparation of the return. For foreign corporations engaged in a trade or business in the United States, this address will generally be an address in the United States.

7. Where to File.—File Form 1120F with the Internal Revenue Service Center, Philadelphia, PA 19255.

8. Other Forms, Schedules, and Statements That May Be Required.—

(a) **Forms.** The corporation may also have to file other forms. A partial list includes:

• **Form 5471.**—Information Return with Respect to a Foreign Corporation. This form is filed by certain officers, directors, or U.S. shareholders of certain foreign corporations.

• **Form 5472.**—Information Return of a Foreign Owned Corporation. A foreign corporation that is engaged in a trade or business in the United States and is controlled by a foreign person may have to file Form 5472.

Form 1042S.—Foreign Person's U.S. Source Income Subject to Withholding. This form is used to report income payments that are subject to withholding and the amount of tax withheld.

Form 1042.—Annual Withholding Tax Return for U.S. Source Income of Foreign Persons. This form is used to report withholding tax and to transmit Form 1042S.

Form 1096.—Annual Summary and Transmittal of U.S. Information Returns. (For transmitting Form 1099R information, use Form W-3G, Transmittal of Certain Information Returns.)

Form 1098.—Mortgage Interest Statement. This form is used to report the receipt from any individual of \$600 or more of mortgage interest in the course of the corporation's trade or business for any calendar year.

Forms 1099-DIV, INT, MISC, and R.—Some of the information returns that must be filed to report certain payments, such as dividends and interest. For more information, see Form 1096 and its instructions.

Schedule PH (Form 1120).—Computation of U.S. Personal Holding Company Tax. Attach to Form 1120F if the foreign corporation is a personal holding company described in section 542, but not a foreign personal holding company described in section 552.

Form 4626.—Computation of Minimum Tax.—Corporations. Attach to Form 1120F if the corporation has either more than \$10,000 in tax preference items (whether or not it has minimum tax) or minimum tax liability deferred from an earlier year.

Form 5713.—International Boycott Report. For persons having operations in or related to "boycotting" countries. In addition, persons who participate in or cooperate with an international boycott may have to complete Schedule A or Schedule B and Schedule C of Form 5713 to compute their loss of the following items: the foreign tax credit, the deferral of earnings of a controlled foreign corporation, IC-DISC benefits, and FSC benefits.

Form 8264.—Application for Registration of a Tax Shelter. Used by tax shelter organizers to register tax shelters with the IRS, for the purpose of receiving a tax shelter registration number.

Form 8271.—Investor Reporting of Tax Shelter Registration Number. Used by taxpayers who have acquired an interest in a tax shelter, which is required to be registered, to report the tax shelter's registration number. Form 8271 must be attached to any tax return (including an application for tentative refund (Form 1139) and an amended return) on which a deduction, credit, loss, or other tax benefit attributable to a tax shelter is taken.

Form 8300.—Report of Cash Payments Over \$10,000 Received in a Trade or Business. Generally, this form is used to report the receipt of more than \$10,000 in cash or foreign currency in one transaction (or in a series of related transactions). However, transactions that take place entirely outside the U.S. are not reportable.

(b) Statements.

Transfers to corporation controlled by transferor.—If a person acquires stock or securities of a corporation in exchange for property, and no gain or loss is recognized under section 351, the transferor and transferee must attach the information required by regulations section 1.351-3.

Statement in place of schedules.—If the foreign corporation has no gross income for the tax year, do not complete the Form 1120F schedules. Instead, attach a statement to the return showing what types and amounts of income are excluded from gross income.

(c) Amended return.

To correct an error in a Form 1120F already filed, file an amended Form 1120F and write "Amended" across the top.

(d) Attachments.

Attach Form 4136, Computation of Credit for Federal Tax on Gasoline and Special Fuels, after page 6, Form 1120F. Attach schedules in alphabetical order and other forms in numerical order after Form 4136.

In order to process the return we ask that you complete every applicable entry space on Form 1120F. Please do not attach statements and write "See attached" in lieu of completing the entry spaces on Form 1120F.

If more space is needed on the forms or schedules, attach separate sheets and show the same information in the same order as on the printed forms. Be sure to show totals on the printed forms. Please use sheets that are the same size as the forms and schedules. Attach these separate sheets after all the schedules and forms. Also, put the corporation's employer identification number (EIN) on each sheet.

9. Signature.—The return must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or any other corporate officer (such as tax officer) authorized to sign.

A receiver, trustee, or assignee must sign and date any return required to be filed on behalf of a corporation.

If a corporate officer filled in Form 1120F, the Paid Preparer's space under the "Signature of officer" should remain blank. If someone prepares Form 1120F and does not charge the corporation, that person should not sign. Certain others who prepare Form 1120F should not sign. For example, a regular, full-time employee such as a clerk; secretary, etc., of the corporation does not have to sign.

Generally, anyone who is paid to prepare Form 1120F must sign the return and fill in the other blanks in the Paid Preparer's section Only area of the return.

The preparer required to sign the return MUST complete the required preparer information and:

• Sign it, by hand, in the space provided for the preparer's signature (signature stamps or labels are not acceptable);

• Give a copy of Form 1120F to the taxpayer in addition to the copy filed with the IRS.

Tax return preparers should be familiar with their responsibilities. See Publication 1045, Information and Order Blanks for Preparers of Federal Income Tax Returns, for more details.

C. Figuring and Paying the Tax

1. Accounting Methods.—Taxable income must be computed using the method of accounting regularly used in keeping the corporation's books and records. In all cases, the method adopted must clearly reflect taxable income. (See section 446.)

Unless the law specifically permits otherwise, the corporation may change from the method of accounting it used to report taxable income in earlier years (for income as a whole or for any material item) only by first getting consent on Form 3115, Application for Change in Accounting Method. Also see Publication 538, Accounting Periods and Methods.

2. Gross Income and Tax Rates.—For purposes of Form 1120F, a foreign corporation is taxed only on its gross income. That includes only:

• Gross income that is derived from sources in the U.S. and that is not effectively connected with the conduct of a trade or business in the U.S. This income is taxed at 30% or a lower treaty rate. Use Section I, page 2, Form 1120F, to report this income and figure the tax on it.

• Gross income, from any source, that is effectively connected with the conduct of a trade or business in the U.S. This income is taxed at regular corporate tax rates. Use Section II, page 3, Form 1120F, to report this income and figure the tax on it.

To determine the source of income, follow sections 861 through 864 and the related regulations, except as tax treaties provide otherwise.

Election to treat real property income as effectively connected income.—If a foreign corporation has income from real property in the U.S. or from an interest in such property, the corporation may elect to treat the income as effectively connected with the conduct of a trade or business in the U.S. Income affected by such an election includes:

• Rents or royalties from mines, wells, or other natural deposits; and

• Gain described in section 631(b) or (c).

To make the election, attach a statement that you are making it when you file Form 1120F for the first year involved. That year and each year the election continues, use Section II to figure the tax on this income. Also attach a schedule each year, as described in regulations section 1.882-2, concerning the property or the interest in the property.

3. Paying the Tax.

A. Foreign corporations with no office or place of business in the U.S. must pay the tax due in full when they file their tax return, but not later than the 15th day of the 6th month after the end of the tax year.

The tax may be paid by check or money order, payable to the Internal Revenue Service, and sent to the Internal Revenue Service Center, Philadelphia, PA 19255.

Note: Write the corporation's employer identification number on all payments.

B. Foreign corporations with an office or place of business in the U.S. must pay the tax due in full when they file their tax return, but not later than the 15th day of the 3rd month after the end of the tax year. Write the corporation's employer identification number on all payments.

Also, foreign corporations with an office or place of business in the U.S. must deposit their income tax payments (and estimated tax payments) with a Federal Tax Deposit Payment Coupon (Form 8109).

Make these tax deposits with a financial institution qualified as a Depository for Federal taxes or the Federal Reserve Bank or Branch serving the geographic area where the corporation is located. Do not submit deposits directly to an IRS office, otherwise the corporation may be subject to a 5% Federal Tax Deposit (FTD) penalty. Records of deposits will be sent to the IRS for crediting to the corporation's account. See the instructions contained in the coupon book for more information.

To get more deposit coupons, use the reorder form (Form 8109A) provided in the coupon book. If the corporation does not have these coupons, it should contact an IRS district office.

For more information concerning deposits, see Publication 583, Information for Business Taxpayers.

4. Estimated Tax.—A corporation must make estimated tax payments if it can expect its estimated tax (income tax minus credits) to be \$40 or more.

Use Form 1120-W (WORKSHEET), Corporation Estimated Tax, as a worksheet to compute estimated tax. Use the FTD coupons in making deposits of estimated tax.

If the corporation overpaid estimated tax, it may be able to get a "quick refund" by filing Form 4466, Corporation Application for Quick Refund of Overpayment of Estimated Tax. The overpayment must be both: (1) at least 10% of expected income tax liability, and (2) at least \$500. To apply, file Form 4466 within 24 months after the end of the tax year and before Form 1120F is filed.

D. Claim for Refund
If a foreign corporation has only income that is not effectively connected with the conduct of a trade or business in the U.S. and Form 1120F is being used as a claim for refund, include all income from sources in the U.S., even though all tax on it was paid at the source.

If the refund results from withholding tax at the source, attach a statement to Form 1120F. The statement should show:

- The amounts of tax withheld;
- The names and post office addresses of withholding agents;
- The name in which the tax was withheld, if different from the taxpayer's name; and

• If applicable, enough information to show that the taxpayer was entitled to a reduced tax rate under a treaty.

E. Penalties

Avoid penalties and interest by filing correctly and paying the tax when due. The corporation may have to pay the following penalties unless it can show that not filing or not paying was due to reasonable cause and not willful neglect. (These penalties are in addition to the interest charge on unpaid tax at a rate established under section 6621.)

- A corporation that does not file its tax return when due (including any extensions of time for filing) may be subject to a penalty of 5% a month or fraction of a month, up to a maximum of 25%, for each month the return is not filed. (The penalty is

imposed on the net amount due.) The minimum penalty for failure to file a tax return within 60 days of the due date (including extensions) is the lesser of the underpayment of tax or \$100.

- A corporation that does not pay the tax when due may be subject to a penalty of 1/4% a month or fraction of a month, up to a maximum of 25%, for each month the tax is not paid. (The penalty is imposed on the net amount due.)

- A corporation that does not pay the proper estimated tax when due may be subject to an underpayment penalty for the period of underpayment. To avoid the estimated tax penalty, the amount of estimated tax payments required by a corporation is 90%. See sections 6655(b)(1) and (d)(3).

If the corporation underpaid estimated tax, attach Form 2220, Underpayment of Estimated Tax by Corporations, to show how the corporation figured the penalty or which exceptions the corporation believes it meets.

If there is tax due on line 8, page 1, include the penalty in the total. If there is a refund due, subtract the penalty from the overpayment on line 9, page 1.

Penalty for Overstated Tax Deposits.—If deposits are overstated, the corporation may be subject to a penalty. See section 6656(b).

F. Rounding Off

Money items may be shown on the return and accompanying schedules as whole-dollar amounts. To do so, drop any amount less than 50 cents and increase any amount from 50 to 99 cents to the next higher dollar.

G. Credit for Overpaid Windfall Profit Tax

A corporation that has overpaid its windfall profit tax may claim a credit on its income tax return. Use Form 6249, Computation of Overpaid Windfall Profit Tax, to figure the credit. See Form 6249 for rules and instructions. Include the amount of the credit in the total for line 6e, page 1, Form 1120F and enter the amount of credit in the margin next to line 6e and identify it as "overpaid windfall profit tax."

H. Schedules L, M-1, and M-2

You may limit the Schedules L, M-1, and M-2 to:

- The corporation's assets in the U.S. and its other assets effectively connected with its trade or business in the U.S., and its income effectively connected with the conduct of a trade or business in the U.S. and its other income from sources in the U.S.

Do not complete Schedules M-1 and M-2 if your total assets at the end of the tax year (line 14, column (d) of Schedule L) are less than \$25,000.

Specific Instructions

Section I.—Income From U.S. Sources That Is Not Effectively Connected with the Conduct of a Trade or Business in the U.S.

Any gross income of this kind that a foreign corporation has is taxed at 30% or a lower treaty rate. No deductions are allowed against this income. (Section 881.) A corporation created or organized in Guam is not considered a foreign corporation for purposes of the tax imposed by section 881.

This income includes the following, to the extent it is not effectively connected with the conduct of a trade or business in the U.S.

1. Interest (other than original issue discount as defined in section 1273 and income described in section 861(c)), dividends, rents, royalties, salaries, wages, premiums, annuities, compensation, and other fixed or determinable periodic income. However, certain portfolio interest is not taxable for obligations issued after July 18, 1984. See section 881(c) for more details. For rules regarding income received on original issue discount on obligations issued after March 31, 1972, see section 881(a)(3).

2. Gains described in section 631(b) or (c) from disposal of timber, coal, or domestic iron ore with a retained economic interest;

3. Gains from the sale or exchange of patents, copyrights, and other intangible property described in section 881(a)(4); and

4. For rules regarding bonds or other evidences of indebtedness issued before April 1, 1972, see section 881(a)(3) as it existed before amendment by the Tax Reform Act of 1984.

Section II.—Income Effectively Connected with the Conduct of a Trade or Business in the U.S.

Foreign corporations engaged in a trade or business in the U.S. are taxed at regular corporate rates on all the following income:

1. Income, gain, or loss from U.S. sources derived in the conduct of the trade or business.
2. Limited categories of foreign source income.
3. Certain fixed or determinable periodic income from U.S. sources.
4. Gain or loss from U.S. sources from the sale or exchange of capital assets if:
 - The income, gain, or loss is from assets used in, or held for use in, the conduct of the corporation's trade or business, or
 - The activities of the corporation's trade or business were a material factor in the realization of the income, gain, or loss.

For more information, see section 864(c). Gains on disposition of stock in an IC-DISC or former DISC and distributions from accumulated DISC income, including deemed distributions, are treated as coming from a trade or business conducted through a permanent establishment in the U.S.

A foreign corporation not engaged in a trade or business in the U.S. will not report income in Section II unless it:

- Elects to treat real property income as effectively connected income; or
- Was created or organized and is carrying on a banking business in a U.S. possession, and receives interest on U.S. obligations. In that case, the interest is treated as effectively connected income.

- Has gain or loss from disposition of interest in U.S. real property.

Income
(Numbered to correspond with the line numbers in Section II of the return.)

In lines 1 through 10, enter gross income (regardless of source) that is effectively connected with the conduct of a trade or business within the U.S.

1. Gross receipts.—Enter gross receipts or sales from all business operations except those that must be reported in lines 4 through 10. For reporting advance payments and long-term contracts, see regulations sections 1.451-3 and 1.451-5.

If the installment method of reporting is used, enter on line 1 the gross profit on collections from installment sales and carry the same amount to line 3. Attach a schedule showing for the current and 3 preceding years: (a) gross sales, (b) cost of goods sold, (c) gross profit, (d) percent of gross profit to gross sales, (e) amount collected, and (f) gross profit on amount collected.

2. Cost of goods sold.—See instructions for Schedule A.

4. Dividends.—See instructions for Schedule C.

5. Interest.—Enter interest on U.S. obligations and loans, notes, mortgages, bonds, bank deposits, corporate bonds, tax refunds, etc.

Do not offset interest income against interest expense.

6. Gross rents.—Enter the gross amount received for the rent of property. Deduct expenses such as repairs, interest, taxes, and depreciation on the proper lines for deductions.

8. Capital gain net income.—Every sale or exchange of a capital asset must be reported in detail in Schedule D (Form 1120), even though no gain or loss is indicated.

If the net long-term capital gain is more than the net short-term capital loss, or if there is only a net long-term capital gain, compute the alternative tax on Schedule D (Form 1120) to see if it produces a smaller tax.

9. Net gain or (loss).—Enter the net gain or loss from line 17, Part II, Form 4797, Gains and Losses From Sales or Exchanges of Assets Used in a Trade or Business and Involuntary Conversions.

10. Other income.—Enter any other taxable income not listed above and explain its nature on an attached schedule. Examples of other income would be recoveries of bad debts deducted in earlier years under the specific charge-off method and refunds of taxes deducted in earlier years. Do not offset current year's taxes with tax refunds.

If other income consists of only one item, explain what it is in parentheses on line 10.

Deductions
In computing the taxable income of a foreign corporation engaged in a trade or business within the U.S., deductions are allowed only to the extent that they are connected with income that is effectively connected with the conduct of a trade or business within the U.S. Charitable contributions, however, may be deducted whether or not they are so connected. See section 882(c)(1) for allocation of deductions.

Limitations on deductions.—
1. Transactions between related taxpayers. Generally, an accrual basis taxpayer may only deduct business expenses and interest owed to a related party in the year the payment is included in the income of the related party. See section 267 for limitation on deductions for unpaid expenses and interest.

2. Tax preference items. Corporations may be required to reduce the following tax preference items in the following manner:

- a) Depletion of iron ore and coal (including lignite) by 15%;
- b) Section 1250 capital gain by 20%;
- c) Amortizable basis of pollution control facilities by 20% (15% for property placed in service before 1985);
- d) Intangible drilling, and exploration and development costs by 20%; and
- e) Bad debt deductions for financial institutions by 20%.

3. Real property construction period interest and taxes. For construction started after 1982, no deduction (except as allowed under section 189(d)) shall be allowed for real property construction period interest and taxes.

4. Golden parachute payments. A portion of the payments made by a corporation to key personnel that exceeds their usual compensation may not be deductible. This occurs when the corporation has an agreement (golden parachute) with these key employees to pay them these excessive amounts if control of the corporation changes. See section 280C.

5. Business start-up expenses are required to be capitalized, unless an election is made to amortize them over a period of 60 months. See section 195.

12. Compensation of officers.—Enter on line 12 the total compensation of officers. Complete Schedule E only if your total receipts (line 1a plus lines 4 through 10, of Section II, page 3) are \$150,000 or more. Complete Schedule E for all officers.

13. Salaries and wages.—Enter on line 13a the total salaries and wages paid or incurred for the tax year. Do not include salaries and wages deducted elsewhere on the return, such as contributions to a Simplified Employee Pension, which are deducted on line 25.

Caution: If you provide taxable fringe benefits to your employees, such as personal use of a car, do not deduct as wages the amount allocated for depreciation and other expenses that you claimed on lines 20 and 27.

Enter on line 13b the amount of jobs credit from Form 5884, Jobs Credit, determined without regard to the limitation on tax.

14. Repairs.—Enter the cost of incidental repairs, such as labor and supplies, that do not add to the value of the property or appreciably prolong its life.

15. Bad debts.—Bad debts may be treated in either of two ways: (1) as a deduction for specific debts that became worthless in whole or in part, or (2) as a deduction for a reasonable addition to a reserve for bad debts. (Section 166.) Financial institutions should see section 291 for the limitation on the amount that they may deduct.

Use Form 3115 to apply for a change in the method of computing bad debts.

17. Taxes.—Enter taxes paid or accrued during the tax year.

Do not include Federal income tax; foreign or U.S. possession income tax if a foreign tax credit is claimed; or taxes not imposed upon the corporation.

See section 164(d) for apportionment of tax on real property between seller and purchaser.

See section 906(b)(1) for rules concerning certain foreign taxes imposed on income from U.S. sources that may not be deducted.

18. Interest.—See section 1277 for rules on the deferral of the interest deduction that is allocable to accrued market discount on bonds acquired after July 18, 1984, and section 1282 for rules on the deferral of the interest deduction allocable to the accrued discount on certain short-term obligations acquired after July 18, 1984.

Do not include interest on indebtedness incurred or continued to purchase or carry obligations on which the interest is wholly exempt from income tax. (For exceptions, see section 265(2).)

Generally, a cash basis taxpayer cannot deduct prepaid interest allocable to years after the current tax year. For example, a cash basis taxpayer, who in 1985 prepaid interest allocable to any period after 1985, can only deduct the amount allocable to 1985. Please see Publication 545, Interest Expense.

Generally, the interest and carrying charges as to straddles cannot be deducted and must be capitalized. See section 263(g).

19. Contributions.—Enter contributions or gifts actually paid within the tax year to, or for the use of, charitable and governmental organizations described in section 170(c) and any unused contributions carried over from earlier years.

The total amount claimed may not exceed 10% of taxable income (line 31) computed without regard to the following: (1) any deduction for contributions, (2) the special deductions in line 30b, (3) deductions allowed under sections 249 and 250, (4) any net operating loss carryback to the tax year under section 172, and (5) any capital loss carryback to the tax year under section 1212(a)(1).

Charitable contributions over the 10% limitation may not be deducted for the tax year but may be carried over to the next 5 tax years. A contribution carryover is not allowed, however, to the extent that it increases a net operating loss carryover. See section 170(d)(2)(B).

Corporations on the accrual basis may elect to deduct contributions paid on or before the 15th day of the 3rd month after the end of the tax year if the contributions are authorized by the board of directors during the tax year. Attach to the return a declaration, signed by an officer, stating that the resolution authorizing the contributions was adopted by the board of directors during the tax year. Also attach a copy of the resolution.

If a contribution is in property other than money and the total claimed value of all property contributed is more than \$500, corporations (other than closely held and personal service corporations) shall attach a schedule describing the kind of property contributed and the method used in determining its fair market value.

Closely held corporations and personal service corporations must complete Form 8283, Noncash Charitable Contributions, and attach it to Form 1120F.

If you made a "qualified conservation contribution" under section 170(h), also include the fair market value of the underlying property before and after the donation, the type of legal interest contributed, and describe the conservation purpose furthered by the donation.

If a contribution carryover is included, show the amount and how it was determined.

Special rule for contributions of certain property.—For a charitable contribution of property, reduce the contribution by the sum of:

- (1) the ordinary income, short-term capital gain and
- (2) for certain contributions, 60.87% of the long-term capital gain,

that would have resulted if the property were sold at its fair market value. The reduction for 60.87% of the long-term capital gain applies to (1) contributions of tangible personal property for use by an exempt organization for a purpose or function unrelated to the basis for its exemption, and (2) contributions of any property to or for the use of certain private foundations. (See section 170(e) and regulations section 1.170A-4.)

For special rules regarding the contribution of inventory and other property to certain organizations, see section 170(e)(3) and regulations section 1.170A-4A.

A corporation (other than a personal holding company or a service organization) can receive a larger deduction for contributing scientific property used for research to an institution of higher education. For further information, see section 170(e).

20. Depreciation.—Besides depreciation, include in line 20 the part of the cost (up to \$5,000) the corporation elected to expense for certain recovery property placed in service during tax year 1985. See the instructions for Form 4562.

23. Depletion.—See section 613 and 613A for percentage depletion rates applicable to natural deposits.

Attach Form T (Timber), Forest Industries Schedules, if a deduction for depletion of timber is claimed.

25. Pension, profit-sharing, etc., plans.—Employers who maintain a pension, profit-sharing, or other funded deferred compensation plan whether or not qualified under the Internal Revenue Code and whether or not a deduction is claimed for the current tax year, generally are required to file one of the forms described below. There are penalties for failure to timely file these forms.

Form 5500.—Complete this form for each plan with 100 or more participants.

Form 5500-C or 5500-R.—Complete the applicable form for each plan with fewer than 100 participants.

26. Employee benefit programs.—Enter the amount of contributions to employee benefit programs (for example, insurance, health and welfare programs) that are not an incidental part of a pension, profit-sharing, etc., plan included on line 25. Also include contributions to a qualified group legal services plan. Section 120 imposes certain rules on an employer which will permit employees (including spouse and dependents) to exclude from income employer contributions to a qualified group legal services plan. See section 120(e) for termination of a qualified group legal

services plan for tax years ending after December 31, 1985.

27. Other deductions.—Generally, a deduction may not be taken for any amount including to a class of exempt income allocable to income exempt by tax treaty. Items directly attributable to wholly exempt income must be allocated to exempt income. Items directly attributable to any class of taxable income must be allocated to taxable income.

If an item is indirectly attributable both to taxable income and exempt income, allocate a reasonable portion of the item to each class of income. Make the allocation in light of all the facts involved.

Attach a statement showing (1) each class of exempt income and (2) the expense items allocated to each class. Show separately the amount allocated by apportionment.

A corporation may deduct dividends it pays in cash on stock held by an employee stock ownership plan that the corporation maintains. However, a deduction may only be taken if the dividends are:

1. Paid directly in cash to the plan participants; or
2. Paid to the plan, which distributes them in cash to the plan participants, no later than 90 days after the end of the plan year in which the dividends are paid. (See section 404(k).)

Generally, deduct all ordinary and necessary travel and entertainment expenses paid or incurred in your trade or business. However, do not deduct an expense paid or incurred for a facility (such as a yacht or hunting lodge) that is used for an activity that is usually considered entertainment, amusement, or recreation. (Note: You may be able to deduct the expense if the amount is treated as compensation and reported on Form W-2, Wage and Tax Statement, for an employee or Form 1099-MISC, Statement for Recipients of Miscellaneous Income, for an independent contractor.) See Publication 463, Travel, Entertainment, and Gift Expenses, for more details.

Note: Do not deduct penalties imposed on corporations such as those included in General Instruction E.

29. Taxable income before NOL deduction and special deductions.—Special "at risk" rules under section 465 generally apply to personal service corporations (as determined under section 269A(b)(1), but using a 5% test) and personal holding companies engaged in any activity a trade or business or for the production of income. Such corporations may have to adjust the amount on line 29. However, the at-risk rules do not apply to (1) holding real property other than mineral property, (2) equipment leasing under section 465(c)(4), (5), and (6), and (3) any qualifying business of a qualified corporation described in section 465(c)(7).

Personal services corporation.—Adjust the amount on line 29 for section 465(d) losses. These losses are limited to the amount for which such corporation is at risk for each separate activity at the close of the tax year.

A corporation involved in more than one activity that incurs a loss for the year, should report each loss separately and file Form 6198, Computation of Deductible Loss From an Activity Described in Section 465(c), for each "at risk" activity.

If the corporation sells or otherwise disposes of an asset, or its interest (either total or partial) in an activity to which the "at risk" rules apply, determine the net profit or loss from the activity by combining the gain or loss on the sale or disposition with the profit or loss from the activity. If the corporation has no other loss, it may be limited because of the at risk rules.

Treat any loss from an activity not allowed for the tax year as a deduction allocable to the activity in the next tax year.

Personal holding companies.—For the amount to be entered on line 29 of Form 1120F, see Schedule PH (Form 1120) regarding section 465 losses.

30a. Net operating loss deduction.—The net operating loss deduction is the sum of the net operating loss carryovers and carrybacks to the tax year. (Section 172(a).)

Generally, a corporation may carry a net operating loss back to each of 3 years before the year of the loss and a carryover to each of the 15 years after the year of loss. The corporation may carry back 10 years the part of the net operating loss attributable to a product liability loss. (See section 172(b)(1)(i).) The corporation may also elect to carry a net operating loss over to just each of the 15 years following the year of the loss. The election may be made by attaching a statement to a timely filed return, including extensions. The election is irrevocable. After applying the net operating loss to the first tax year to which it may be carried, the part of the loss you may carry to each of the remaining tax years is any excess of loss over the sum of the taxable income for each of the earlier tax years to which the corporation may carry the loss. (Section 172(b).)

If there is a carryback of a net operating loss, a net capital loss, an unused investment credit, an unused research credit, an unused alcohol fuel credit, an unused employee stock ownership plan credit, or an unused general business credit, file Form 1139, Corporation Application for Tentative Refund, within 12 months after the end of the tax year for a quick refund of tax. (Section 6411.)

See section 172 for special rules, limitations, and definitions pertaining to net operating loss carrybacks and carryovers. Also see Publication 536, Net Operating Losses and the At-Risk Limits.

30b. Special deductions.—See instructions for Schedule C.

Schedule A—Cost of Goods Sold and/or Operations.—Inventories can be valued at: (a) cost, (b) cost or market value, whichever is lower, or (c) any other method approved by the Commissioner of Internal Revenue, that conforms to the applicable regulations cited below.

Taxpayers using erroneous valuation methods should file Form 3115 to change to a method permitted for Federal income tax purposes. For further details, see regulations section 1.446-1(e)(3) and Rev. Proc. 84-74, 1984-2 C.B. 738.

Line B.—In line 8a, check the method(s) used for valuing inventories. Under lower of cost or market, market generally applies to normal market conditions when a current

bid price prevails at the date the inventory is valued. When no regular open market exists or when quotations are nominal because of inactive market conditions, use fair market prices from the most reliable sales or purchase transactions that occurred near the date the inventory is valued. For more requirements, see regulations section 1.471-4.

Inventory may be valued below cost when the merchandise is unsalable at normal prices or unsalable in the normal way because the goods are "subnormal" (that is, because of damage, imperfections, shop wear, etc.) within the meaning of regulations section 1.471-2(c). Such goods may be valued at a current bona fide selling price less direct cost of disposition (but not less than scrap value) if such a price can be established. See regulations section 1.471-2(c) for more requirements.

If this is the first year the "Last-in-First-out" (LIFO) inventory method was either adopted or extended to inventory goods not previously valued under the LIFO method, attach Form 970, Application To Use LIFO Inventory Method, or a statement with the information required by Form 970. Also check the LIFO box in line 8b. Enter the amount or percent of total closing inventories covered under section 472 in line 8c. Estimates are acceptable.

If the corporation changed or extended its inventory method to LIFO and had to "write up" opening inventory to cost in the year of election, report the effect of this write up as income in Section II, line 10, page 3, proportionately over a 3-year period that begins in the tax year the election was first made. (See section 472(d).)

Full absorption method of inventory costing.—For a corporation engaged in manufacturing or production operations, use the full absorption method of inventory costing. If the corporation is not using the full absorption method of inventory costing, it must change to it. Under this method both direct and certain indirect production costs are included for inventory value purposes. Change to full absorption by filing Form 3115. For more details, see Rev. Proc. 75-40, 1975-2 C.B. 571 and Rev. Rul. 81-272, 1981-2 C.B. 116.

Schedule C—Dividends and Special Deductions
(Line references are to the lines in Schedule C.)

Column (a) Instructions

1. Enter dividends received from domestic corporations subject to income tax and the 85% deduction under section 243(a)(1) and certain dividends received from Federal Home Loan Banks (section 246(a)(2)). For dividends received from a regulated investment company, see section 854 for the amount subject to the 85% deduction.

Include on this line taxable distributions received from an IC-DISC or former DISC that are designated as being eligible for the 85% dividends-received deduction.

So-called dividends or earnings received from mutual savings banks, etc., are really interest. Do not treat them as dividends.

Do not enter on this line any dividends received on "debt-financed" stock acquired after July 18, 1984. "Debt-financed" stock is stock that the corporation incurred a debt in acquiring.

2. Enter dividends that would have been eligible for the 85% deduction except that they are from "debt-financed" stock acquired after July 18, 1984.

3. Enter dividends received on the preferred stock of a public utility that is subject to income tax and is allowed the deduction provided in section 247 for dividends paid.

4. Enter dividends that are received from foreign corporations and that qualify for the 85% deduction provided in section 245(a).

7. Enter all other dividends received from foreign corporations that do not qualify for a dividends-received deduction.

8. If the corporation claims the foreign tax credit, the tax that is deemed paid under section 902(a) (relating to credit for a corporate stockholder in a foreign corporation) must be treated as a dividend received from the foreign corporation. (See section 906(b)(4).)

9. Enter taxable distributions from an IC-DISC or former DISC that are designated as not being eligible for the 85% deduction. See sections 246(d), 995(b), and 996(a)(3).

10. Include dividends (other than capital gain dividends and exempt interest dividends) received from regulated investment companies that do not qualify for the 85% deduction; dividends from tax-exempt organizations; dividends (other than capital gain dividends) received from a real estate investment trust that, for the tax year of the trust in which the dividends are paid, qualifies under sections 856-860;

dividends not eligible for a dividends-received deduction because of the holding period of the stock or an obligation to make corresponding payments with respect to similar stock; and any other taxable dividend income not properly reported above (including distributions under section 934(e)(3) or 936(h)(4)).

Column (b), line 2 Instructions. The proper amount of deduction for dividends from "debt-financed" stock acquired after July 18, 1984, is only a portion of the 85% deduction. This portion is determined by multiplying 85% times the difference between 100% and the "average indebtedness percentage." For definitions, rules, and certain exceptions, please see section 246A.

Attach a schedule showing how you have computed the amount of allowable deduction for each share or block of shares that were "debt-financed."

Column (c) Instructions

Exclusion of certain dividends.—In general, no dividends-received deduction will be allowed on any share of stock (a) that is disposed of if the corporation held it 45 days or less, or (b) to the extent the corporation is under an obligation to make corresponding payments with respect to substantially identical stock or other securities.

No dividends-received deduction is allowed under section 243 for a dividend from an IC-DISC or former DISC (as defined in section 992(a)) to the extent the dividend is paid out of the corporation's accumulated DISC income, previously taxed income, or is a deemed distribution under section 995(b)(1).

5. Limitation on dividends-received deduction.—Line 5 may not be more than 85% of line 29, page 3. For this purpose compute line 29, page 3, without regard to any adjustment under section 1059 and any capital loss carryback to the tax year under section 1212(a)(1).

In a year in which a net operating loss occurs, this 85% limit does not apply even if the loss is created by the dividends-received deduction. (See sections 172(d) and 246(b).)

6. Deduction for dividends paid on certain preferred stock of public utilities.—Section 247 allows public utilities a deduction of 30.435% of either: (1) dividends paid on their preferred stock during the tax year, or (2) taxable income, computed without regard to this deduction, whichever is less. In a year in which a net operating loss occurs, compute the deduction without regard to section 247(a)(1)(B). (See section 172(d).)

Schedule J—Tax Computation
A corporation that is not a member of a controlled group (these members should see lines 1 and 2 below) will compute the tax on its taxable income as follows:

If the amount on Line 31, page 3, Form 1120F is:

Over—	But not over—	Enter on Schedule J, Line 3:	Of the amount over—
0	\$25,000	15%	0
\$25,000	50,000	\$3,750 + 18%	\$25,000
50,000	75,000	8,250 + 30%	50,000
75,000	100,000	15,750 + 40%	75,000
100,000	-----	25,750 + 46%	100,000

Additional tax—see instructions below

Additional Tax.—If the corporation has taxable income of more than \$1,000,000, an additional tax is imposed on the corporation. The tax is the lesser of: 1) 5% of the taxable income over \$1,000,000; or 2) \$20,250.

If the alternative tax does not apply, enter on line 3 of Schedule J, the amount computed above. If the alternative tax applies, see Schedule D (Form 1120).

(Personal holding companies—see Schedule PH (Form 1120) before completing Schedule J.)

Lines 1 and 2.—Members of a controlled group, as defined in section 1563, are entitled to only one \$25,000 amount in each taxable income bracket.

When a controlled group adopts or later amends an apportionment plan, each member must attach to its tax return a copy of its consent to this plan. The copy (or an attached statement) must show the part of the \$25,000 amount in each taxable income bracket apportioned to that member. There are other requirements as well. See regulations section 1.1561-3(b) for these requirements and for the time and manner of making the consent.

Equal Apportionment Plan. If no apportionment plan is adopted, the members of the controlled group must divide the \$25,000 amount in each taxable income bracket equally among themselves. For example, controlled group AB consists of corporation A and corporation B. They do not elect an unequal apportionment plan. Therefore, corporation A is entitled to \$12,500 (one-half of \$25,000) in each taxable income bracket. Corporation B is also entitled to \$12,500 in each taxable income bracket.

Unequal Apportionment Plan. Members of a controlled group may elect an unequal apportionment plan and divide the \$25,000 amount in each taxable income bracket as they wish. There is no need for consistency among taxable income brackets. Any member of the controlled group may be entitled to all, some, or none of the \$25,000 amount in a taxable income bracket. (But the total amount for all members of the controlled group cannot be more than \$25,000 in any taxable income bracket.) Each member of a controlled group must figure the tax as follows:

1. Enter taxable income (line 31, page 3)
2. Enter line 1 or the corporation's portion of the first \$25,000 taxable income bracket, whichever is less
3. Subtract line 2 from line 1
4. Enter line 3 or the corporation's portion of the second \$25,000 taxable income bracket, whichever is less
5. Subtract line 4 from line 3

6. Enter line 5 or the corporation's portion of the third \$25,000 taxable income bracket, whichever is less
7. Subtract line 6 from line 5
8. Enter line 7 or the corporation's portion of the fourth \$25,000 taxable income bracket, whichever is less
9. Subtract line 8 from line 7
10. 15% of line 2
11. 18% of line 4
12. 30% of line 6
13. 40% of line 8
14. 46% of line 9
15. Additional tax
16. Total of lines 10 through 15. Enter this amount on line 3 of Schedule J

Additional tax (line 15).—If the corporation is a member of a controlled group and the controlled group has taxable income of more than \$1,000,000, an additional tax is imposed on the corporation. The tax is the lesser of 1) 5% of the taxable income of the controlled group over \$1,000,000, or 2) \$20,250. The corporation pays its additional tax based on its share of each taxable income bracket, and enters this amount on line 15.

Note: If the alternative tax applies, corporations should do the following:

- (1) Complete lines 1 and 2 of Schedule J.
- (2) On line 1 above, instead of entering amount from line 31, page 3, Form 1120F, enter amount from line 14, Schedule D, Form 1120.
- (3) Complete lines 2 through 16 above, and
- (4) Enter the amount from line 16 above on line 15 of Schedule D and complete balance of Schedule D.

Line 4a. Foreign tax credit.—A foreign corporation engaged in a trade or business within the U.S. can take a credit for income, war profits, and excess profits taxes paid, accrued, or deemed paid to any foreign country or U.S. possession during the tax year. This credit applies to income effectively connected with the conduct of a trade or business within the U.S. For further details, see sections 901, 902, 906, and Form 1118, Computation of Foreign Tax Credit—Corporations.

Line 4b. Orphan drug credit.—See section 28 and Form 6765, Credit for Increasing Research Activities (or for claiming the orphan drug credit), for an explanation of when a corporation can take this credit as well as how it is figured.

Line 4c. Credit for fuel produced from a nonconventional source.—A credit is allowed for the sale of qualified fuels produced from a nonconventional source. Section 29 contains a definition of qualified fuels, provisions for figuring the credit, and other special rules. Attach a separate schedule to the return showing the computation of the credit.

Line 4d. Research credit.—Amounts paid or incurred before January 1, 1986, for increasing qualified research expenses in carrying on a trade or business are allowed as a credit. Use Form 6765 to figure the credit.

Line 4e. General business credit.—See Form 3800, General Business Credit, for rules that apply when claiming this credit, which encompasses the investment credit (Form 3468), the jobs credit (Form 5884), the alcohol fuel credit (Form 6478), and the employee stock ownership plan credit (Form 8007).

Line 7. Tax from recomputing a prior year investment credit.—If property is disposed of or ceases to be qualified property before the end of the life-years category used in computing the regular or energy investment credit, there may be a recapture of the investment credit. (See Form 4255, Recapture of Investment Credit.)

Codes for Principal Business Activity

These industry titles and definitions are based, in general, on the Standard Industrial Classification System authorized by Regulatory and Statistical Analysis Division, Office of Information and Regulatory Affairs, Office of Management and Budget, to classify enterprises by type of activity in which they are engaged.

Using the list below, enter on page 5, under M, the code number for the specific industry group

from which the largest percentage of "total receipts" is derived. "Total receipts" means gross receipts (line 1a, page 3) plus all other income (lines 4 through 10, page 3).

Also, on page 5, under M, state the principal business activity and principal product or service that account for the largest percentage of total receipts. For example, if the principal business activity is "Grain mill products,"

the principal product or service may be "Cereal preparations."

If, as its principal business activity, the corporation (1) purchases raw materials, (2) subcontracts out for labor to make a finished product from the raw materials, and (3) retains title to the goods, the corporation is considered to be a manufacturer and must enter one of the codes (2010-3998) under "Manufacturing."

Code	Description
Agriculture, Forestry, and Fishing	
0400	Agricultural production
0600	Agricultural services (except veterinarians), forestry, fishing, hunting, and trapping
Mining	
1010	Iron ores
1070	Copper, lead and zinc, gold and silver ores
1098	Other metal mining
1150	Coal mining
Oil and gas extraction:	
1330	Crude petroleum, natural gas, and natural gas liquids
1380	Oil and gas field services
Nonmetallic minerals, except fuels:	
1430	Dimension, crushed and broken stone, sand and gravel
1498	Other nonmetallic minerals, except fuels
Construction	
1510	General building contractors and operative builders
1531	Operative builders
1600	Heavy construction contractors
Special trade contractors:	
1711	Plumbing, heating, and air conditioning
1731	Electrical work
1798	Other special trade contractors
Manufacturing	
Food and kindred products:	
2010	Meat products
2020	Dairy products
2030	Preserved fruits and vegetables
2040	Grain mill products
2050	Bakery products
2060	Sugar and confectionery products
2081	Malt liquors and malt
2088	Alcoholic beverages, except malt liquors and malt
2089	Bottled soft drinks, and flavorings
2096	Other food and kindred products
2100	Tobacco manufacturers
Textile mill products:	
2228	Weaving mills and textile finishing
2250	Knitting mills
2258	Other textile mill products
Apparel and other textile products:	
2315	Men's and boys' clothing
2345	Women's and children's clothing
2388	Other apparel and accessories
2390	Miscellaneous fabricated textile products
Lumber and wood products:	
2415	Logging, sawmills, and planing mills
2430	Milwork, plywood, and related products
2498	Other wood products, including wood buildings and mobile homes
2500	Furniture and fixtures
Paper and allied products:	
2625	Pulp, paper, and board mills
2699	Other paper products
Printing and publishing:	
2710	Newspapers
2720	Periodicals
2735	Books, greeting cards, and miscellaneous publishing
2799	Commercial and other printing, and printing trade services
Chemicals and allied products:	
2815	Industrial chemicals, plastics materials and synthetics
2830	Drugs
2840	Soap, cleaners, and toilet goods
2850	Paints and allied products
2898	Agricultural and other chemical products
Petroleum refining and related industries (including those integrated with extraction):	
2910	Petroleum refining (including integrated)
2998	Other petroleum and coal products
Rubber and misc. plastics products:	
3050	Rubber products, plastics footwear, hose and belting
3070	Misc. plastics products
Leather and leather products:	
3140	Footwear, except rubber
3198	Other leather and leather products
Stone, clay, and glass products:	
3225	Glass products
3240	Cement, hydraulic
3270	Concrete, gypsum, and plaster products
3298	Other nonmetallic mineral products
Primary metal industries:	
3370	Ferrous metal industries, misc. primary metal products
3380	Nonferrous metal industries
Fabricated metal products:	
3410	Metal cans and shipping containers
3428	Cutlery, hand tools, and hardware, screw machine products, bolts, and similar products
3430	Plumbing and heating, except electric and warm air
3440	Fabricated structural metal products
3460	Metal forgings and stampings
3470	Coating, engraving, and allied services
3480	Ordnance and accessories, except vehicles and guided missiles
3490	Misc. fabricated metal products
Machinery, except electrical:	
3520	Farm machinery
3530	Construction and related machinery
3540	Metalworking machinery
3550	Special industry machinery
3560	General industrial machinery
3570	Office, computing, and accounting machines
3598	Other machinery except electrical
Electrical and electronic equipment:	
3630	Household appliances
3665	Radio, television, and communication equipment
3670	Electronic computers and accessories
3698	Other electrical equipment
Motor vehicles and equipment	
Transportation equipment, except motor vehicles:	
3725	Aircraft, guided missiles and parts
3730	Ship and boat building and repairing
3798	Other transportation equipment, except motor vehicles
Instruments and related products:	
3815	Scientific instruments and measuring devices, watches and clocks
3845	Optical, medical, and ophthalmic goods
3860	Photographic equipment and supplies
3998	Other manufacturing products
Transportation and Public Utilities	
Transportation:	
4000	Railroad transportation
4100	Local and interurban passenger transit
4200	Trucking and warehousing
4400	Water transportation
4500	Transportation by air
4600	Pipe lines, except natural gas
4700	Miscellaneous transportation services
Communication:	
4825	Telephone, telegraph, and other communication services
4830	Radio and television broadcasting
Electric, gas, and sanitary services:	
4910	Electric services
4920	Gas production and distribution
4930	Combustion utility services
4990	Water supply and other sanitary services
Wholesale Trade	
Durable:	
5008	Machinery, equipment, and supplies
5010	Motor vehicles and automotive equipment
5020	Furniture and home furnishings
5030	Lumber and construction materials
5040	Sporting, recreational, photographic, and hobby goods, toys and supplies
5050	Metals and minerals, except petroleum and scrap
5060	Electrical goods
5070	Hardware, plumbing and heating equipment and supplies
5098	Other durable goods
Non-durable:	
5110	Paper and paper products
5129	Drugs, drug preparations, and druggists' sundries
5130	Apparel, piece goods, and notions
5140	Groceries and related products
5150	Farm product raw materials
5160	Chemicals and allied products
5170	Petroleum and petroleum products
5180	Alcoholic beverages
5190	Misc. nondurable goods
Retail Trade	
Building materials, garden supplies, and mobile home dealers:	
5220	Building materials dealers
5251	Hardware stores
5265	Garden supplies and mobile home dealers
General merchandise stores:	
5300	General merchandise stores
Food stores:	
5410	Grocery stores
5490	Other food stores
Automotive dealers and service stations:	
5515	Motor vehicle dealers
5541	Gasoline service stations
5598	Other automotive dealers
Apparel and accessory stores:	
5600	Apparel and accessory stores
Furniture and home furnishings stores:	
5700	Furniture and home furnishings stores
Eating and drinking places:	
5800	Eating and drinking places
Misc. retail stores:	
5912	Drug stores and proprietary stores
5921	Liquor stores
5995	Other retail stores
Finance, Insurance, and Real Estate	
Banking:	
6030	Mutual savings banks
6060	Bank holding companies
6090	Banks, except mutual savings banks and bank holding companies
Credit agencies other than banks:	
6120	Savings and loan associations
6140	Personal credit institutions
6150	Business credit institutions
6199	Other credit agencies
Security, commodity brokers and services:	
6210	Security brokers, dealers, and flotation companies
6299	Commodity contracts brokers and dealers, security and commodity exchanges, and allied services
Insurance:	
6355	Life insurance
6356	Mutual insurance, except life or marine and certain fire or flood insurance companies
6359	Other insurance companies
6411	Insurance agents, brokers, and service
Real estate:	
6511	Real estate operators and lessors of buildings
6516	Lessors of mining, oil, and similar property
6518	Lessors of railroad property and other real property
6530	Construction management and cooperative housing associations
6550	Subdividers and developers
6599	Other real estate
Holding and other investment companies, except bank holding companies:	
6742	Regulated investment companies
6743	Real estate investment trusts
6744	Small business investment companies
6749	Other holding and investment companies, except bank holding companies
Hotels and other lodging places:	
7000	Hotels and other lodging places
Personal services:	
7200	Personal services
Business services:	
7310	Advertising
7389	Business services, except advertising
Auto repair; miscellaneous repair services:	
7500	Auto repair and services
7600	Misc. repair services
Amusement and recreation services:	
7812	Motion picture production, distribution, and services
7830	Motion picture theaters
7900	Amusement and recreation services, except motion pictures
Other services:	
8015	Offices of physicians, including osteopathic physicians
8021	Offices of dentists
8040	Offices of other health practitioners
8050	Nursing and personal care facilities
8060	Hospitals
8071	Medical laboratories
8099	Other medical services
8111	Legal services
8200	Educational services
8300	Social services
8600	Membership organizations
8911	Architectural and engineering services
8930	Accounting, auditing, and bookkeeping
8980	Miscellaneous services (including veterinarians)

Form 1120L U.S. Life Insurance Company Income Tax Return OMB No. 1545-0128

Department of the Treasury Internal Revenue Service For calendar 1985, or tax year beginning 1985, and ending 1985 For Paperwork Reduction Act Notice, see page 1 of the instructions. 1985

Name, Number and street, City or town, state, and ZIP code, Employer identification number, Date incorporated, Check box if this is a consolidated return, Check box if non-life insurance companies are included.

1 Life insurance company taxable income (LICTI) (Schedule A, line 22) 2 Limitation on noninsurance losses (Schedule P, line 9) 3 Amount subtracted from policyholder surplus account (enter the smaller of Schedule N, line 1 or line 3) 4 Total taxable income—Add lines 1, 2 and 3; however, the total may not be less than line 3

5 Check if you are a member of a controlled group (see sections 1561 and 1563). If checked, see instructions and enter your share of the \$25,000 amount in each taxable income bracket: a \$, b \$, c \$, d \$ 6 Income tax (see instructions to figure the tax). If you use the alternative tax, check this box [] and enter the tax from your attached schedule

7 a Foreign tax credit (attach Form 1118) 7a b Other credits (see instructions) 7b c General business credit. Check if from: [] Form 3800 [] Form 3468 [] Form 5884 [] Form 6478 [] Form 8007 7c 8 Add lines 7a through 7c 8 9 Balance of tax (subtract line 8 from line 6) 9 10 Foreign corporations—tax on income not connected with U.S. business (see Tax Computation Instructions) 10 11 Increase in tax from figuring an earlier year investment credit (attach Form 4255) 11 12 Minimum tax on tax preference items (see instructions—attach Form 4626) 12 13 Total tax (add lines 9 through 12) 13

14 a Overpayment from 1984 allowed as a credit 14a b 1985 estimated tax payments 14b c Less refund of 1985 estimated tax applied for on Form 4466 14c () d Tax deposited with Form 7004 14d e Credit from regulated investment companies (attach Form 2439) 14e f Federal tax on gasoline and special fuels (attach Form 4136) 14f g U.S. income tax paid or withheld at source 14g h Other payments (see instructions) 14h i Total refundable credits (combine lines 14a through 14h) 14i

15 Enter any PENALTY for underpayment of estimated tax—Check [] if Form 2220 is attached 15 16 TAX DUE—If the total of lines 13 and 15 is larger than line 14i, enter AMOUNT OWED 16 17 OVERPAYMENT—If line 14i is larger than the total of lines 13 and 15, enter AMOUNT OVERPAID 17 18 Enter amount of line 17 you want: Credited to 1986 estimated tax [] Refunded [] 18

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which the preparer has any knowledge. Signature of officer, Date, Title, Preparer's signature, Date, Title, Check if self-employed, Preparer's social security no., Firm's name (or yours, if self-employed) and address, E.I. No., ZIP Code

Form 1120L (1985) SCHEDULE A Life Insurance Company Taxable Income (LICTI) (Section 801(b)) Page 2

Table with 2 columns: Description and Balance. Rows include: 1 Gross premiums, etc.; 2 Decrease in reserves; 3 10% of any decrease in reserves; 4 Investment income; 5 Net capital gain; 6 Other amounts; 7 Life insurance company gross income; 8 Death benefits, etc.; 9 Increase in reserves; 10 10% of any increase in reserves; 11 Policyholder dividends; 12 Assumption by another person; 13 Reimbursable dividends; 14 Other deductions; 15 Dividends-received deduction; 16 Operations loss deduction; 17 Total deductions; 18 Gain or (loss) from operations; 19 Small life insurance company deduction; 20 Special life insurance company deduction; 21 Add lines 19 and 20; 22 LICTI.

SCHEDULE B Increase Or (Decrease) In Reserves (Section 807)

Table with 2 columns: (a) Beginning of tax year, (b) End of tax year. Rows include: 1 Life insurance reserves; 2 Unearned premiums and unpaid losses; 3 Supplementary contracts; 4 Dividend accumulations and other amounts; 5 Advance premiums; 6 Special contingency reserves; 7 Total (add lines 1 through 6); 8 Increase (decrease) in reserves; 9 Policyholders' share of tax-exempt interest; 10 Line 8 less line 9; 11 Excess ownership differential adjustment; 12 Net increase (decrease) in reserves.

SCHEDULE C Gross Investment Income (Section 812(d))

Table with 2 columns: Description and Amount. Rows include: 1 Interest (excluding tax-exempt interest); 2 Dividend income; 3 Gross rents; 4 Gross royalties; 5 Leases, terminations, etc.; 6 Excess of net-short term capital gain over net long-term capital loss; 7 Gross income from trade or business other than insurance; 8 Investment income; 9 Tax-exempt interest; 10 Add lines 8 and 9; 11 Subsidiaries 100% dividends; 12 Gross investment income.

SCHEDULE E Policyholder Dividends (Section 808)

1	Amounts paid or accrued	
2	Excess interest	
3	Premium adjustments	
4	Experience-rated refunds	
5	Total (add lines 1 through 4)	
6	Differential earning amount for mutual company only (Schedule F, line 15)	
7	Deductible policyholder dividends (line 5 minus line 6, but not less than zero), enter here and on Schedule A, line 11 and Schedule K, line 10.	
8	Excess ownership differential adjustment (excess, if any, of line 6 over line 5), enter here and on Schedule B, line 11.	
9	Deductible percentage (line 7 divided by line 5)	%

SCHEDULE F Differential Earnings Amount—Mutual Companies Only (Section 809)

	(a) End of preceding tax year	(b) End of this tax year
1	Annual statement surplus and capital	
2	Nonadmitted financial assets (attach schedule)	
3	Excess of statutory reserves over tax reserves on section 807(c) items	
4	Deficiency reserves	
5	Mandatory securities valuation reserve	
6	Other voluntary reserves	
7	50% of the amount of any provision for policyholder dividends payable in the next tax year	
8	a Subtotal (add lines 1 through 7)	
	b Adjustment for equity allocable to noncontiguous Western Hemisphere countries and other adjustments	
	c Total of lines 8a and 8b, both columns	
9	Total of line 8c, columns (a) and (b)	
10	Tentative average equity base—Enter 50% of line 9.	
11	Other adjustments	
12	Total of lines 10 and 11	
13	High surplus adjustment (section 809 (j))—attach schedule	
14	Average equity base (line 12 less line 13)	
15	Differential earnings amount (line 14 times the differential earnings rate), enter here and on line 6, Schedule E.	see instructions

SCHEDULE G Dividend Income and Dividends-Received Deduction (See Instructions)

	(a) Gross taxable dividends	(b) Deduction rate	(c) Deduction (column (a) times column (b))
Dividends subject to proration			
1	Certain domestic corporations	.85	
2	Certain debt-financed stock	see instructions	
3	Certain public utility corporations	.5913	
4	Certain foreign corporations	.85	
5	Certain foreign corporations	1.00	
6	Certain affiliated company dividends	1.00	
7	Gross dividends-received deduction (add lines 1 through 6 of column (c))		
8	Company share percentage (Schedule K, line 25)		
9	Prorated amount (line 7 times line 8)		
Dividends not subject to proration			
10	Affiliated company dividends	see instructions	
11	Other corporate dividends		
12	Total (add lines 1 through 11 in column (a) and lines 9 and 10 in column (c))—Enter the amount from line 12, column (a) on Schedule C, line 2, and enter the amount from line 12, column (c) on Schedule A, line 15		

SCHEDULE H Small Life Insurance Company Deduction (Section 806(b))—If assets (Schedule O, Part I) are \$500,000,000 or more, complete lines 1 through 5, line 11, and enter zero on line 12. (See instructions)

1	Gain from operations (Schedule A, line 18)	
2	a Noninsurance income	b less
	noninsurance deductions	c Balance ▶
3	a Line 1 less line 2c	
	b Adjustments (attach schedule)	
	c Tentative LICTI (Total of lines 3a and 3b)	
4	Controlled group tentative LICTI (Schedule I, line 8)	
5	Combined tentative LICTI (line 3c plus line 4). Enter here and on Schedule J, line 1. If \$15,000,000 or more, omit lines 6 through 10. Enter zero on line 12, and line 19, Schedule A.	
6	Small life insurance company deduction before adjustment (line 5 times .6, but not more than \$1,800,000)	x .6
7	Maximum statutory amount	3,000,000
8	Subtract line 7 from line 5, but not less than zero	
9	Reduction rate (15%)—Line 8 times .15, but not over \$1,800,000.	x .15
10	Tentative small life insurance company deduction (line 6 less line 9), enter here and on line 2, Schedule J	
11	Taxpayer's share (line 3c divided by the sum of line 3c and Schedule I, column (a), line 6)	
12	Allowable small life insurance company deduction (line 11 times line 10), enter here and on Schedule A, line 19	

SCHEDULE I Controlled Group Information—(See Instructions)

Company	Tentative LICTI	
	(a) Income	(b) Loss
1		
2		
3		
4		
5		
6	Total—Add lines 1 through 5 in both columns	
7	Enter amount from (Loss) column	
8	Net controlled group tentative LICTI (line 6 less line 7). Enter here and on line 4, Schedule H	

SCHEDULE J Special Life Insurance Company Deduction (Section 806(a))

1	Combined tentative LICTI (Schedule H, line 5)	
2	Tentative small life insurance company deduction (Schedule H, line 10)	
3	Line 1 less line 2	
4	Tentative special life insurance company deduction (line 3 times .20 (taxable income adjustment rate))	x .20
5	Taxpayer's share of special deduction (line 4 times Schedule H, line 11), enter here and on Schedule A, line 20	

SCHEDULE K Company/Policyholder Share Percentage (Section 812)—Part I (See Instructions)

1	Gross investment income (Schedule C, line 12)	
2	Policy interest (Schedule L, line 5)	
3	Line 1 less line 2	
4	Life insurance company gross income	
5	Tax-exempt interest (Schedule C, line 9)	
6	Add lines 4 and 5	
7	Increase (decrease) in reserves (Schedule B, line 8)	
8	Line 6 less line 7	
9	Investment income ratio (line 3 divided by line 8)	
10	Deductible policyholder dividends (Schedule E, line 7)	
11	Deductible excess interest (Schedule L, line 2)	
12	Deductible dividends on employee pension funds	
13	Deductible dividends on deferred annuities	
14	Deductible premium and mortality charges for contracts paying excess interest	
15	Add lines 11 through 14	
16	Line 10 less line 15	
17	Investment portion of dividends (line 9 times line 16)	
18	Policy interest (Schedule L, line 5)	
19	Policyholder share amount (add lines 17 and 18)	

SCHEDULE K Part II

20	Gross investment income (line 1)	
21	Net investment income (line 20 times .9)	x .9
22	Policyholder share amount (line 19)	
23	Company share of net investment income (line 21 less line 22)	
24	Total share percentage	100%
25	Company share percentage (line 23 divided by line 21), enter here and on Schedule G, line 8	
26	Policyholders' share percentage (line 24 less line 25)	

SCHEDULE L Policy Interest (Section 812(b)(2))

1	Required interest on reserves under sections 807(c)(1),(3),(4),(5) and (6) — attach schedule	
2	Deductible excess interest (Schedule E, line 2 times Schedule E, line 9) enter here and on Schedule K, line 11	
3	Deductible amounts credited to employee pension funds	
4	Deductible amounts credited to deferred annuities	
5	Total policy interest (add lines 1 through 4), enter here and on lines 2 and 18 of Schedule K	

SCHEDULE M Shareholders' Surplus Account (Section 815(c))

1	a Balance at the beginning of the tax year.	
	b Transfers under pre-1984 section 815(d)(1) and (4) for preceding year	
2	Balance at the beginning of the tax year (add lines 1a and 1b)	
	c LICIT (Page 1, sum of lines 1 and 2, but not less than zero)	
	b Special deductions allowed by sections 806(a) and 806(b) (Schedule A, line 21)	
	c Dividends-received deduction (Schedule A, line 15)	
	d Tax-exempt interest (Schedule C, line 9)	
3	Total (add lines 1c through 2d)	
4	Tax liability for year without regard to section 815 (figure the tax on line 2a as if line 2a were taxable income)	
5	Line 3 less line 4 (do not enter less than zero)	
6	Direct or indirect distributions in the tax year (not more than line 5)	
7	Balance at the end of the tax year (line 5 less line 6)	

SCHEDULE N Policyholders' Surplus Account (Section 815(d))

1	Balance at the beginning of the tax year.	
2	a Direct or indirect distributions that are more than Schedule M, line 5	
	b Tax increase on line 2a	
	c Subtractions under pre-1984 sections 815(d)(1) and (4) (see instructions)	
	d Tax increase on line 2c	
	e Subtraction required under pre-1984 section 815(d)(2) due to termination	
3	Total—Add lines 2a through 2e, but not more than line 1	
4	Balance at the end of the tax year (line 1 less line 3)	

SCHEDULE O Total Assets and Total Insurance Liabilities

Part I—Total Assets (Section 806(b)(3)(C))

		As of Close of Tax Year
1	Real property	
2	Stocks	
3	Proportionate share of partnership assets	
4	Other assets (attach schedule)	
5	Total assets of controlled groups	
6	Total (add lines 1 through 5)	

SCHEDULE O Total Assets and Total Insurance Liabilities—continued

PART II—Total Insurance Liabilities (Section 813(a)(4)(B))

Item	(a) Section	(b) Description of item	(c) Liabilities at close of tax year
1	816(c)(1)	Reserve for life policies and contracts	
2	816(c)(2)	Reserve for accident and health policies	
3	807(c)(3)	Supplementary contracts without life contingencies	
4	816(c)(2)	Policy and contract claims, life	
5	816(c)(3)	Policy and contract claims, accident and health	
6	807(c)(4)	Policyholders' dividend and coupon accumulations	
7	807(c)(5)	Premiums and annuity considerations received in advance Less: Discount	
8	807(c)(5)	Liability for premium and other deposit funds	
9		Miscellaneous insurance liabilities, not included above:	
	807(c)(6)	a Special contingency reserves for group life, health and accident insurance.	
	807(c)(3)	b Amounts held at interest under insurance, annuity or deposit administration contracts or pension trust side funds	
	807(c)(3)	c Funds held to provide for future conversion of policies or contracts	
	816(c)(3)	d Amounts held pending issue of contracts supplementary to insurance or annuity contracts	
		e Other insurance liability or adjustments:	
		(i) Reserves for mortality fluctuations	
		(ii) Liability for insurance or annuity benefits for employees and agents	
	816(c)(3)	f Other items (please describe):	
10		Total	

SCHEDULE P Limitation on Noninsurance Losses (Section 806(c)(3)(C))

1	Noninsurance income (attach schedule)	
2	Noninsurance deductions (attach schedule)	
3	Noninsurance operations loss deductions	
4	Add lines 2 and 3	
5	Noninsurance loss (line 4 less line 1). If line 1 is greater than line 4, omit lines 5 through 8, and enter zero on line 9	
6	Enter 35% of line 5	
7	Enter 35% of Schedule A, line 22 less any noninsurance loss included in Schedule A	
8	Enter the lesser of line 6 or line 7	
9	Line 5 less line 8—Enter here and on page 1, line 2	

SCHEDULE Q Additional Information Required (See Instructions)

		Yes	No			Yes	No
F Check if you are a: (1) <input type="checkbox"/> Legal reserve company—if checked: Kind of company: <input type="checkbox"/> Stock <input type="checkbox"/> Mutual Principal business: <input type="checkbox"/> Life insurance <input type="checkbox"/> Health and accident insurance (2) <input type="checkbox"/> Fraternal or assessment association (3) <input type="checkbox"/> Burial or other insurance company G Enter the percentage that the total of your life insurance reserves (section 816(b)) plus unearned premiums and unpaid losses (whether or not ascertained) on noncancellable life, health or accident policies not included in life insurance reserves, is to your total reserves (section 816(c)) _____%. Attach a schedule of your computation. H Do you have any variable annuity contracts outstanding?							
I (1) Did you, at the end of the tax year, own, directly or indirectly, 50% or more of the voting stock of a domestic corporation (for rules of attribution, see section 267(c))? If "Yes," attach a schedule showing: (a) Name, address, and identifying number; (b) Percentage owned; and (c) Taxable income or (loss) before NOL or special deductions from line 28, page 1, Form 1120 (or line 24, page 1, Form 1120-A) of that corporation for the tax year ending with or within your tax year. (2) Did any individual, partnership, corporation, estate, or trust, at the end of the tax year, own, directly or indirectly, 50% or more of your voting stock (for rules of attribution, see section 267(c))? If "Yes," attach a schedule showing— (a) Name, address, and identifying number. (b) Percentage owned. (c) If the owner of that voting stock was a person other than a U.S. person (see instructions), check "Yes" and show owner's country							
Note: If question I(2)(c) is checked "Yes," the corporation may have to file Form 5472.							
J Did you claim a deduction for: (1) Entertainment facility (boat, resort, ranch, etc.)? (2) Living accommodations (except for employees on business)? (3) Employees attending conventions or meetings outside the North American area? (See section 274(h).) (4) Employees' families at conventions or meetings? If "Yes," were any of these conventions or meetings outside the North American area? (See section 274(h).) (5) Employee or family vacations not reported on Form W-2?							
K Were you a U.S. shareholder of any controlled foreign corporation? (See sections 951 and 957, and the instructions.) If "Yes," attach Form 5471 for each corporation.							
L At any time during the tax year, did you have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? (See the instructions for exceptions and filing requirements for Form TD F 90-22.1.) If "Yes," write the name of the foreign country							
M Were you ever the grantor of or transferor to a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? (See instructions.) If "Yes," you may be required to file Forms 926, 3520, or 3520A.							
N During the tax year did you maintain any of your accounting/tax records on a computerized system?							
O Check method of accounting: (1) <input type="checkbox"/> Accrual (2) <input type="checkbox"/> Other (Specify)							

SCHEDULE R Reconciliation (See Instructions)

SCHEDULE S Compensation of Officers (See Instructions)

1985


 Department of the Treasury
Internal Revenue Service

Instructions for Form 1120L

U.S. Life Insurance Company Income Tax Return

(Section references are to the Internal Revenue Code, unless otherwise noted.)

Changes You Should Note

The Service Center addresses for some filers have been changed. Please read carefully under "Where to File" instructions to locate the correct Service Center filing address.

All taxpayers claiming either a deduction or credit for automobiles and other "listed property" are required to complete the appropriate sections of Part III of Form 4562, Depreciation and Amortization.

Elections Under the Tax Reform Act of 1984 (the "Act")

The 1984 Act allows life insurance companies (if applicable) to make the following elections:

- Election by a member of a controlled group, which does not file a consolidated return, not to include a loss from operations in the determination of the special life insurance company deduction. See section 805(c)(4) and Temporary Regulations section 5h.4.
- Election by issuers of nonannuity contracts to determine prevailing State assumed interest rate as of the beginning of the calendar year preceding the calendar year that the contract was issued. See section 807(d)(4)(C) and Temporary Regulations section 5h.4.
- Election in the case of a loss from operations, to forgo the entire carryback period. See section 810(b)(3) and Temporary Regulations section 5h.4.
- Election to use adjusted statutory reserves, generally, for certain contracts issued after 1983, but before 1989, if it made an election under Act section 216(c)(1) and meets certain other requirements. See Act section 216(c)(2) and Temporary Regulations section 5h.4.
- Election regarding the treatment of losses from certain guaranteed interest contracts. See Act section 217(l)(2)(B) and Temporary Regulations section 5h.4.
- Election by a domestic mutual insurance company, which has a contiguous country life insurance branch, to exclude from its taxable income items that are separately accounted for under section 814(c). See section 814(g).

- Election by a domestic stock life insurance company, which has a contiguous country life insurance branch as described in section 814(b) (without regard to the mutual requirement in section 814(b)(3)) to transfer the assets of such branch to a foreign corporation organized under the laws of the contiguous country without applying section 367 or 1491. See section 814(h).

Voluntary Contributions to Reduce the Public Debt

Quite often inquiries are received about how voluntary contributions to reduce the public debt may be made. A corporation may contribute by enclosing a separate check, payable to "Bureau of the Public Debt," with the tax return. These amounts are tax deductible, subject to the rules and limitations for charitable contributions. Please keep the contribution to reduce the public debt separate from any amount payable with the tax return. Tax remittances should be made payable to "Internal Revenue Service."

General Instructions

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws, and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Purpose of form.—Life insurance companies use Form 1120L to report income and expenses and to figure any tax that may be due.

Who must file Form 1120L.—Every domestic life insurance company and every foreign corporation carrying on an insurance business within the U.S. (if its U.S. business would qualify as a life insurance company) must file a return on Form 1120L. However, this is true only for insurance companies:

- Which are engaged in the business of issuing life insurance and annuity contracts either separately or combined with health and accident insurance, or noncancellable contracts of health and accident insurance, if
- Its life insurance reserves as defined in section 816(b), plus unearned premiums and unpaid losses (whether or not ascertained) on noncancellable life, health, or accident policies not included in life insurance reserves, make up more than 50% of its total reserves as defined in section 816(c), adjusted in each case for policy loans as required by section 816(d).

The term "insurance company" means any company more than half of the business of which during the tax year is the issuing of insurance or annuity contracts or the reinsuring of risks underwritten by insurance companies.

Guaranteed renewable life, health, and accident insurance that the company cannot cancel but under which the company reserves the right to adjust premium rates by classes, according to experience under the kind of policy involved are treated as noncancellable.

Also, for purposes of determining if an insurance company is a life insurance company, amounts set aside and held at interest to satisfy obligations under contracts which do not contain permanent guarantees with respect to life, accident, or health contingencies should not be included in life insurance reserves or any of the other insurance reserves that are required by law.

A burial or funeral benefit insurance company that directly manufactures funeral supplies or performs funeral services is taxable under section 821 or section 831 and should file Form 1120M, U.S. Mutual Insurance Company Income Tax Return, Form 1120, U.S. Corporation Income Tax Return, or Form 1120-A, U.S. Short-Term Corporation Income Tax Return.

If a receiver, trustee in bankruptcy, or assignee has possession of, or holds title to, all or substantially all of a corporation's property or business whether or not it is being operated, that person must make a return in the same manner and form as would be required were the corporation to make its own return.

Where to file.

If the corporation's principal business, office, or agency is located in

Use the following Internal Revenue Service Center address	
New Jersey, New York City and counties of Nassau, Rockland, Suffolk, and Westchester	Holtsville, NY 00501
New York (all other counties), Connecticut, Maine, Massachusetts, Minnesota, New Hampshire, Rhode Island, Vermont	Andover, MA 05501
Alabama, Florida, Georgia, Mississippi, South Carolina	Atlanta, GA 31101
Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Kansas, Louisiana, New Mexico, Oklahoma, Texas	Austin, TX 73301
Alaska, Arizona, California (Counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201
California (all other counties), Hawaii	Fresno, CA 93888
Illinois, Iowa, Missouri, Wisconsin	Kansas City, MO 64999
Arkansas, Indiana, North Carolina, Tennessee, Virginia	Memphis, TN 37501
Delaware, District of Columbia, Maryland, Pennsylvania, foreign countries and U.S. possessions	Philadelphia, PA 19255

If all the books and records are kept in the managing corporation's principal office, the separate returns of a group of corporations may be filed with the Service Center where the managing corporation files its return.

When to file.—In general, a corporation must file Form 1120L by the 15th day of the 3d month after its tax year ends. A new corporation filing a short period return must

generally file by the 15th day of the 3d month after the short period ends. A corporation that has dissolved must generally file by the 15th day of the 3d month after the date it dissolved.

Extension of time for filing.—Use Form 7004, Application for Automatic Extension of Time to File Corporation Income Tax Return, to request an automatic 6-month extension of time to file Form 1120L. However, this automatic extension does not extend the time for payment of the tax.

Period covered.—File the 1985 return for calendar year 1985 and fiscal years that begin in 1985. If the corporation ceased to exist in 1985, write "FINAL RETURN" at the top of the form.

Accounting methods.—You must file the return using the accrual method of accounting or, to the extent permitted under regulations, a combination of the accrual method with any other method, except the cash receipts and disbursements method.

Unless the law specifically permits, you cannot change the method of accounting used to report income in earlier years (for income as a whole or for any material item) unless you first get IRS consent on Form 3115, Application for Change in Accounting Method.

Economic Performance.—Section 461(h) generally provides that the amount of an item is not incurred under an accrual method of accounting until economic performance occurs. For exceptions for recurring items that meet the all events test and effective dates of available elections, see Temporary Regulations section 1.461-3T.

Rounding off to whole-dollar amounts.—You may show money items on the return and accompanying schedules as whole-dollar amounts. To do so, drop any amount less than 50 cents and increase any amount from 50 cents through 99 cents to the next higher dollar.

Attachments.—In order to process the form, we ask that you complete every applicable entry space on Form 1120L, rather than entering "See attached." Also, please show the total on the printed form or schedule. If more space is needed, attach separate sheets that are the same size as the printed forms. Indicate at the top of each attachment the form number or schedule letter of the form or schedule being continued. Be sure to enter the taxpayer's name and employer identification number. Attach these separate sheets after all of the printed schedules and forms.

Percentage computations.—In figuring the policyholders' and company's share percentage, carry out the computation to enough decimal places to ensure substantial accuracy and to eliminate any significant error in the resulting tax.

Pension, profit-sharing, etc., plans.—If you are an employer who maintains a pension, profit-sharing, or other funded deferred compensation plan whether or not it is qualified under the Internal Revenue Code and whether or not you claim a deduction for the current tax year, generally you are required to file one of the forms described below. Section 6652(f) provides penalties for not filing these forms on time.

Form 5500, Annual Return/Report of Employee Benefit Plan.—Complete this form for each plan with 100 or more participants.

Form 5500-C, Return/Report of Employee Benefit Plan, or Form 5500-R, Registration

Statement of Employee Benefit Plan.—Complete the applicable form for each plan with fewer than 100 participants.

Transfers to corporation controlled by transferee.—If a person receives stock or securities of a corporation in exchange for property, and does not have a gain or loss that is recognized under section 351, the transferee and the transferee must attach the information required by Regulations section 1.351-3.

Other Forms Needed.—In addition to Form 1120L, you may need to file one or more information returns.

Forms W-2 and W-3, Wage and Tax Statement, and Transmittal of Income and Tax Statements.

Form W-2P, Statement for Recipients of Periodic Annuities, Pensions, Retired Pay, or IRA Payments.

Form 966, Corporate Dissolution or Liquidation.

Form 1096, Annual Summary and Transmittal of U.S. Information Returns. (For transmitting Form 1099-R information, use Form W-3G, Transmittal of Certain Information Returns.)

Forms 1099-A, B, DIV, INT, MISC, OID,

PATR, and R. Information returns for reporting abandonments, acquisitions through foreclosure, proceeds from brokers and barter-exchange transactions, certain dividends and distributions, interest income, medical and health care payments, direct sales of consumer goods for resale, miscellaneous income payments, nonemployee compensation, original issue discount, patronage dividends, and total distributions from profit-sharing plans, retirement plans, and individual retirement arrangements. Also use these returns to report amounts that were received as a nominee on behalf of another person.

Note: Every corporation must file information returns if it makes payments of rents, commissions, or other fixed or determinable income (see section 6041) totaling \$500 or more to any one person in the course of its trade or business during the calendar year.

Form 5452, Corporate Report of Nontaxable Dividends.

Form 5498, Individual Retirement Arrangement Information, is to be used to provide IRS with contribution information on individual retirement accounts and simplified employee pension plans.

Form 5713, International Boycott Report, for persons having operations in or related to "boycotting" countries. In addition, persons who participate in or cooperate with an international boycott, may have to complete Schedule A or Schedule B and Schedule C of Form 5713 to compute their loss of the following items: the foreign tax credit, the deferral of earnings of a controlled foreign corporation, IC-DISC, and FSC benefits.

Form 8264, Application for Registration of a Tax Shelter, is used by tax shelter organizers to register tax shelters with the IRS, for the purpose of receiving a tax shelter registration number.

Form 8271, Investor Reporting of Tax Shelter Registration Number, is used by taxpayers who have acquired an interest in a tax shelter, which is required to be registered, to report the tax shelter's registration number. Form 8271 must be attached to any tax return (including an application for tentative refund (Form 1139) and an amended return (Form 1120X)) on which a deduction, credit, loss, or other tax benefit attributable to a tax shelter, is taken.

Form 8300, Report of Cash Payments Over \$10,000 Received in a Trade or Business, generally is used to report the receipt of more than \$10,000 in cash or foreign currency in one transaction (for a series of related transactions).

Form 8396.—Information Return for Determination of Life Insurance Company Earnings Rate Under Section 809, is to be filed by all mutual life insurance companies, and the 50 largest stock life insurance companies, as determined by the Secretary of the Treasury, to gather information to compute the "differential earnings rate."

Consolidated returns.—If an affiliated group of corporations includes one or more domestic insurance companies taxed under section 801 or 821, the common parent may elect to treat those companies as includable corporations. The insurance companies must have been members of the group for the 5 tax years immediately preceding the tax year for which the election is made. See section 1504(c)(2) and Regulations section 1.1502-47(d)(12).

Note: If an election under section 1504(c)(2) is in effect for an affiliated group for the tax year, all items of members of the group which are not life insurance companies are not to be taken into account in figuring the tentative life insurance company taxable income of those members which are life insurance companies.

Penalties.—Avoid penalties and interest by correctly filing and paying the tax when due.

1. A corporation that does not file its tax return by the due date, including any extensions of time for filing, may be subject to a penalty of 5% a month or a fraction of a month, up to a maximum of 25%, for each month the return is not filed. The penalty is charged on the net amount due under section 6651(a)(1). The minimum penalty for failure to file a tax return within 60 days of the due date (including extensions) is the lesser of the underpayment of tax or \$100.

Since Regulations section 1.6012-2(c) requires that the NAIC Annual Statement be filed as part of the return, a penalty may be imposed under section 6651(a)(1) for not including the annual statement when filing the return.

2. A corporation that does not pay the tax when due may be subject to a penalty of 1/2% a month or fraction of a month, up to a maximum of 25%, for each month the tax is not paid. The penalty is charged on the net amount due under section 6651(a)(2).

These penalties will not be imposed if the corporation can show that the failure to file or to pay was due to reasonable cause and not to willful neglect.

These penalties are in addition to the interest charge imposed on unpaid tax at a rate determined under section 6621.

3. A corporation that does not pay the proper estimated tax when due may be subject to an underpayment penalty for the period of underpayment. To avoid the estimated tax penalty, the amount of estimated tax payments required by a corporation is 90%, but see the instructions for "Line 15, Penalty for underpayment of estimated tax," and section 6655.

Signature.—The return must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or any other corporate officer (such as tax officer) authorized to sign. A receiver, trustee, or assignee must sign and date any return he or she is required to file on behalf of a corporation.

Paid Preparer's Information.—If your corporate officer filled in Form 1120L, the Paid Preparer's Use Only area should remain blank. If someone prepares Form 1120L and does not charge the corporation, that person should not fill in the Paid Preparer's Use Only area. Certain others who prepare Form 1120L should not fill in the Paid Preparer's Use Only area. For example, a regular, full-time employee of the corporation such as clerk, secretary, etc., does not have to sign.

Generally, anyone who is paid to prepare Form 1120L must sign the return and fill in the other blanks in the Paid Preparer's Use Only area of the return.

The person required to sign the return as preparer MUST complete the required preparer information and:

- Sign it, by hand, in the space provided for the preparer's signature (signature stamps or labels are not acceptable);
- Give a copy of Form 1120L to the taxpayer in addition to the copy filed with the return.

Tax return preparers should know their responsibilities. Publication 1045, Information and Order Blanks for Preparers of Federal Income Tax Returns, lists some of the preparers' other responsibilities and penalties for which they may be liable. The publication also contains the regulations that govern their work.

Sales and Exchanges of Life Insurance Company Property

Capital assets.—Each item of property a corporation holds (whether or not connected with its business) is a capital asset, except as provided in section 1221. However, section 818(b)(2) modifies section 1221 so that gains or losses from the sale or exchange of depreciable assets of any business (other than an insurance business) that the life insurance company carries on will be treated as gains or losses from the sale or exchange of capital assets.

Complete Schedule D (Form 1120). Capital Gains and Losses, according to its instructions. Enter the excess of net short-term capital gain over the net long-term capital loss from line 9, Schedule D (Form 1120) on line 6, Schedule C, Form 1120L. Enter the net capital gain from line 10, Schedule D (Form 1120) on line 5, Schedule A, Form 1120L. Attach Schedule D (Form 1120) to Form 1120L.

Assets used in a trade or business and involuntary conversions.—Use Form 4797, Gains and Losses From Sales or Exchanges of Assets Used in a Trade or Business and Involuntary Conversions.

Section 818(b) provides that in applying section 1231(a), property used in a trade or business includes only (1) property used in carrying on an insurance business that is real property held for more than 6 months (more than 1 year for property acquired before June 23, 1984), or depreciable property held for more than 6 months (more than 1 year for property acquired before June 23, 1984) and (2) timber, coal, and domestic iron ore to which section 631 applies. The term does not include inventoriable property, property held primarily for sale to customers, or certain copyrights, literary, musical or artistic compositions, letters, or memoranda, and similar property.

Special rules for section 818(c) property.—See section 818(c) and related regulations for how to limit the gain from the sale or exchange of any section 818(c) property.

Foreign Life Insurance Companies.—A foreign life insurance company that sells a U.S. real property interest must file Form 1120L and Schedule D (Form 1120) to report the sale. Gain or loss from the sale of a U.S. real property interest is considered effectively connected with the conduct of a U.S. business, even though the foreign life insurance company does not carry on any insurance business in the U.S. and is not otherwise required to file a U.S. income tax return.

Specific Instructions

Box A. Employer identification number.—Enter the corporation's employer identification number (EIN).

If the corporation does not have an EIN, apply for one on Form SS-4, Application for Employer Identification Number. You can obtain this form at most IRS or Social Security Administration offices. Send Form SS-4 to the same Internal Revenue Service Center where you send Form 1120L. If you have not received the EIN by the time to file Form 1120L, write "Applied for" in the space for the EIN.

SCHEDULE A—Life Insurance Company Taxable Income (LICIT) (Section 801(b))

Income

Line 1a.—Enter the gross premiums and other consideration (including advance premiums, deposits, fees, assessments, consideration from assuming liabilities under contracts not issued by the company and dividends to policyholders reimbursable to the taxpayer by a reinsurer for reinsured policies) on insurance and annuity contracts. Also, line 1a should include any amount treated as received under section 808(e).

Line 1b.—Enter return premiums, and premiums and other consideration for indemnity reinsurance. Except for premiums or other consideration returned to another life insurance company from indemnity reinsurance, you cannot include amounts returned when they are not fixed in the contract but depend on the company's experience or the management's discretion. But treat as return premiums amounts rebated or refunded due to policy cancellations or to incorrectly figured premiums. Then subtract line 1b from line 1a and enter the result in the column on the right.

Line 2. Decrease in reserves.—If there is a decrease in reserves, you cannot enter an amount on line 2, Schedule A, until you do the following: enter amount from line 8, Schedule B, to tentatively compute life insurance company gross income which is needed to complete Schedule K, Company/Policyholder Share Percentage. Then, complete Schedule B, and enter the net decrease in reserves (line 12, Schedule B) to complete Schedule A.

Line 3. 10% of net decrease in reserves.—Enter 10% of any decrease in reserves required under section 807(f)(1)(B)(i). If section 807(f)(2) applies, the balance must be included in income in the last tax year the company was qualified to file Form 1120L.

Line 6. Other amounts.—Enter the total other income not otherwise included above if the items are includible in gross income and include any accrual of discount under section 811(b). Include all gains from Form 4797. See the instructions under Assets used in a trade or business and involuntary conversions

above. Exclude all gains that are, or are considered to be, from the sale or exchange of capital assets. Also, attach an itemized schedule of all items.

Deductions

Line 8. Death benefits, etc.—Enter all claims and benefits accrued and losses incurred (whether or not ascertained) during the year on insurance and annuity contracts. Losses incurred (whether or not ascertained) means a reasonable estimate of losses incurred but not reported, and losses reported, but the amount cannot be determined by the end of the year.

Line 10. 10% of increase in reserves.—Enter 10% of any increase in reserves required under section 807(f)(1)(B)(i).

Line 12. Assumption by another person of liabilities under insurance, etc., contracts.—Enter the consideration (other than consideration from indemnity reinsurance) from the assumption by another person of liabilities under insurance and annuity contracts (including supplementary contracts).

Line 13. Reimbursable dividends.—Enter the amount of policyholder dividends which are paid or accrued by another insurance company for policies the taxpayer has reinsured, and are reimbursable by the taxpayer under the terms of the reinsurance contract.

Line 14. Other deductions.—Enter the total of all other deductions (including the amortization of premiums under section 811(b)) not already included in lines 8 through 13.

Also, include the total amount of noninsurance business (defined in section 806(c)(3)) deductions on line 14. Attach an itemized schedule of all items. Noninsurance business deductions should be segregated from other deductions.

If you claim a deduction for depreciation, attach Form 4562, Depreciation and Amortization, Attach Form T (Timber), Forest Industries Schedule, if you claim a deduction for timber depletion.

Limitations on deductions

1. Transactions between related taxpayers. Generally, an accrual basis taxpayer may only deduct business expenses and interest owed to a related party in the year the payment is included in the income of the related party. See section 267 for limitation on deductions for unpaid expenses and interest.

2. Limitation on deductions for tax preference items. Corporations may be required to reduce deductions for the following tax preference items:

- a) Depletion of iron ore and coal (including lignite) by 15%;
- b) Section 1250 capital gain by 20%;
- c) Amortizable basis of pollution control facilities by 20% (15% for property placed in service before January 1, 1985);
- d) Intangible drilling, and exploration and development costs by 20% (15% for expenditures incurred before January 1, 1985); and
- e) Bad debt deductions for financial institutions by 20%.

3. Real property construction period interest and taxes. For construction started after 1982, no deduction (except as allowed

under section 189(d)) shall be allowed for real property construction period interest and taxes. See section 189.

4. Golden parachute payments. A portion of the payments made by a corporation to key personnel that exceeds their usual compensation may not be deductible. This occurs when the corporation has an agreement (golden parachute) with these key employees to pay them these excessive amounts if control of the corporation changes. See section 280G.

Exceptions

Include all items allowable as deductions in figuring taxable income except:

(a) **Interest.**—No deduction is allowed under section 163 for interest on the items described in section 807(c).

(b) **Bad debts.**—No deduction is allowed for an addition to reserves for bad debts under section 166(c), but a deduction for specific bad debts is permitted if the other provisions of section 166 apply.

(c) **Contributions.**—Attach a schedule showing the name of each organization and the amount for a contribution made in property other than money. Describe the kind of property contributed and the method used in determining its fair market value. If you include a contribution carryover, show the amount and how it was determined. A corporation must keep records as required by Regulations section 1.170A-13.

If you made a qualified conservation contribution under section 170(h), include the fair market value of the underlying property before and after the donation. Describe the conservation purpose furthered by your donation and the type of legal interest contributed.

Charitable contributions over the 10% limitation as set forth in section 170(b)(2) and as modified by section 805(b)(3), may not be deducted for the tax year but may be carried over to the next 5 tax years.

Companies on the accrual basis may elect to deduct contributions paid by the 15th day of the 3d month after the end of the tax year if the board of directors authorizes the contribution during the tax year. Attach to the return a declaration, signed by an officer, stating that the resolution authorizing the contribution was adopted by the board of directors during the tax year. Also attach a copy of the resolution.

For a charitable contribution of property, you must reduce the contribution by the sum of:

- The ordinary income, short-term capital gain that would have resulted if the property were sold at its fair market value, and
- For certain contributions, 60.87% of the long-term capital gain that would have resulted if the property were sold at its fair market value.

The reduction for 60.87% of the long-term capital gain applies to:

1. Contributions of tangible personal property for use by an exempt organization for a purpose or function unrelated to the basis for its exemption; and
2. Contributions of any property (except stock that is donated after July 18, 1984, for which market quotations are readily available—see section 170(e)(5)) to or for the use of certain private foundations. (See section 170(e) and Regulations section 1.170A-4.)

For special rules for contributions of inventory and other ordinary income property to certain organizations, and contribution of scientific property used for research, see section 170(e).

For a charitable contribution deduction for property sold to a charitable organization, the adjusted basis for determining gain from the sale is an amount that is in the same ratio to the adjusted basis as the amount realized is to the fair market value of the property.

(d) **Amortizable bond premiums.**—No deduction is allowed under section 171. However, see section 811(b) for the rules relating to amortizable bond premiums.

(e) **Net operating loss deduction.**—The deduction under section 172 is not allowed because an operations loss deduction is allowed. See line 16.

Line 15. Dividends-received deduction.—Enter the amount from Schedule G, column (c), line 12. Also, see the instructions for Schedule G.

Line 16. Operations loss deduction.—This deduction determined under section 810 is similar to the net operating loss deduction provided by section 172.

The operations loss deduction is the total of the operations loss carryovers and carrybacks to the tax year. See section 810(a).

Generally, you may carry a loss from operations back to each of the 3 years preceding the year of the loss and carry it over to each of the 15 years following the year of the loss. Or you may make an irrevocable election to carry the loss only to each of the 15 years after the loss year. See section 810(b). If the company is a new company for the loss year, the carryover is for 18 years. For the definition of a new company, see section 810(e). After you apply the loss from operations to the first tax year to which it may be carried, the part of the loss you may carry to each of the remaining tax years is the amount by which the loss is more than the sum of the offsets for each of the earlier tax years to which the loss may be carried.

Offset means the increase in the operations loss deduction for the tax year that reduces the life insurance company taxable income (figured without regard to section 804(2) and (3)) for the year to zero. See section 810(d).

To determine the loss from operations, subtract line 7 from the allowable deductions. But:

- No operations loss deduction is allowed.
- You must figure the deductions allowed by section 243 (dividends received by corporations), section 244 (dividends received on certain preferred stock of public utilities), and section 245 (dividends received from certain foreign corporations) without regard to section 246(b), as modified by section 805(a)(4).

See section 844 for special loss carryover rules for an insurance company that has changed its form of organization or has had a change in the nature of its insurance business.

For tax treatment of recoveries of foreign expropriation losses, see section 1351.

Note: Section 810 is treated as a continuation of section 812 (as in effect before the enactment of the Tax Reform Act of 1984).

SCHEDULE B—Increase or (Decrease) in Reserves (Section 807)

Section 807 requires life insurance companies to determine whether certain reserves

decrease or increase for the tax year. A decrease will be treated as includible in gross income and an increase will be treated as a deduction from gross income. Generally, the net increase or net decrease in reserves is figured by comparing the closing balance for reserves to the opening balance for reserves.

Note: Any decrease in reserves, shown on line 8, is computed without any reduction of the closing balance of section 807 reserves by the company's share of tax-exempt interest. See Schedule A, line 2 instructions.

Also, in figuring the net increase or net decrease in reserves, the closing balance of the reserve items is reduced by the policyholders' share of tax-exempt interest and the excess ownership differential adjustment.

For rules dealing with the method of computing reserves for purposes of determining income, see section 807(d). For rules dealing with the method of computing reserves on contracts where interest is guaranteed beyond the end of the tax year, see section 811(d).

Note: If the basis for determining the amount of any item referred to in section 807(c) (life insurance reserves, etc.) at the end of the tax year differs from the basis for the determination at the beginning of the tax year, see section 807(f).

SCHEDULE C—Gross Investment Income (Section 812(d))

Line 1. Interest.—Enter interest (excluding tax-exempt interest) from all sources during the tax year. Decrease the gross interest reported by the amortization of premium and increase it by the accrual of discount (except market discount) for the tax year on bonds, notes, debentures, or other evidences of indebtedness. Determine these amounts by:

- The method regularly used, if reasonable; or
- Regulations prescribed by the Secretary of the Treasury.

Also, see section 811(b). Attach a statement showing the method and computation used.

Line 3. Gross rents.—Enter the gross rents received for property. Deduct expenses such as repairs, taxes, and depreciation on line 14, Schedule A, and attach a segregated schedule of these amounts.

Line 4. Gross royalties.—Enter gross royalties. If you take a deduction for depletion, report it on line 14, Schedule A.

Line 5. Leases, terminations, etc.—Enter the gross income from entering into (or changing or ending) any lease, mortgage, or other instrument or agreement from which the life insurance company earns interest, rents, or royalties.

Line 7. Gross income from trade or business other than insurance business.—Enter the gross income from any business (other than an insurance business) carried on by the life insurance company, or by a partnership of which the life insurance company is a member. Attach a segregated schedule.

Include section 1245, section 1250, and other gains from Form 4797. See the instructions under Assets used in a trade or business and involuntary conversions above.

Line 9. Tax-exempt interest.—Enter the total amount of tax-exempt interest income attributable to this tax year.

Line 11. Subsidiaries 100% dividends.—Enter the total amount of dividends described in sections 805(a)(4)(C) and (D).

SCHEDULE E—Policyholder Dividends (Section 808)

A policyholder dividend includes any amount paid, or accrued (including an increase in benefits) where the amount is not fixed in the contract but depends on the company's experience or the management's discretion plus any excess interest, premium adjustments, and experience-rated refunds. Generally, the deduction for policyholder dividends is the amount actually paid or accrued during the tax year. A mutual company must reduce this amount by the differential earnings amount (defined in section 809).

Also, for purposes of figuring this deduction, any policyholder dividend which increases the cash surrender value of the contract or other benefit payable under the contract or reduces the premium that otherwise has to be paid, is treated as paid to the policyholder and returned by the policyholder to the company as a premium and should be included on line 1.

SCHEDULE F—Differential Earnings Amount (Section 809)

Section 809 requires mutual life insurance companies to reduce certain deductions (policyholder dividends, and certain reserve deductions) by the differential earnings amount. For 1984, Congress established a differential earnings rate of 7.8 percent. For 1985, the Secretary of the Treasury will adjust this rate and announce such rate during early 1986.

See section 809 for definitions, computational information, transitional rules and other adjustments. Also, see section 217(j) of the Act for rules on the reduction in equity base for a mutual successor of a fraternal benefit society.

SCHEDULE G—Dividend Income and Dividends-Received Deduction

Line 1, column (a).—Enter dividends received (except those received on debt-financed stock acquired after July 18, 1984—see section 246A) from domestic corporations subject to income tax that qualify for the 85% deduction under section 243(a)(1).

So-called dividends or earnings received from mutual savings banks, money market certificates, etc., are really interest and should not be treated as dividends.

For dividends received from a regulated investment company, see section 854 for the amount that qualifies for the 85% deduction.

Line 2, column (a).—Enter dividends on debt-financed stock (acquired after July 18, 1984) that are received from domestic corporations subject to income tax and that would otherwise be subject to the 85% dividends-received deduction under section 243(a)(1). Generally, debt-financed stock is stock that the corporation acquired, and, in doing so, incurred a debt (for example, it borrowed money to buy the stock). See section 246A for more information.

Line 3, column (a).—Enter dividends received on the preferred stock of a public utility subject to income tax that is allowed the deduction under section 247 for dividends paid.

Line 4, column (a).—Enter dividends received from foreign corporations that qualify for the 85% deduction under section 245(c).

Line 5, column (a).—Enter dividends received from wholly owned foreign subsidiaries that qualify for the 100% deduction under section 245(b) to the extent they are distributed out of tax-exempt interest or out of dividends which do not qualify as 100% dividends. Also, include dividends received from a Foreign Sales Corporation (FSC) attributable to exempt foreign trade income that qualify for a 100% deduction under section 245(c).

Line 6, column (a).—Enter dividends that qualify for the 100% dividends-received deduction under section 243(a)(3) that are subject to the elective provisions of section 243(b) and section 805(a)(4)(D) to the extent they are distributed out of tax-exempt interest or out of dividends which do not qualify as 100% dividends.

Line 10, column (a).—Enter dividends which qualify for the 100% dividends-received deduction and that are not reported on line 5 or 6 because they were not distributed out of tax-exempt interest or out of dividends which do not qualify as 100% dividends.

Note: Certain dividends received by a foreign corporation are not subject to proration. See section 805(a)(4)(D) and attach a schedule of your computation.

Line 11, column (a).—Enter the total of other dividends received and attach a schedule showing separately:

- Foreign dividends not reportable on lines 4, 5 and 10. (Exclude distributions of amounts constructively taxed in the current year or earlier years under Subpart F.)
- Income constructively received from controlled foreign corporations under Subpart F. This should equal the total amounts reported in Schedule J of Form (a) 5471, Information Return with Respect to Foreign Corporations.
- Gross-up of dividends for taxes considered paid under sections 902 and 960.
- Dividends (other than capital gain and exempt interest dividends) received from regulated investment companies that do not qualify for the 85% deduction.
- Dividends from tax-exempt organizations.
- Dividends (other than capital gain dividends) received from a real estate investment trust that, for the tax year of the trust in which the dividends are paid, qualifies under sections 856 through 860.
- Dividends not eligible for the dividends-received deduction because of the stock's holding period or an obligation to make corresponding payments on similar stock.
- Any other taxable dividend income not properly reported above (including distributions under sections 936(e)(3) or 936(h)(4)).

Lines 1 through 6, column (c).—Dividends received on debt-financed stock that are reported on line 2, column (a) are not entitled to the full 85% dividends-received deduction. Instead, the 85% deduction is reduced by a percentage that is related to the amount of debt incurred to acquire the stock. See section 246A. A schedule showing how the dividends-received deduction on debt-financed stock (amount on line 2, column (c)) was figured must be attached to Form 1120L.

In general, no dividends-received deduction will be allowed on any share of stock:

1. That is disposed of if the corporation held it 45 days or less, or
2. To the extent the corporation is under an obligation to make related payments for substantially similar or related property.

Line 7, column (c).—Limitation on dividends-received deduction. The dividends-received deduction is limited to 85% of line 2, page 1, plus line 7, Schedule A, less the total of lines 8 through 14 of Schedule A; i.e., 85% of life insurance company taxable income (as modified by section 806(c)(3)(C)) figured without regard to the special life insurance deduction, and the small life insurance company deduction (section 806); the operations loss deduction (section 810); the dividends-received deductions (sections 243(a)(1), 244(a), and 245); and any capital loss carryback to this tax year (section 1212(a)(1)).

For a member of an electing controlled group, the 85% limitation also applies to any amount by which line 7, Schedule A is more than the total of lines 8 through 14 of Schedule A. But qualifying dividends received from the same group are not subject to the 85% limitation.

In a year in which there is a loss from operations, the 85% limitation does not apply even if the loss is created by the dividends-received deduction. (See sections 172(d) and 245(b).)

SCHEDULE H—Small Life Insurance Company Deduction (Section 806(b))

To qualify for this deduction, a life insurance company must have less than \$15,000,000 of tentative life insurance company taxable income and it must have less than \$500,000,000 in assets (which should include assets of all members of a controlled group as defined in section 806(d)(3), whether or not they are life insurance companies). Schedule H is used to figure this deduction, but see sections 804 and 806 of the Code and sections 217(c), (k) and (l) of the Act for computation of the deduction as well as special and transitional rules.

SCHEDULE I—Controlled Group Information (Section 806(d))

In computing the small life insurance company deduction and the special life insurance company deduction, all life insurance companies who are members of a controlled group are treated as one company and the amount of the deduction that the group is entitled to must be allocated to the life insurance company members of the group in proportion to their respective tentative life insurance company taxable income.

For more information on controlled groups, see section 806 of the Code and sections 217(c), (k) and (l) of the Act.

Note: In cases where a life insurance company makes an election under section 806(d)(4), affected members of the controlled group must exclude the loss from operations of the electing life insurance company deduction. Attach a separate computation in lieu of Schedule J. Consolidated taxable income of the group that includes the life insurance company that made the section 806(d)(4) election also must be adjusted as provided in section 806(d)(4)(B).

SCHEDULE J—Special Life Insurance Company Deduction (Section 806(a))

Life insurance companies are also allowed a deduction for any tax year equal to 20% of the excess of tentative life insurance company taxable income for the tax year over the small life insurance company deduction (if any). See sections 804 and 806 of the Code; sections 217(c), (k) and (l) of the Act; and, if a controlled group, Schedule I.

SCHEDULE K—Company/Policyholder Share Percentage (Section 812)

Schedule K provides for the computation of: (1) the company's share percentage of the dividends-received proration (section 805(a)(4)); and (2) the policyholders' share percentage of tax-exempt interest (section 807).

The company's share is obtained by dividing the company's share of net investment income by total net investment income. To accomplish this, it is first necessary to compute the "mitrification," the numerator of which is line 3, and the denominator of which is line 8.

Note: In computing the denominator, life insurance gross income includes tax-exempt interest and you are to compute any decrease in reserves without any reduction of the closing balance of the section 807 reserve items by the company's share of tax-exempt interest.

The fraction, line 9, is to be applied to a portion of policyholder dividends, line 16. The result, line 17, is then added to the policy interest, line 18, to arrive at the policyholder share amount. The company share of net investment income is then obtained by subtracting the policyholder share amount, line 19, from the net investment income. Net investment income is defined as 90 percent of gross investment income. (Section 812(c).)

SCHEDULE L—Policy Interest (Section 812(b)(2))

To calculate the company and policyholder share percentage (Schedule K), it is necessary to figure the total amount of policy interest for the tax year. See section 812(b)(2).

SCHEDULE M—Shareholders' Surplus Account (Section 815(c))

Section 815(c)(1) provides that each stock life insurance company (whether domestic or foreign), which has on December 31, 1983, a policyholders' surplus account, will continue to maintain a shareholders' surplus account. This schedule calculates the addition made to the shareholders' surplus account as well as the account's year end balance as stated in sections 815(c) and 815(f). Subtract from this account any amount treated under section 815 as a distribution to shareholders. Treat any distribution to shareholders as made first out of this account.

SCHEDULE N—Policyholders' Surplus Account (Section 815(d))

Section 815(d)(1) provides that every stock life insurance company (whether domestic or foreign) that has an existing policyholders'

surplus account on December 31, 1983, will continue to keep the account. For tax years beginning after December 31, 1983, no additions can be made to this account, but it must be decreased by the subtractions in section 815(d)(3) (line 3 of Schedule N).

Line 2b.—(1) Subtract the taxpayer's tax rate from 100%. (2) Divide the distributions on line 2a by the difference. (3) Subtract line 2a from the result of step (2). Enter the result on line 2b.

Line 2c.—(1) Determine the total amounts to be subtracted from the policyholders' surplus account under sections 815(d)(1) and 815(d)(4) as they were in effect before the enactment of the Tax Reform Act of 1984. Do this only after you have made the subtractions on lines 2a and b.

(2) Add 100% to the taxpayer's tax rate. For example, if the tax rate is 46%, the result is 146%.

(3) Divide the result of step (1), line 2c, by the result of step (2), line 2c. Enter the result on line 2c. You must also add the amount on line 2c to the shareholders' surplus account at the beginning of the next tax year.

Line 2d.—Subtract the result of step (3), line 2c, from the result of step (1), line 2c. Enter the result on line 2d. This is the tax on the amount on line 2c.

Line 2e.—Section 815(f) states that the provisions of section 815(d)(5) as in effect before the enactment of the Tax Reform Act of 1984 are applicable to any balance in this account as of December 31, 1983. At that time, section 815(d)(5) stated that if any addition to the policyholders' surplus account increases or creates a loss from operations (and part or all of the loss cannot be used in any other year to reduce the company's taxable income, then the loss will reduce the policyholders' surplus account at the time the addition was made. You must reduce the account before any subtraction. If the account has been adjusted under section 815(d)(5) and the balance at the end of the preceding tax year is different from the balance at the beginning of this year, attach a schedule showing the adjustments.

Line 3.—Enter the total of lines 2a through 2e on line 3, but not more than line 1, and also enter this amount on page 1, line 3 (as all direct and indirect distributions from the policyholders' surplus account are taxed under section 801).

SCHEDULE O—Total Assets (Section 806(b)(3)(C)) and Total Insurance Liabilities (Section 813(a)(4)(B))

Part I—Total Assets
Note: All filers must complete Part I of Schedule O.

Definition.—Assets means all assets of the company.

Valuation.—Use the fair market value for real property and stocks. Use the adjusted basis for determining gain on sale or other disposition for other assets. Determine this adjusted basis under section 1011, and related sections, without regard to section 818(c).

Interest in a partnership or trust is not treated as an asset of the company, but the company is treated as actually owning its proportionate share of the assets held by the partnership or trust.

Part II—Total Insurance Liabilities

Note: All insurance companies required to file Form 1120L attach this schedule.

Foreign insurance companies must maintain a certain surplus of U.S. assets over their U.S. insurance liabilities. That minimum surplus is determined by multiplying their U.S. insurance liabilities by a percentage proclaimed by the Secretary of the Treasury. The Secretary determines the percentage from data supplied by domestic insurance companies in Schedule O, Part II. See section 813(a).

Total insurance liabilities means the sum of the total reserves as defined in section 816(c), plus the items referred to in paragraphs (3), (4), (5), and (6) of section 807(c), to the extent not included in total reserves, at the end of the tax year.

Enter each item of total insurance liabilities on the appropriate line. Enter on line 9f any other amounts included in the definition of total insurance liabilities, but not described on this schedule.

Foreign insurance companies should report total insurance liabilities and section 806(b)(3)(C) assets for their U.S. business only.

SCHEDULE P—Limitation on Noninsurance Losses (Section 806(c)(3)(C))

Section 806(c)(3)(C) references section 1503(c), and that section states that, in figuring life insurance company taxable income, any loss from noninsurance business is limited to the lesser of 35% of the loss or 35% of life insurance company taxable income (less any noninsurance loss included in Schedule A). Schedule P computes any excess loss which must be added back to taxable income on page 1, line 2, Form 1120L. For more information on the computation of the allowable loss deduction as well as the applicable carryback provisions, see section 1503(c).

SCHEDULE Q—Additional Information Required

(The letters in these instructions correspond with questions on Form 1120L, Schedule Q.)

I. U.S. person.—This means: a citizen or resident of the United States, a domestic partnership, a domestic corporation, or any estate or trust (except as defined in section 7701(a)(31)).

Owner's country, for individuals, is their country of residence. For all others, it is the country where incorporated, organized, created, or administered.

K. Stock ownership in foreign corporations.—Attach the required statement if the company owned 5% or more in value of the outstanding stock of a foreign personal holding company. See section 551(c).

If you control a foreign corporation or are a 10% or more shareholder of a controlled foreign corporation, or acquire, dispose or own 5% or more ownership in the outstanding stock of a foreign corporation, you may be required to file Form (a) 5471, Information Return with Respect to a Foreign Corporation.

L. Foreign financial accounts.—Check the "Yes" box if:

1. At any time during the year you had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account), and
 - The combined value of the accounts was more than \$5,000 at any time during the year, AND
 - The account was NOT with a U.S. military banking facility operated by a U.S. financial institution, OR

2. You own more than 50% of the stock in any corporation that owns one or more foreign bank accounts.

Otherwise, check the "No" box.

Get Form TD F 90-22.1. Report of Foreign Bank and Financial Accounts, to see if you are considered to have an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account).

If you checked "Yes," file this form by June 30, 1986, with the Department of the Treasury at the address shown on the form. Form TD F 90-22.1 is not a tax return, so do not file it with the IRS.

Form TD-F 90-22.1 can be obtained from many IRS offices.

M. Foreign trusts.—Check the "Yes" box if you were ever a grantor of, or a transferor to, a foreign trust that existed during the tax year.

SCHEDULE R—Reconciliation

All filers of Form 1120L must attach a schedule which reconciles their NAIC Annual Statement and their Form 1120L.

SCHEDULE S—Compensation of Officers

Attach a schedule for all officers using the following columns: 1. Name of officer; 2. Social security number; 3. Percentage of time devoted to business; 4. Amount of compensation.

This information must be submitted by each member of an affiliated group included in a consolidated return.

Tax Computation Instructions—Page 1, Lines 4–18

General.—Section 801(a)(1) provides a tax on life insurance company taxable income figured at the rates in section 11.

Line 4. Total taxable income.—Generally, this is the total of lines 1, 2, and 3 of page 1. However, if lines 1 and 2 total less than zero, the amount entered on line 4 may not be less than the amount on line 3.

Line 5. Taxable income bracket amount.—Generally, corporations are entitled to one \$25,000 amount in each taxable income bracket. However, members of a controlled group (as defined in section 1563) must share the \$25,000 amount in each taxable income bracket.

Unless you elect an unequal apportionment plan, you, as members of a controlled group, will divide each taxable income bracket amount equally.

If you adopt or amend an apportionment plan, each of you, as a member of a controlled group, must attach to your tax return a copy of your consent to the plan. The consent should show the amount of each taxable income bracket for that member, and other data. See Regulations section 1.1561-3(b) for the time and manner of making the election.

As a member of a controlled group you should enter your share of the taxable income bracket on lines 5a, b, c, and d and figure your tax using the schedule below, instead of the instructions for line 6.

Note: If you are a member of a controlled group and the alternative tax applies, see section 818(e) before computing the tax.

1. Enter the taxable income (line 4, page 1)	_____			
2. Enter line 1 above or your share of the first \$25,000 taxable income bracket, whichever is less	_____			
3. Subtract line 2 from line 1	_____			
4. Enter line 3 or your share of the second \$25,000 taxable income bracket, whichever is less	_____			
5. Subtract line 4 from line 3	_____			
6. Enter line 5 or your share of the third \$25,000 taxable income bracket, whichever is less	_____			
7. Subtract line 6 from line 5	_____			
8. Enter line 7 or your share of the fourth \$25,000 taxable income bracket, whichever is less	_____			
9. Subtract line 8 from line 7	_____			
10. 15% of line 2	_____			
11. 18% of line 4	_____			
12. 30% of line 6	_____			
13. 40% of line 8	_____			
14. 46% of line 9	_____			
15. If the taxable income of the controlled group exceeds \$1,000,000, enter the portion of the excess over \$1,000,000; or \$20,250, that this member must pay	_____			
16. Add lines 10 through 15. Enter here and on line 6, page 1	_____			

Line 6. Income tax

	If the amount on line 4 is:	Enter on line 6:		
Over—	But not over—		Of the amount over—	
0	\$25,000	15%	0	
\$25,000	50,000	\$3,750 + 18%	\$25,000	
50,000	75,000	8,250 + 30%	50,000	
75,000	100,000	15,750 + 40%	75,000	
100,000	-----	25,750 + 46%	100,000	

Additional tax.—If a corporation's taxable income exceeds \$1,000,000, the total tax imposed under section 11 (see the table above) is increased by the lesser of: 5% of the excess over \$1,000,000; or \$20,250.

Alternative tax.—Figure the alternative tax as stated in section 801(a)(2). Enter the lesser of the alternative tax or the regular tax on line 6, page 1, Form 1120L. If the alternative tax is used, check the box on line 6, page 1, Form 1120L and attach a schedule showing your computation.

Line 7a. Foreign tax credit.—Use Form 1118, Computation of Foreign Tax Credit—Corporations, to figure the credit.

Line 7b. Other credits.—Possessions corporation tax credit.—Use Form 5712, Election To Be Treated as a Possessions Corporation Under Section 936, to claim this tax credit. Figure the credit on Form 5735, Computation of Possessions Corporation Tax Credit Under Section 936, and include the credit in line 7b. Write the amount of the credit and identify it as a section 936 credit on the line next to the entry space. Attach Forms 5712 and 5735 to your return.

Credit for the production of nonconventional source fuel credit.—If the corporation can claim a credit for the production of nonconventional source fuels, include it on this line. See section 29 for a definition of qualified fuels, provisions for figuring the credit, and other special rules. Attach a separate schedule to the return showing the computation of the credit.

Credit for increasing research activities.—If the corporation is engaged in qualified research activities, see Form 6765, Credit for Increasing Research Activities, for how to claim the credit. Write the amount of the credit on the dotted line next to the entry on line 7b and identify it as a section 30 credit. Attach Form 6765 to your return.

Orphan drug credit.—See section 28 and Form 6765, Credit for Increasing Research Activities (or for claiming the orphan drug credit), for an explanation of when a corporation can take this credit as well as how it is figured.

Line 7c. General business credit.—This credit is made up of the sum of the following credits:

- **Investment credit.** If your corporation invested in certain types of trade or business property, or qualified energy property, you may be able to take the investment credit. See Form 3468, Computation of Investment Credit, to figure this credit.
- **Jobs credit.** The credit, if elected, is allowed for hiring members of certain targeted groups during the tax year. See Form 5884, Jobs Credit, for definitions, special rules, and limitations. Also see Publication 906, Jobs and Research Credits.

Do not take a deduction for that part of the wages or salaries paid or incurred that is equal to the jobs credit determined without the limitation based on tax (section 38(c)). Members of a controlled group or a business under common control with other businesses, see section 280C.

Attach a schedule to Form 1120L to show how and where you reduced the salary and wage deduction(s). Show in this schedule the otherwise allowable deduction(s) before the reduction and the net amount actually deducted. Identify the line number, schedule, and page number of Form 1120L on which you made a reduction. If the reduction of salaries and wages is less than the jobs credit on Form 5884, explain the difference. Any WIN credit carryover should be claimed on Form 3800, General Business Credit.

- **Alcohol fuel credit.** A corporation may be able to take a credit for alcohol used as fuel. Use Form 6478, Credit for Alcohol Used as Fuel, to figure the credit.

- **Employee stock ownership plan credit.** Corporations may take a tax credit equal to the value of employer stock (or the amount of cash used to buy stock) that they contribute to a tax credit employee stock ownership plan (ESOP). See Form 8007, Credit for Employee Stock Ownership Plan, for definitions, limitations and the computation of the credit.

Form 3800. Enter on line 7c, page 1, the amount of the credit from Form 3800, and check the boxes indicating which forms are attached to the return. If the corporation is claiming only one of the above credits, DO NOT complete Form 3800. Instead, check the appropriate box and attach the form for which the credit is being taken. However, if the corporation has a carryforward or carryback of any of the above credits, it must use Form 3800.

Line 10. Foreign corporations.—A foreign corporation carrying on an insurance business within the U.S. is taxable the same as a domestic insurance company on its income effectively connected with the conduct of a trade or business within the U.S. See sections 842 and 897. Income from sources outside the U.S. from U.S. business is treated as effectively connected with the conduct of a trade or business within the U.S. For a definition of effectively connected income, see sections 864(c) and 897.

Generally, any other U.S. source income received by a foreign corporation not effectively connected with the conduct of a business within the U.S. is taxed at 30% (or lower treaty rate). (Note: Interest received from certain portfolio debt investments which were issued after July 18, 1984, is no longer subject to the tax.) See section 881. If you have this income, attach a schedule showing the kind and amount of income, tax rate (30% or lower treaty rate), and amount of tax.

When the surplus a foreign life insurance company holds in the U.S. is less than a specified minimum, section 813 requires an adjustment. When this minimum surplus adjustment applies, the tax imposed by section 881 is reduced under section 813(a)(5). Attach a statement showing how you figured the reduction of section 881 tax. Enter the net tax imposed by section 881 on line 10, page 1.

Line 11. Increase in tax from refiguring an earlier year investment credit.—If you dispose of property, or it ceases to qualify, before the end of the useful life you use to figure the regular or energy investment credit, you must refigure the credit. If the credit you took including carrybacks and carryovers is more than the refigured credit, you must increase the tax by the excess in the year you disposed of the property. Use Form 4255, Recapture of Investment Credit, to figure the tax increase.

You cannot subtract the tax increase from refiguring an earlier year investment credit from the current year's investment credit.

Line 12. Minimum tax.—Attach Form 4626, Computation of Minimum Tax—Corporations, if tax preference items are more than \$10,000 even if there is no minimum tax, OR if any minimum tax is deferred from an earlier tax year to this year. If you are a member of a controlled group, you must attach Form 4626 if your share of tax preference items is more than your share of the \$10,000 exclusion.

Some tax preference items are: accelerated depreciation on real property (including the ACRS deduction on 15 or 18-year real property); amortization of certified pollution control facilities; reserve for losses on bad debts of financial institutions; depletion; and capital gains.

Line 14b. Estimated tax.—You must make estimated tax payments if you can expect your estimated tax (income tax less credits) to be \$40 or more. You may use Form 1120-W (WORKSHEET), Corporation Estimated Tax, as a worksheet to figure estimated tax.

Line 14c. Refund of estimated tax.—You may file Form 4466, Corporate Application for Quick Refund of Overpayment of Estimated Tax, for a quick refund if an overpayment of estimated tax is (1) at least 10% of expected

income tax liability, AND (2) at least \$500. You must apply within 2½ months after the tax year ends and before you file Form 1120L.

Line 14h. Other payments.—Overpaid crude oil windfall profit tax.—Enter on line 14h the overpayment from Form 6249. Computation of Overpaid Windfall Profit Tax. See the instructions for that form for more information.

Line 15. Penalty for underpayment of estimated tax.—If the corporation underpaid its estimated tax, attach Form 2220, Underpayment of Estimated Tax by Corporations, to show how the corporation figured the penalty or which exception the corporation believes it meets. Also, be sure to check the box on line 15, page 1, Form 1120L. If the corporation owes a penalty, enter the amount on line 15.

Line 16. Tax due.—You must pay the tax due in full when you file the return, but not later than the 15th day of the 3d month after the tax year ends.

Depository tax payment.—Deposit corporation income tax payments and estimated tax payments with a Federal Tax Deposit Coupon (Form 8109). Make these tax deposits with either a financial institution qualifying as a depository for Federal taxes or the Federal Reserve Bank or Branch serving the area where the corporation is located. Do not submit deposits directly to an IRS office, otherwise you may be subject to a 5% Federal Tax Deposit penalty. Records of deposits will be sent to IRS for crediting to the corporation's account. See the instructions contained in the coupon book for more information. To get more deposit forms, use the reorder form (Form 8109A) contained in the coupon book.

Penalty for overstated tax deposits.—If you overstate your deposits, you may be subject to a penalty. See section 6655(b).

1120M

U.S. Mutual Insurance Company Income Tax Return

OMB No. 1545-0566

1985

Form Department of the Treasury Internal Revenue Service

For calendar 1985, or tax year beginning 1985, and ending 1985

For Paperwork Reduction Act Notice, see page 1 of the instructions.

Name, Number and street, City or town, state, and ZIP code, Employer identification number, Date incorporated, Check if this is a consolidated return

Check if address changed from previous year

Part I Taxable Income and Tax Computation

1 Taxable investment income or (loss) - Part II, line 23. If less than \$6,000, see instructions for line 11. 2 Statutory underwriting income or (loss) - Part III, line 36. 3 Amounts subtracted from the Protection Against Loss Account - Schedule E, line 4f. 4 Total (combine lines 1, 2, and 3). 5 Unused loss deduction (attach schedule). 6 Mutual insurance company taxable income (subtract line 5 from line 4). 7 a Check if you are a member of a controlled group... b Income tax... 8 Special computation... 9 Enter amount reciprocal must include... 10 Total (line 7b or line 8, whichever applies, plus line 9). 11 Alternative tax for certain small companies... 12 Income tax... 13 Tax credits... 14 Subtract line 13d from line 12. 15 Foreign corporations... 16 Increase in tax from refiguring an earlier year investment credit... 17 Minimum tax on tax preference items... 18 Total tax... 19 Credits and payments... 20 Enter any PENALTY for underpayment of estimated tax... 21 TAX DUE... 22 OVERPAYMENT... 23 Enter amount of line 22 you want credited to 1986 estimated tax

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer, Date, Title, Preparer's signature, Date, Check if self-employed, Preparer's social security no., Firm's name (or years, if self-employed) and address, E.I. No., ZIP code

Form 1120M (1985)

Form 1120M (1985)

Part II Taxable Investment Income or (Loss) - Section 822

Page 2

Table with 3 columns: 1. Interest received, 2. Amortization of premium, 3. Balance (Column 1 minus column 2). Rows include Interest on (Wholly exempt obligations, U.S. obligations, Loans, notes, mortgages, bank deposits, bonds, debentures, etc.), Dividends, Gross rents, Gross royalties, Gross income from trade or business, Leases, etc., Taxes, Real estate expenses, Depreciation, Depletion, Trade or business deductions, Interest paid or accrued, Other capital losses, Investment expenses, Dividends-received deduction, Taxable investment income or (loss).

SCHEDULE A - Invested Assets Book Values

(Complete only if you claim a deduction for general expenses allocated to investment income.)

Table with 2 columns: 1. Beginning of tax year, 2. End of tax year. Rows include Real estate, Mortgage loans, Collateral loans, Policy loans, Bonds of domestic corporations, Stock of domestic corporations, Government obligations, Bank deposits bearing interest, Other interest-bearing assets, Total, Mean of the invested assets for the tax year, 1/4 of 1% of line 12, Income base, 3% of line 12, Subtract line 15 from line 14, 25% of line 16, Limitation on deduction for investment expenses.

SCHEDULE B - Dividends (See instructions.)

Table with 2 columns: Income, Deductions. Rows include Certain domestic corporations, Certain debt-financed stock, Certain public utility corporations, Certain foreign corporations, Certain affiliated groups, Other corporations, Total (add lines 1 through 6), 85% of line 1, Line 2 deduction, 59.13% of line 3, 85% (see instr. for 100%) of line 4, Total (see instructions for 85% limitation), 100% of line 5, Total (add lines 12 and 13).

Part III Statutory Underwriting Income or (Loss)—Section 823

Gross Income	1	Investment income—Section 832(b)(2):		
	a	Interest		
	b	Dividends (from Schedule B, line 7)		
	c	Rents		
	2	Premiums earned—Section 832(b)(4)		
	3	a Net gain from sale or other disposition of capital assets—Section 832(b)(1)(B) (attach Schedule D (Form 1120))		
	b Ordinary gain from attached Form 4797 (include all section 1245, 1250, etc. gains)			
4	Other income—Section 832(b)(1)(C) (attach schedule)			
5	Decrease in subscriber accounts—Section 823(b)(2)(B)			
6	Gross income (add lines 1 through 5)			
Deductions	7	Salaries and wages—Section 832(c)(1)		
	8	Rents—Section 832(c)(1)		
	9	Interest—Section 832(c)(2)		
	10	Taxes—Section 832(c)(3)		
	11	Losses incurred on insurance contracts—Section 832(c)(4)		
	12	Other capital losses—(from Schedule C, line 12, column g)		
	13	Worthless agency balances and bills receivable—Section 832(c)(6)		
	14	Interest excluded under section 103—Section 832(c)(7)		
	15	Depreciation—Section 832(c)(8) (attach Form 4562)		
	16	Depletion—Section 832(c)(8)		
	17	Contributions—Section 832(c)(9) (see instructions for limitation)		
	18	Dividends paid or declared to policyholders—Section 832(c)(11)		
	19	Increase in subscriber accounts—Section 823(b)(2)(A)		
	20	Pension, profit-sharing, etc. plans—Section 832(c)(10) (see instructions)		
	21	Employee benefit programs—Section 832(c)(10) (see instructions)		
	22	Other deductions—Section 832(c)(10) (attach schedule)		
	23	Total deductions (add lines 7 through 22)		
	24	Subtract line 23 from line 6		
	25	Dividends received deduction—Section 832(c)(12) (Schedule B, line 14—see Schedule B instructions for limitation)		
	26	Total deductions (add lines 23 and 25)		
	27	Subtract line 26 from line 6		
	28	Taxable investment income or (loss) (from Part II, line 23)		
	29	Subtract line 28 from line 27 (If a loss, skip line 30 and enter the loss on line 31.)		
	30	a Limitation	\$1,100,000.00	
		b Amount from Part II, line 7		
		c Premiums (see instructions)		
		d Total (add lines 30b and 30c). If \$500,000 or less, skip line 30e and enter \$6,000 (but not more than line 29) on line 30f		
		e Subtract line 30d from line 30a. If less than zero, enter zero on line 30f		
		f 1% of line 30e (multiply line 30e by .01). Do not enter more than line 29		
31	Underwriting gain or (loss)—subtract line 30f from line 29			
Protection Against Loss Deduction	32	1% of line 11 (multiply line 11 by .01)		
	33	25% of underwriting gain on line 31 (multiply gain on line 31 by .25). If line 31 is zero or a loss, skip lines 34a through 34e and enter a zero on line 34f.		
	34	Concentrated risks:		
		a Premiums earned (Part III, line 2)		
		b Amount of line 34a attributable to insuring against losses arising, either in any one State or within 200 miles of any fixed point selected by the taxpayer, from windstorm, hail, flood, earthquake, or similar hazards	%	
		c Divide line 34b by line 34a	40%	
		d Limitation	%	
	e Premium percentage that exceeds 40% (subtract 34d from 34c)			
	f Multiply line 31 (if a gain) by line 34e			
35	Protection against loss deduction (add lines 32, 33, and 34f). Enter here and in Schedule E, line 2			
36	Statutory underwriting income or (loss) (combine lines 31 and 35). Enter here and in Part I, line 2			

SCHEDULE C.—Other Capital Losses (See Instructions.) (Capital assets sold or exchanged to meet abnormal insurance losses and to pay dividends and similar distributions to policyholders.)

1	Dividends and similar distributions paid to policyholders					
2	Losses paid					
3	Expenses paid					
4	Total (add lines 1, 2, and 3)					
5	Interest received (Part II, line 1d, column 3, adjusted to cash method if on accrual method)					
6	Dividends received (Schedule B, line 7, adjusted to cash method if on accrual method)					
7	Sum of lines 3 through 6 of Part II (adjusted to cash method if on accrual method)					
8	Net premiums received (adjusted to cash method if on accrual method)					
9	Total (add lines 5 through 8)					
10	Limitation on gross receipts from sales of capital assets (subtract line 9 from line 4, but not less than zero)					
	a. Description of capital asset	b. Date acquired	c. Gross sales price	d. Cost or other basis	e. Expense of sale	f. Depreciation allowed (or allowable)
11						g. Loss (col. d plus col. e less the sum of cols. c and f)
12	Totals—column c must not be more than line 10. (Enter column g on Part II, line 16, and Part III, line 12)					

SCHEDULE E.—Protection Against Loss Account

1	Balance at beginning of year	
2	Addition (from Part III, line 35)	
3	Total (add lines 1 and 2)	
4	Subtractions (attach computation of any items in lines 4a through 4e that apply):	
	a Section 824(d)(1)(A)	
	b Section 824(d)(1)(B)	
	c Section 824(d)(1)(C)	
	d Section 824(d)(1)(D)	
	e Section 824(d)(1)(E)	
	f Total (add lines 4a through 4e). Enter here and on page 1, line 3	
5	Balance at end of year (subtract line 4f from line 3)	

SCHEDULE F.—Compensation of Officers (See Instructions for information to be attached.)

SCHEDULE G.—Additional Information Required

E	Did you at the end of this tax year own, directly or indirectly, 50% or more of the voting stock of a domestic corporation (for rules of attribution, see section 267(c))?	Yes	No	(4) Employees' families at conventions or meetings?	Yes	No
	If "Yes," attach a schedule showing: (1) name, address, and identifying number; and (2) percentage owned.			If "Yes," were any of those conventions or meetings outside the North American area? (See section 274(h).)		
F	Were you a U.S. shareholder of any controlled foreign corporation (see sections 951 and 957)? (If "Yes," attach Form 5471.)			(5) Employee or family vacations not reported on Form W-2?		
	Note: Domestic and foreign corporations in a trade or business in the U.S. that are controlled by a foreign person may have to file Form 5472.			H At any time during the tax year, did you have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? (See the instructions for exceptions and filing requirements for form TD F 90-22.1.)		
				If "Yes," write in the name of the foreign country		
G	Did you claim a deduction for expenses connected with:			I Were you the grantor of, or transferor to, a foreign trust that existed during the current tax year, whether or not you have any beneficial interest in it? (If "Yes," you may be required to file Forms 3520, 3520A, or 926.)		
	(1) Entertainment facility (boat, resort, ranch, etc.)?			J During the tax year did you maintain any part of your accounting/tax records on a computerized system?		
	(2) Living accommodations (except employees on business)?			K Check method of accounting:		
	(3) Employees attending conventions or meetings outside the North American area? (See section 274(h).)			(1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual		
				(3) <input type="checkbox"/> Other (Specify) ▶		

1985



Instructions for Form 1120M

U.S. Mutual Insurance Company Income Tax Return

(Section references are to the Internal Revenue Code, unless otherwise noted.)

Changes You Should Note

- The Service Center addresses for some filers have been changed. Please read carefully under "Where to File" instructions to locate the correct Service Center filing address.
- All taxpayers claiming either a deduction or credit for automobiles and other "listed property" are required to complete the appropriate sections of Part III of Form 4562, Depreciation and Amortization.

Voluntary Contributions to Reduce the Public Debt

Quite often inquiries are received about how voluntary contributions to reduce the public debt may be made. A corporation may contribute by enclosing a separate check, payable to "Bureau of the Public Debt," with the tax return. These amounts are tax-deductible, subject to the rules and limitations for charitable contributions. Please keep the contribution to reduce the public debt separate from any amount payable with the tax return. Tax remittances should be made payable to "Internal Revenue Service."

General Instructions

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and so that we can figure and collect the right amount of tax. You are required to give us this information.

Purpose of Form.—This form is used to report the income and expenses of a mutual insurance company and to figure any tax that may be due.

Who must file Form 1120M.—Every domestic mutual insurance company (other than a life insurance company subject to a tax under section 801 and other than a fire, flood or marine insurance company subject to tax under section 831) and every foreign corporation carrying on an insurance business within the U.S. (if its U.S. business would qualify as a mutual insurance company subject to tax under section 821) uses Form 1120M to report income and deductions.

Exceptions.—For a mutual insurance company that is:

- Exempt under section 501(c)(15), file Form 990, Return of Organization Exempt from Income Tax.
- Subject to tax under section 821, and disposes of its insurance business and reserves or otherwise ceases to be taxed

under section 821, but continues its corporate existence while winding up and liquidating its affairs, file Form 1120, U.S. Corporation Income Tax Return.

When to file.—In general, a corporation must file Form 1120M by the 15th day of the 3d month after the end of the tax year. A new corporation filing a short period return must generally file by the 15th day of the 3d month after the short period ends. A corporation that has dissolved must generally file by the 15th day of the 3d month after the date it dissolved.

Extension.—File Form 7004, Application for Automatic Extension of Time to File Corporation Income Tax Return, to request an automatic 6-month extension of time to file Form 1120M. However, this automatic extension does not extend the time for payment of the tax.

Where to file.

If the corporation's principal business, office, or agency is located in:

Use the following Internal Revenue Service Center address

New Jersey, New York City and counties of Nassau, Rockland, Suffolk, and Westchester	Holtzville, NY 00501
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Alaska, Florida, Georgia, Massachusetts, Minnesota, New Hampshire, Rhode Island, Vermont	Andover, MA 05501
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Alabama, Arizona, California (counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Atlanta, GA 31101
Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Kansas, Louisiana, New Mexico, Oklahoma, Texas	Austin, TX 73301

Alaska, Arizona, California (counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201
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Illinois, Iowa, Missouri, Wisconsin	Kansas City, MO 64999
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California (all other counties), Hawaii	Fresno, CA 93388
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Arkansas, Indiana, North Carolina, Tennessee, Virginia	Memphis, TN 37501
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Delaware, District of Columbia, Maryland, Pennsylvania, foreign countries and U.S. possessions	Philadelphia, PA 19255
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The separate income tax returns of a group of corporations may be filed with the service center for the principal office of the managing corporation that keeps all the books and records.

Penalties.—Avoid penalties and interest by correctly filing and paying the tax when due.

(1) A corporation that does not file its tax return by the due date (including any extensions of time for filing) may be subject to a penalty of 5% a month or fraction of a month, up to a maximum of 25%, for each month the return is not filed. The penalty is imposed under section 6651(a)(1) on the net amount due. The minimum penalty for failure to file a tax return within 60 days of the due date for filing (including extensions) is the lesser of the underpayment of tax or \$100.

Note: Since Regulations section 1.6012-2(c) requires that the NAIC annual statement be filed as part of the return, a penalty may be charged under section 6651(a)(1) for not including the NAIC annual statement when filing the return.

(2) A corporation that does not pay the tax when due may be subject to a penalty of ½% a month or fraction of a month, up to a maximum of 25%, for each month the tax is not paid. The penalty is imposed under section 6651(a)(2) on the net amount due.

These penalties will not be imposed if the corporation can show that not filing or not paying was due to reasonable cause and not to willful neglect.

These penalties are in addition to the interest charge imposed on unpaid tax at a rate determined under section 6621.

(3) A corporation that does not pay the proper estimated tax when due may be subject to an underpayment penalty for the period of underpayment. To avoid the estimated tax penalty, the amount of estimated tax payments required by a corporation is 90%. See section 6655 for exceptions.

Accounting methods.—Figure taxable income by the method of accounting regularly used in keeping the corporation's books and records. The method adopted must clearly reflect taxable income. (See section 446.)

Unless the law specifically permits, you cannot change the method of accounting used to report income in earlier years (for income as a whole or for any material item) unless you first get consent on Form 3115, Application for Change in Accounting Method.

Economic Performance.—Section 461(h) generally provides that the amount of an item is not incurred under an accrual method of accounting until economic performance occurs. For exceptions for recurring items that meet the all events test and effective dates of available elections, see Temporary Regulations section 1.461-3T.

Rounding off to whole-dollar amounts.—You may show money items on the return and accompanying schedules as whole-dollar amounts. To do so, drop any amount less than 50 cents and increase any amount from 50 cents through 99 cents to the next higher dollar.

Attachments.—In order to process the return, we ask that you complete every applicable entry space on Form 1120M. Please do not attach statements and write "See attached" instead of completing the entry spaces on Form 1120M. If you need more space on forms or schedules, attach separate sheets and use the same arrangement as on the printed forms. Be sure to put the taxpayer's name, employer identification number, and the form number or schedule letter on the top of these separate sheets.

Signatures.—The return must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or any other corporate officer (such as tax officer) authorized to sign. A receiver, trustee, or assignee must sign and date any return he or she is required to file on behalf of a corporation.

Paid preparer's information.—If your corporate officer filed in Form 1120M, the Paid Preparer's Use Only area should remain blank. If someone prepares Form 1120M and does not charge the corporation, that person should not fill in this area. Certain others who prepare Form 1120M should not fill in this area. For example, a regular, full-time employee of the corporation, such as a clerk or secretary, does not have to fill in the Paid Preparer's Use Only area.

Generally, anyone who is paid to prepare Form 1120M must sign the return and fill in the other blanks in the Paid Preparer's Use Only area of the return.

The person required to sign the return as preparer MUST complete the required preparer information and:

- Sign it, by hand, in the space provided for the preparer's signature (signature stamps or labels are not acceptable), and
- Give a copy of Form 1120M to the taxpayer in addition to the copy filed with IRS.

Tax return preparers should know their responsibilities. Publication 1045, Information and Order Blanks for Preparers of Federal Income Tax Returns, lists some of the preparers' other responsibilities and penalties for which they may be liable. The publication also contains the regulations that govern their work.

Other forms needed.—In addition to Form 1120M, you may need to file one or more of the following information forms. Other forms you may need are listed in the instructions.

Forms W-2 and W-3.—Wage and Tax Statement; and Transmittal of Income and Tax Statements.

Form W-2P.—Statement for Recipients of Periodic Annuities, Pensions, Retired Pay, or IRA Payments.

Form 966.—Information return regarding dissolution or liquidation.

Form 1096.—Annual Summary and Transmittal of U.S. Information Returns.

Form 1098.—Mortgage Interest Statement. This form is used to report the receipt from any individual of \$600 or more of mortgage interest in the course of your trade or business for any calendar year after 1984.

Forms 1099-A, B, DIV, INT, MISC, OID, PATR and R.—Information returns for reporting abandonments, acquisitions through foreclosure, proceeds from broker and barter exchange transactions, dividends, interest income, medical and health care payments, miscellaneous income payments, non-employee compensation, original issue discount, patronage dividends, and total distributions from profit-sharing and individual retirement arrangements. Also use these returns to report nominees' information for amounts that were received on behalf of another person.

Caution: Every corporation must file information returns if it makes payments of rents, commissions, or other fixed or determinable income (see section 6041) totaling \$600 or more to any one person in the course of its trade or business during the calendar year.

Form 5452.—Corporate Report of Nontaxable Dividends.

Form 5471.—Information Return with Respect to a Foreign Corporation. A corporation that controls a foreign corporation, or that is a 10%-or-more shareholder of a controlled foreign corporation, or acquires, disposes or owns 5% or more ownership in the outstanding stock of a foreign corporation, may have to file Form 5471.

Form 5472.—Information Return of a Foreign Owned Corporation. A domestic corporation or a foreign corporation that is engaged in a trade or business in the United States and is controlled by a foreign person may have to file Form 5472.

Form 5498.—Individual Retirement Arrangement Information. This form is to be used to provide IRS with contribution information on individual retirement accounts and simplified employee pension plans.

Form 5713.—International Boycott Report. Persons who participate in or cooperate with an international boycott may have to complete Schedule A or Schedule B and Schedule C of Form 5713 to figure loss of the following items: foreign tax credit, deferral of earnings of a controlled foreign corporation, IC-DISC, and FSC benefits.

Form 8264.—Application for Registration of a Tax Shelter. Used by tax shelter organizers to register tax shelters with the IRS, for the purpose of receiving a tax shelter registration number.

Form 8271.—Investor Reporting of Tax Shelter Registration Number. Used by taxpayers who have acquired an interest in a tax shelter, which is required to be registered, to report the tax shelter's registration number. Form 8271 must be attached to any tax return (including an application for tentative refund (Form 1139) and an amended return (Form 1120X)) on which a deduction, credit, loss, or other tax benefit attributable to a tax shelter, is taken.

Form 8300.—Report of Cash Payments Over \$10,000 Received in a Trade or Business. Generally, this form is used to report the receipt of more than \$10,000 in cash or foreign currency in one transaction (or a series of related transactions).

Consolidated returns.—If an affiliated group of corporations includes one or more domestic insurance companies taxed under

section 801 or 821, the common parent may elect to treat those companies as includable corporations. The insurance companies must have been members of the group for the 5 tax years immediately preceding the tax year for which the election is made. See section 1504(c)(2) and Regulations section 1.1502-4(d)(12).

The parent corporation of an affiliated group of corporations must attach Form 851, Affiliations Schedule, to the consolidated return. For the first year a consolidated return is filed, each subsidiary must attach Form 1122, Authorization and Consent of Subsidiary Corporation to be Included in a Consolidated Income Tax Return.

File supporting statements for each corporation included in the consolidated return. Use columns to show the following, both before and after adjustments:

- Items of gross income and deductions.
- A computation of taxable income.
- Balance sheets as of the beginning and end of the tax year.
- A reconciliation of retained earnings.
- A reconciliation of income per books with income per return.

Attach consolidated balance sheets and a reconciliation of consolidated retained earnings.

Specific Instructions

Name, address, and employer identification number.—Enter the employer identification number (EIN) of the corporation.

Corporations that do not have an EIN should apply for one on Form SS-4. Application for Employer Identification Number, available from most IRS and Social Security Administration offices. Send Form SS-4 to the same Internal Revenue Service Center to which Form 1120M is sent. Write "Applied for" in the space provided for the EIN if it is not received by the time Form 1120M is filed.

Period covered.—This return is for tax years beginning in 1985. If the return is for a fiscal year, fill in the dates it began and ended at the top of page 1, Form 1120M: If the corporation ceased to exist in 1985, write "FINAL RETURN" at the top of the form.

Part I—Taxable Income and Tax Computation

Mutual Insurance Company Taxable Income

Line 5

Unused loss deduction.—The deduction is the total of the unused loss carryovers and carrybacks to the tax year.

Unused loss.—Unused loss for any tax year is the amount by which the sum of the statutory underwriting loss and the investment loss is more than the sum of:

- (1) The taxable investment income, and
- (2) The statutory underwriting income, and
- (3) The amount section 824(d) requires to be subtracted from the protection against loss account.

You may carry back the unused loss for a loss year to each of the 3 tax years before the loss year, and carry it over to each of the 15 years after the loss year; or you may irrevocably elect only to carry the unused loss over to each of the 15 years after the loss year. After you apply the loss to the first year, the part of the loss you may carry to each of the remaining tax years is the amount by which the loss is more than the sum of the offsets (as defined in section 825(f)) for each of the earlier tax years to which you may carry the loss.

Limitations.—You may not carry an unused loss:

- (1) To or from any tax year for which the insurance company is not subject to the tax under section 821(a), or
- (2) To any tax year if, between the loss year and that tax year, there is an intervening tax year for which the insurance company was not subject to the tax under section 821(a).

See section 844 for special carryover loss rules for an insurance company that has changed its form of organization or kind of insurance business.

Tax Computation

Line 7a

Taxable income bracket amount.—Generally, corporations are entitled to one \$25,000 amount in each taxable income bracket. However, members of a controlled group (as defined in section 1563) must share the \$25,000 amount in each taxable income bracket.

Unless you elect an unequal apportionment plan, each of you as members of a controlled group will divide each taxable income bracket amount equally. You may elect to divide the amounts in any way you choose.

If you adopt or amend an apportionment plan, each of you as a member of the controlled group must attach to your tax return a copy of your consent to the plan. The consent should show the amount of each taxable income bracket for that member, and other data. See Regulations section 1.1561-3(b) for the time and manner of making the election.

As a member of a controlled group, you should enter your share of the taxable income bracket on lines 7a(i), (ii), (iii), and (iv) and figure your tax using the schedule below, instead of the instructions for line 7b.

Note: If the alternative tax on capital gains applies: (1) On line 1 below, enter amount from line 14, Schedule D (Form 1120), Capital Gains and Losses; (2) complete lines 2 through 16 below; and (3) enter partial tax from line 16 below on line 15, Schedule D (Form 1120) and complete the balance of Schedule D (Form 1120). Enter the alternative tax on line 12, Part I, Form 1120M, and check the box on that line.

1	Enter taxable income (line 6, page 1)	
2	Enter the smaller of line 1 or your share of the first \$25,000 taxable income bracket	
3	Subtract line 2 from line 1	
4	Enter the smaller of line 3 or your share of the second \$25,000 taxable income bracket	
5	Subtract line 4 from line 3	
6	Enter the smaller of line 5 or your share of the third \$25,000 taxable income bracket	
7	Subtract line 6 from line 5	
8	Enter the smaller of line 7 or your share of the fourth \$25,000 taxable income bracket	
9	Subtract line 8 from line 7	
10	15% of line 2	
11	18% of line 4	
12	30% of line 6	
13	40% of line 8	
14	46% of line 9	
15	If the taxable income of the controlled group exceeds \$1,000,000, enter the portion of the lesser of: 5% of the excess over \$1,000,000, or \$20,250, that this member must pay	
16	Add lines 10 through 15. Enter here and on line 7b, page 1, Form 1120M	

Line 7b

If you are not a member of a controlled group, figure your income tax as follows: If the amount on line 6 is:

Over—	But not over—	Enter on line 7b—	Of the amount over—
0	\$25,000	15%	0
\$25,000	50,000	\$3,750 + 18%	\$25,000
50,000	75,000	8,250 + 30%	50,000
75,000	100,000	15,750 + 40%	75,000
100,000		25,750 + 46%	100,000

Additional Tax.—If a corporation's taxable income exceeds \$1,000,000, the total tax imposed under section 11 (see table above) is increased by the lesser of: 5% of the excess over \$1,000,000, or \$20,250.

Members of a controlled group of corporations are treated as one corporation for purposes of figuring any additional tax they must pay because their taxable income exceeds \$1,000,000. If the group is liable for the additional tax, each member must pay the tax based on the portion of the \$25,000 amount it uses in each tax bracket to reduce its tax. See section 1561(a). Each member of the group must attach to its tax return a schedule that shows the taxable income of the entire group as well as how its portion of the additional tax was figured.

Line 8

Special Computation.—Section 821(a)(2) limits the income tax of a mutual insurance company whose taxable income is less than \$12,000. If line 6 is less than \$12,000, subtract \$6,000 from line 6 and multiply the result by 30%.

Line 9

Amount a reciprocal must include.—If you are a reciprocal underwriter and want to elect to be subject to the limitation in section 826(b), see section 826(a) and the related regulations for the required statement.

If the mutual insurance company's taxable income is \$100,000 or more before including the section 826(a) amount, make no entry. If the taxable income is less than \$100,000 before including the section 826(a) amount, you must figure the tax on the section 826(a) amount at the highest rate of tax specified in section 11(b) (46%).

For example, a mutual insurance company's taxable income is \$110,000, \$40,000 of which is the section 826(a) amount. Of the \$40,000, \$5,000 was taxed at 30% (the third taxable income bracket), \$25,000 was taxed at 40% (the fourth taxable income bracket), and \$10,000 was taxed at 46%.

You must multiply each amount by the appropriate percentage so that the section 826(a) amount is taxed at the highest rate specified in section 11(b). Therefore, multiply the \$5,000 by 16% (46% minus 30%) and multiply the \$25,000 by 6% (46% minus 40%). Do not adjust the \$10,000 since it was already taxed at 46%.

If you made an election under section 826(a) and there is an amount to be taxed at the highest rate specified in section 11(b), please attach a statement showing how you figured the tax. Enter the total on line 9.

Line 11

Alternative tax for certain small companies.—Section 821(c) provides an alternative tax for mutual insurance companies whose gross amount reported on Part II, line 7, plus premiums, is over \$150,000 but not over \$500,000. See the instructions for Part III, line 30, for a definition of premiums.

Section 821(c)(1)(B) limits the income tax of these companies if taxable investment income (line 1) is less than \$5,000. If line 1 is less than \$5,000, subtract \$3,000 from line 1 and multiply the result by 30%. Enter the limitation on line 4 of the alternative tax schedule below.

Any company subject to tax under section 821(c) may elect to be subject to the tax under section 821(a). See section 821(d) and the related regulations for how to elect to include statutory underwriting income or loss.

Caution: A company cannot use this alternative tax if it has a balance in its protection against loss account when the tax year begins or if it has an election in effect under section 821(d) to be taxed under section 821(a).

Figure the alternative tax using the following schedule:

1	a Amount from Part II, line 7	
	b Premiums	
c	Total (line (a) and (b)). If \$250,000 or more, enter \$250,000	\$150,000.00
d	Subtract limitation	
e	Balance (Do not enter less than zero)	
f	Divide line 1e by \$100,000	
4	Enter the limitation if the section 821(c)(1)(B) special computation applies. Otherwise, enter the amount from line 3 above	
5	Multiply the smaller of line 3 or line 4 by line 2. Enter here and on Part I, line 11	

Page 3

Line 12

Income tax.—Enter the smallest of line 10, line 11 if it applies, or the alternative tax from Schedule D (Form 1120) figured on the amount on line 6. Check the box on line 12 if the alternative tax from Schedule D (Form 1120) applies.

Line 13a

Foreign tax credit.—See Form 1118, Computation of Foreign Tax Credit—Corporations, for rules on this credit.

Line 13b

Possessions corporation tax credit.—See Form 5712, Election to be Treated as a Possessions Corporation Under Section 936, for rules on how to claim this credit. Figure the credit on Form 5735.

Computation of Possessions Corporation Tax Credit Under Section 936. and include the credit on line 13b. Write the amount of the credit on the dotted line next to the entry on line 13b, and identify it as a section 936 credit. Attach Forms 5712 and 5735 to your return.

Credit for the production of nonconventional source fuel.—A credit is allowed for the sale of qualified fuels produced from a nonconventional source. Section 29 contains a definition of qualified fuels, provisions for figuring the credit, and other special rules. Attach a separate schedule to the return showing the computation of the credit and include the amount in line 13b. Also, in the margin next to the entry, write the name and the amount of the credit.

Credit for increasing research activities.—If you engage in qualified research activities, you may be able to claim a credit for certain expenses incurred after June 30, 1981, and before January 1, 1985. See Form 6765, Credit for Increasing Research Activities, for more information. Write the amount of the credit on the dotted line next to the entry on line 13b and identify it as a section 30 credit. Attach Form 6765 to your return.

Line 13c

General business credit.—This credit is made up of the sum of the following credits:

- **Investment credit.**—If your corporation invested in certain types of trade or business property, or qualified energy property, you may be able to take the investment credit or the energy investment credit. See Form 3468, Computation of Investment Credit, to figure the credit for investment in certain types of property. Also see Publication 572, Investment Credit.
- **Jobs credit.**—Employers may elect to take a jobs credit for hiring members of certain targeted groups. See Form 5884, Jobs Credit, for definitions, special rules, and limitations. Also see Publication 906, Jobs and Research Credits.

Do not deduct the part of the wages or salaries paid or incurred that is equal to the jobs credit (determined without regard to the limitation based on tax (section 38(c))). See the instructions for Form 5884 for more information.

Attach a schedule to Form 1120M to show how and where you reduced the salary and wage deduction(s). Show the otherwise

Page 4

allowable deduction(s) before the reduction, and the net amount actually deducted. Identify the line number, schedule, and page number of Form 1120M on which you made a reduction. If the salary and wage reduction is less than the credit on Form 5884, explain the difference. Also, any WIN credit carryover should be claimed on Form 3800, General Business Credit.

• **Alcohol fuel credit.**—A corporation may be able to take a credit for alcohol used as fuel. Use Form 6478, Credit for Alcohol Used as Fuel, to figure the credit, and include the amount in line 13c.

• **Form 3800.**—Enter on line 13c the amount of the credit from Form 3800, and check the boxes indicating which forms are attached to the return. If the corporation is claiming only one of the above credits, DO NOT complete Form 3800. Instead, check the appropriate box and attach the form for which the credit is being claimed. However, if the corporation has a carryforward or carryback of any of the above credits it must use Form 3800.

Line 15

Foreign corporations.—A foreign corporation carrying on an insurance business in the U.S. is taxable the same as a domestic insurance company on its income effectively connected with the conduct of a business in the U.S. See section 842.

Generally, any other U.S. source income received by a foreign corporation not effectively connected with the conduct of a business in the U.S. is taxed at 30% (or lower treaty rate). (Note: Interest received from certain portfolio debt investments, which were issued after July 18, 1984, is no longer subject to the tax.) See section 881 for rules and exceptions. If you have this income, attach a schedule showing the kind and amount of income, tax rate (30% or lower treaty rate), and amount of tax. Enter the section 881 tax on line 15.

Line 16

Increase in tax from figuring an earlier year investment credit.—If property is disposed of or ceases to qualify before the end of the life-years category used in figuring the regular or energy investment credit, there may be a recapture of the credit. See Form 4255, Recapture of Investment Credit.

Line 17

Minimum tax on tax preference items.—Attach Form 4626, Computation of Minimum Tax—Corporations, if items of tax preference exceed \$10,000. OR if you have any minimum tax liability deferred from an earlier tax year to this year.

Line 19b

Estimated tax.—A corporation must make estimated tax payments if it can expect its estimated tax (income tax less credits) to be \$40 or more. Form 1120-W (WORKSHEET), Corporation Estimated Tax, may be used as a worksheet to figure estimated tax.

Line 19c

Refund of estimated tax.—If there was an overpayment of estimated tax, you may file Form 4466, Corporation Application for

Quick Refund of Overpayment of Estimated Tax. The overpayment must be at least 10% of your expected income tax liability AND at least \$500. This application must be made within 2½ months after the end of the tax year and before Form 1120M is filed.

Line 19e

Credit by reciprocal for tax paid by attorney-in-fact.—See section 826(e) and the related regulations.

Line 19f

Other refundable credits and payments.—You may claim credit for Federal excise tax on gasoline for farm use; business nonhighway uses; intercity, local, and school bus uses; and commercial fishing vessel uses. Attach Form 4136, Computation of Credit for Federal Tax on Gasoline and Special Fuels, to Form 1120M if you claim this credit.

Include on line 19f any of the tax on line 15 that was withheld at the U.S. source and attach a schedule showing how the amount was figured.

If the company overpaid the crude oil windfall profit tax, include on line 19f the overpayment from Form 6249, Computation of Overpaid Windfall Profit Tax. Also, attach Form 6249 to Form 1120M if you claim this credit. See the instructions for Form 6249 for more information.

Include on line 19f any credit from a regulated investment company. Attach Form 2439, Notice to Shareholders of Undistributed Long-Term Capital Gain, to Form 1120M if you claim this credit.

Line 20

Penalty for underpayment of estimated tax.—If the corporation underpaid its estimated tax, attach Form 2220, Underpayment of Estimated Tax by Corporations, to show how the corporation figured the penalty or which exceptions the corporation believes it meets. Also, be sure to check the box on line 20, Form 1120M. If the corporation owes a penalty, enter the amount on line 20.

Line 21

Tax due.—The balance of tax due must be paid in full by the 15th day of the 3rd month after the end of the tax year.

Deposit corporation income tax payments and estimated tax payments with a Federal Tax Deposit Coupon (Form 8109). Make these tax deposits with either a financial institution qualified as a depository for Federal taxes or the Federal Reserve Bank or Branch servicing the geographic area where the corporation is located. Do not submit deposits directly to an IRS office, otherwise the corporation may be subject to a 5% Federal Tax Deposit penalty. Records of deposits will be sent to the IRS for crediting to the corporation's account. See the instructions contained in the coupon book for more information.

To get more deposit forms, use the reorder form (Form 8109A) contained in the coupon book.

Penalty for Overstated Tax Deposits.—If you overstate your deposits, you may be subject to a penalty. See section 6656(b).

Part II.—Taxable Investment Income or (Loss) Income

Line 1

Interest.—Enter interest received or accrued from all sources during the tax year. Decrease the gross interest reported by the amortization of premiums for the tax year on bonds, notes, debentures, or other evidences of indebtedness. Determine the amortization by the method regularly used, if reasonable, or under the regulations. Attach a statement showing the method and computation.

Line 3

Gross rents.—Enter gross rents for property. Deduct expenses such as repairs, interest, taxes, and depreciation on the proper lines for deductions in Part II.

Line 4

Gross royalties.—Enter gross royalties. If you take a deduction for depletion, report it in Part II, line 13.

Line 5

Gross income from business other than insurance business.—Enter the gross income from any business (other than an insurance business) carried on by the mutual insurance company, or by a partnership of which the mutual insurance company is a member. Include section 1245, section 1250 (as modified by section 291), and other gains from Form 4797. Gains and Losses From Sales or Exchanges of Assets Used in a Trade or Business and Involuntary Conversions, on investment assets only.

Line 6

Leases, etc.—Enter gross income from entering into (or changing or ending) any lease, mortgage, or other instrument or agreement from which the mutual insurance company earns interest, dividends, rents, or royalties.

Line 8

Net gain from sale or exchange of capital assets.—Report sales or exchanges of capital assets on Schedule D (Form 1120), but see Schedule C (Form 1120M). You must report every sale or exchange of a capital asset in detail, even if there is no gain or loss.

For companies taxable under section 821, losses from sales or exchanges of capital assets are allowed up to the gains from sales or exchanges. This does not include losses from capital assets sold or exchanged to get funds to meet abnormal insurance losses and to pay dividends and similar distributions to policyholders.

The net capital loss for these companies is the amount by which losses for the year from sales or exchanges of capital assets are more than the gains from these sales or exchanges plus the smaller of:

- (1) Taxable investment income (figured without gains or losses from sales or exchanges of capital assets); or
- (2) Losses from capital assets sold or exchanged to get funds to meet abnormal insurance losses and pay dividends and similar distributions to policyholders.

You may carry a net capital loss back 3 years and forward 5 years as a short-term capital loss. Section 1212(a)(1) limits the capital loss carryback.

For more information on gains and losses from sales or exchanges of property, see the instructions for Schedule D (Form 1120) and Publication 544, Sales and Other Dispositions of Assets.

Deductions

Items not deductible.—Generally, a deduction may not be taken for the amount of any item or part thereof that is allocable to a class of exempt income. See section 265(2) for exceptions.

(1) Transactions between related taxpayers. Generally, an accrual basis taxpayer may only deduct business expenses and interest owed to a related party in the year the payment is included in the income of the related party. See section 267 for the limitation on deductions for unpaid expenses and interest.

(2) Tax preference items. Corporations may be required under section 291 to reduce the following tax preference items:

- a) Depletion of iron ore and coal (including lignite) by 15%;
- b) Section 1250 capital gain by 20%;
- c) Amortizable basis of pollution control facilities by 20%;
- d) Intangible drilling, and exploration and development costs by 20%; and
- e) Bad debt deductions for financial institutions by 20%.

(3) Real property construction period interest and taxes. For tax years beginning after 1982, for construction started after that date, no deduction (except as allowed under section 189) shall be allowed for real property construction period interest and taxes.

(4) Golden parachute payments. A portion of the payments made by a corporation to key personnel that exceeds their usual compensation may not be deductible. This occurs when the corporation has an agreement (golden parachute) with these key employees to pay them these excessive amounts if control of the corporation changes. See section 280G.

Note: The deductions on lines 10, 11, and 12 for real estate the company owns and occupies are limited to an amount that bears the same ratio to the total deductions (figured without section 822(d)(1)) as the rental value of the space not so occupied bears to the rental value of the entire property. Attach a schedule showing this computation.

Line 10

Taxes.—Enter taxes paid or accrued only on real estate the company owns as provided in section 164.

Line 11

Real estate expenses.—Enter all ordinary and necessary building expenses, such as fire insurance, heat, light, and labor. Also enter the cost of incidental repairs that neither materially add to the property's value nor appreciably prolong its life but keep it in an ordinary efficient operating condition. Do not include any amount paid for new buildings or for permanent improvements or betterments made to

increase the value of any property or any amount spent on foreclosed property before the property is held for rent.

Line 12

Depreciation.—You can deduct only the depreciation on the property to the extent it is used for producing the income specified in section 822(b). Besides depreciation, include in line 12 the part of the cost (up to \$5,000) you elect to expense for certain recovery property placed in service during this tax year. See the instructions for Form 4562, Depreciation and Amortization.

Line 13

Depletion.—See sections 613 and 613A for percentage depletion rates for natural deposits.

Attach Form T (Timber), Forest Industries Schedules, if a deduction is claimed for depletion of timber.

Line 14

Trade or business deductions.—Enter total deductions for any business income included in the mutual insurance company's gross investment income under section 822(b)(2). (Do not include deductions for any insurance business.) Do not include losses from sales or exchanges of capital assets, or property used in the business, or from the compulsory or involuntary conversion of property used in the trade or business.

Line 15

Interest paid or accrued.—Enter interest paid or accrued during the tax year, except on indebtedness incurred or continued to purchase or carry obligations on which the interest income is wholly tax-exempt.

The Rule of 78's is generally not an acceptable method of computing either interest income or expense. For complete information on how to change your accounting method to an acceptable one, see Revenue Procedures 84-27, 84-28, 84-29, or 84-30, 1984-1 C.B. 469-487.

See section 267 for the limitation on deductions for unpaid expenses and interest in transactions between related taxpayers.

Generally, the interest and carrying charges on straddles must be capitalized. See section 263(g).

Note: See section 1277 for rules on the deferral of the interest deduction that is allocable to accrued market discount on bonds acquired after July 18, 1984, and section 1282 for rules on the deferral of the interest deduction that is allocable to the accrued discount on certain short-term obligations acquired after July 18, 1984.

Line 16

Other capital losses.—See instructions for Schedule C.

Line 18

Interest wholly exempt from tax.—Enter the interest income that is wholly tax-exempt under section 103.

Line 19

Investment expenses.—Enter expenses that are properly chargeable as investment expenses. If you allocate general expenses to investment expenses, the total deduction cannot be more than Schedule A, line 18.

Attach a schedule showing the kind and amount of the items and group the minor items into one amount. See the Regulations under section 822(c)(2).

Line 22

Dividends-received deduction.—See instructions for Schedule B.

The 85% limitation on the dividends-received deduction does not apply for any year in which there is a loss from taxable investment income.

Part III.—Statutory Underwriting Income or (Loss) Income

Line 1

Investment income.—Add the interest, dividends, and rents due and accrued at the end of the current tax year to the interest, dividends, and rents received during the tax year. Deduct all interest, dividends, and rents due and accrued at the end of the preceding tax year.

Line 2

Premiums earned.—Deduct return premiums and premiums paid for reinsurance from the gross premiums written on insurance contracts during the year. To this result add unearned premiums on outstanding business at the end of the preceding tax year and deduct unearned premiums on outstanding business at the end of this tax year. Unearned premiums include life insurance reserves as defined in section 816(b). For rules dealing with the method of computing reserves for purposes of determining income, see section 807(d).

Line 3a

Net gain from sale or exchange of capital assets.—See instructions for Part II, line 8.

Line 3b

Ordinary gain.—For reporting sales or exchanges of property (other than capital assets) including involuntary conversions, and all section 1245, 1250, etc. gains, see Form 4797.

Line 5

Decrease in subscriber accounts.—Enter the decrease for the tax year in savings credited to subscriber accounts of an interinsurer or reciprocal underwriter. See the instructions for Part III, line 19, for savings credited to subscriber accounts.

Deductions

Line 7

Salaries and wages.—Enter salaries and wages paid or accrued during the tax year. Do not include salaries and wages deducted elsewhere on your return, such as contributions to a Simplified Employee Pension Plan.

If you provided taxable fringe benefits to your employees, such as personal use of an auto, do not deduct as wages the amount allocated for depreciation and other expenses that you claimed elsewhere on your return.

Line 8

Rents.—Enter rent paid or accrued for business property in which the company has no equity.

Line 9

Interest paid or accrued.—See instructions for Part II, line 15.

Line 10

Taxes.—Enter taxes paid or accrued during the tax year. Do not include Federal income tax; foreign or U.S. possession income taxes if you are claiming a foreign tax credit; or taxes not imposed upon the corporation.

See section 164(d) for how to divide real estate taxes between seller and buyer.

Line 11

Losses incurred on insurance contracts.—To losses paid during the tax year, add salvage and reinsurance recoverable outstanding when the preceding tax year ended. From these losses, deduct salvage and reinsurance recoverable outstanding at the end of this tax year. Add to this result all unpaid losses outstanding at the end of this tax year and deduct unpaid losses outstanding when the preceding tax year ended.

Line 12

Other capital losses.—See instructions for Schedule C.

Line 13

Worthless agency balances and bills receivable.—Enter agency balances and bills receivable that became worthless during the tax year.

Line 14

Interest wholly exempt from tax.—See instructions for Part II, line 18.

Line 15

Depreciation.—See instructions for Part II, line 12.

Line 16

Depletion.—See instructions for Part II, line 13.

Line 17

Contributions.—Enter contributions or gifts paid within the tax year to or for the use of charitable and governmental organizations described in section 170(c) and any unused contributions carried over from earlier years.

Corporations on the accrual basis may elect to deduct contributions paid by the 15th day of the 3d month after the tax year ends if the board of directors authorizes the contributions during the tax year.

You must attach to the return a declaration, signed by an officer, stating that the resolution authorizing the contributions was adopted by the board of directors during the tax year. Also attach a copy of the resolution.

You cannot deduct more than 10% of Part III, line 24, figured without any deduction for contributions.

You cannot deduct charitable contributions over the 10% limitation for the tax year but you can carry the excess over to the next 5 tax years.

Attach a schedule showing the name of each organization and the amount for a contribution of property other than money. Describe the kind of property contributed and the method used in determining its fair market value. If you include a contribution carryover, show the amount and how it was determined. Also, a corporation must keep records, as required by Regulations section 1.170A-13.

If you made a qualified conservation contribution under section 170(h), include the fair market value of the underlying property before and after the donation. Describe the conservation purpose furthered by your donation and type of legal interest contributed.

For a charitable contribution of property, you must reduce the contribution by the sum of:

- (1) The ordinary income, short-term capital gain, that would have resulted if the property were sold at its fair market value, and
- (2) For certain contributions, 60.87% of the long-term capital gain that would have resulted if the property were sold at its fair market value.

The reduction for 60.87% of the long-term capital gain applies to (a) contributions of tangible personal property for use by an exempt organization for a purpose or function unrelated to the basis for its exemption, and (b) contributions of any property (except stock that is donated after July 18, 1984, for which market quotations are readily available—see section 170(e)(5)) to or for the use of certain private foundations. (See section 170(e) and Regulations section 1.170A-4.)

For special rules for contributions of inventory and other ordinary income property to certain organizations, and contributions of scientific property used for research, see section 170(e) and Regulations section 1.170A-4A.

For a charitable contribution deduction for property sold to a charitable organization, the adjusted basis for determining gain from the sale is an amount that is in the same ratio to the adjusted basis as the amount realized is to the fair market value of the property.

Line 19

Increase in subscriber accounts.—A mutual insurance company that is an interinsurer or reciprocal underwriter may deduct the increase in savings credited to subscriber accounts for the tax year.

Savings credited to subscriber accounts means the surplus credited to the individual accounts of subscribers before the 16th day of the 3d month following the close of the tax year. This is true only if the company would be required to pay this amount promptly to a subscriber if the subscriber ended the contract when the company's tax year ends. The company must notify the subscriber as required by Regulations section 1.823.6(c)(2)(v). The subscriber must treat any savings credited to the subscriber's account as a dividend paid or declared.

Line 20

Pension, profit-sharing, etc. plans.—Employers who maintain a pension, profit-sharing, or other funded deferred compensation plan whether or not it is qualified under the Internal Revenue Code and whether or not a deduction is claimed for the current tax year, generally are required to file one of the forms described below. Section 6652(f) imposes a penalty for not filing these forms on time.

Form 5500.—Annual Return/Report of Employee Benefit Plan.—For each plan with 100 or more participants.

Form 5500-C.—Return/Report of Employee Benefit Plan, or Form 5500-R, Registration Statement of Employee Benefit Plan.—Complete the applicable form for each plan with fewer than 100 participants.

Line 21

Employee benefit programs.—Enter your contributions to employee benefit programs (such as insurance and health and welfare programs) that are not an incidental part of a pension, profit-sharing, etc., plan included on line 20. Also include contributions to a qualified group legal services plan. Section 120 provides certain rules for an employer that will permit employees (including spouses and dependents) to exclude from their income employer contributions to a qualified group legal services plan. See section 120(e) for termination of a qualified group legal plan for tax years ending after December 31, 1985.

Line 25

Dividends-received deduction.—See instructions for Schedule B.

The 85% limitation on the dividends-received deduction does not apply to any year in which there is a loss from statutory underwriting income.

Line 30

Special deductions.—If Part II, line 7 (other than capital gains), and premiums (as defined below) add up to less than \$1,100,000, you may take an additional deduction for determining statutory underwriting income or loss under section 823(a) for the tax year.

Premiums means the total premiums and other consideration provided in the insurance contract without deduction for commissions, return premiums, reinsurance, dividends to policyholders, dividends left on deposit with the company, discounts on premiums paid in advance, interest applied to reduce premiums (whether or not it must be credited to reduce premiums under the terms of the contracts) or any similar item.

The term includes advance premiums, premiums deferred and uncollected, premiums due and unpaid, deposits, fees, assessments, and consideration for assuming liabilities under contracts not issued by the taxpayer (such as a payment or transfer of property in an assumption reinsurance transaction). It does not include amounts received from other insurance companies for losses paid under reinsurance contracts. See Regulations section 1.821-4(a)(1)(ii).

Protection Against Loss Deduction

Under section 824 you can deduct 1% of the losses incurred plus 25% of the underwriting gain for the tax year. If the concentrated windstorm premium percentage for the tax year is more than 40%, you can also deduct an amount obtained by multiplying the percentage that is more than 40% times the underwriting gain for the year.

Also, see the instructions for Schedule E.

**SCHEDULE B.—
Dividends
Dividend Income****Line 1**

Certain domestic corporations.—Enter dividends received from domestic corporations (except those received on debt-financed stock acquired after July 18, 1984.—see line 2 below and section 246A) from subject to income tax that qualify for the 85% deduction under section 243(a)(1).

So-called dividends or earnings from mutual savings banks, etc., are really interest and should not be treated as dividends.

See section 854 for the amount of dividends received from a regulated investment company that qualify for the 85% deduction.

Line 2

Certain debt-financed stock.—Enter dividends on debt-financed stock (acquired after July 18, 1984) that are received from domestic corporations subject to income tax and that would otherwise be subject to the 85% dividends-received deduction under section 243(a)(1). Generally, debt-financed stock is stock that the corporation acquired and in doing so, incurred a debt (for example, it borrowed money to buy the stock). See the instructions for Line 9, under the heading Dividends-Received Deduction, as well as section 246A to figure the dividends-received deduction for this stock.

Line 3

Certain public utility corporations.—Enter dividends received by the mutual insurance company on the preferred stock of a public utility. This applies only if the public utility is subject to income tax and the dividends qualify for the section 247 deduction (by the public utility) for dividends paid.

Line 4

Certain foreign corporations.—Enter dividends received by the mutual insurance company from foreign corporations that qualify for the 85% deduction in section 245(a).

Enter dividends received from wholly-owned foreign subsidiaries that are eligible for the 100% deduction in section 245(b).

Also, include dividends received from a Foreign Sales Corporation (FSC) attributable to exempt foreign trade income that qualify for a 100% deduction under section 245(c).

In general, this deduction applies to dividends paid out of the earnings and profits of a foreign corporation for a tax year during which all its outstanding stock is owned (directly or indirectly) by the domestic corporation receiving the dividends and all its gross income from all sources is effectively connected with the conduct of a U.S. business.

Attach a schedule showing how the amount on line 4 was computed.

Line 5

Certain affiliated groups.—Enter only those dividends that are subject to section 243(b).

Line 6

Other corporations.—Attach a schedule showing separately:

- (1) Foreign dividends not reportable on line 4. Do not include distributions of amounts constructively taxed in the current year or in earlier years under subpart F.
- (2) Income constructively received from controlled foreign corporations under subpart F. (This amount should equal the total reported in Schedule J of Form(s) 5471.)
- (3) Gross-up of dividends for taxes considered paid under sections 902 and 960.
- (4) Dividends (other than capital gain dividends) received from regulated investment companies that do not qualify for the 85% deduction.
- (5) Dividends from tax-exempt organizations.
- (6) Dividends (other than capital gain and exempt-interest dividends) received from a real estate investment trust that, for the tax year of the trust in which the dividends are paid, qualify under sections 856 through 860.
- (7) Dividends not eligible for a dividends-received deduction because of the holding period of the stock or an obligation to make corresponding payments on similar stock.
- (8) Any other taxable dividend income not properly reported above (including distributions under sections 934(e)(3) or 936(h)(4)).

Dividends-Received Deduction**Line 9**

Dividends received from debt-financed stock.—Dividends received on debt-financed stock that are reported on line 2, Schedule B are not entitled to the full 85% dividends received deduction. Instead, the 85% deduction is reduced by a percentage that is related to the amount of debt incurred to acquire the stock. See section 246A. A schedule showing how the dividends-received deduction on debt-financed stock (amount on line 9, Schedule B) was figured, must be attached to the corporate tax return.

Line 11

Dividends received from certain foreign corporations.—Enter 85% of dividends received from certain foreign corporations described in section 245(a).

Enter 100% of the company's share of dividends received from wholly-owned foreign subsidiaries that are eligible for the 100% deduction in section 245(b) and certain dividends received from a Foreign Sales Corporation (FSC) under section 245(c).

If both types of dividends are included in the line 11 amount, attach a schedule showing how the amount was figured.

See section 245 for qualifications and limitations on these deductions.

Line 12

Total.—This total is subject to the 85% limitation under section 246(b) as follows:

- Part II.—The line 12 total cannot be more than 85% of the difference of Part II, line 21 and Schedule B, line 13.
- Part III.—The line 12 total cannot be more than 85% of the difference of Part III, line 24 and Schedule B, line 13.

Line 13

Dividends received from certain members of affiliated groups.—Members of affiliated groups may elect under section 243(b) to deduct 100% of the qualifying dividends received from other members of the same group. Qualifying corporations that elect to take the 100% deduction are limited to one \$25,000 amount in each taxable income bracket. That amount must be apportioned among the members of the controlled group. See section 243(b) for qualifications and restrictions on this deduction.

**SCHEDULE C.—
Other
Capital Losses**

Capital assets are considered sold or exchanged to provide funds to meet abnormal insurance losses and to pay dividends and make similar distributions to policyholders to the extent that the gross receipts from their sale or exchange are not more than the amount by which the sum of

dividends and similar distributions paid to policyholders, losses paid, and expenses paid for the tax year is more than the total of line 9, Schedule C.

Total gross receipts from sales of capital assets (line 12, column c) must not be more than line 10. If necessary you may report part of the gross receipts from a particular sale of a capital asset in this schedule and the rest on Schedule D (Form 1120). Otherwise, do not show on Schedule D (Form 1120) sales reported in this schedule.

Enter other capital losses (line 12, column g) on Part II, line 16, and Part III, line 12.

**SCHEDULE E.—
Protection Against Loss
Account**

Section 824(b) requires each insurance company subject to tax under section 821(a) to establish and maintain a protection against loss account.

You must add the protection against loss deduction from Part III, line 35, to this account.

See section 824(d) for subtractions from this account. You must include these subtractions in the mutual insurance company taxable income. Attach a separate schedule showing the computation of any subtraction.

**SCHEDULE F.—
Compensation of Officers**

Attach a schedule for all officers using the following columns:

- (1) Name of officer,
- (2) Social security number,
- (3) Percent of time devoted to business, and
- (4) Amount of compensation.

This information must also be submitted by each member of an affiliated group included in a consolidated return.

**SCHEDULE G.—
Additional Information
Required**

Question H.—Foreign financial accounts and foreign trusts.—Check the "Yes" box if either (1) or (2) below applies to you. Otherwise, check the "No" box.

(1) At any time during the year you had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account) AND

• The combined value of the accounts was more than \$5,000 at any time during the year; AND

• The account was NOT with a U.S. military banking facility operated by a U.S. financial institution.

(2) You own more than 50% of the stock in any corporation that would answer the question "Yes" based on Item (1) above.

Get Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts, to see if you are considered to have an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account).

If you checked "Yes" for Question H, file form TD F 90-22.1 by June 30, 1986, with the Department of the Treasury at the address shown on the form. Form TD F 90-22.1 is not a tax return, so do not file it with the IRS. Form TD F 90-22.1 can be obtained from many IRS offices.

If you checked "Yes" to Question H, write the name of the foreign country or countries. Attach a separate sheet if you need more space.

Form 1120S
Department of the Treasury
Internal Revenue Service

U.S. Income Tax Return for an S Corporation

For calendar 1985 or tax year beginning 1985, ending 1985
For Paperwork Reduction Act Notice, see page 1 of the instructions.

OMB No. 1545-0130

1985

A Date of election as an S corporation

B Business Code No. (see Specific Instructions)

Name, Number and street, City or town, state, and ZIP code

C Employer identification number

D Date incorporated

E Total assets (see Specific Instructions)
Dollars Cents

F. Check box if there has been a change in address from the previous year

Income section with lines 1-9: Gross receipts or sales, Less returns and allowances, Cost of goods sold, Gross profit, Taxable interest, Gross rents, Gross royalties, Net gain or (loss), Other income, TOTAL income (loss)

Deductions section with lines 10-24: Compensation of officers, Repairs, Bad debts, Rents, Taxes, Total deductible interest expense, Depreciation, Depletion, Advertising, Pension, Employee benefit programs, Other deductions, TOTAL deductions, Ordinary income (loss)

Tax and Payments section with lines 25-28: Tax (Excess net passive income, Schedule D), Payments (Tax deposited, Credit for Federal tax), TAX DUE, OVERPAYMENT

Please Sign Here: Signature of officer, Date, Title, Preparer's signature, Date, Check if self-employed, Preparer's social security number, Firm's name, E.I. No., ZIP code

Schedule A - Cost of Goods Sold and/or Operations (See instructions for Schedule A)

Table with 7 rows: Inventory at beginning of year, Purchases, Cost of labor, Other costs, Total, Inventory at end of year, Cost of goods sold and/or operations

- 8 a. Check all methods used for valuing closing inventory: (i) Cost, (ii) Lower of cost or market, (iii) Writedown of "subnormal" goods, (iv) Other. b. Check if the LIFO inventory method was adopted. c. If the LIFO inventory method was used... d. If you are engaged in manufacturing... e. Was there any change in determining quantities, cost, or valuations...

Additional Information Required

- G. Did you at the end of the tax year own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? H. Refer to the listing of Business Activity Codes and state your principal: Business activity, Product or service. I. Were you a member of a controlled group... J. Did you claim a deduction for expenses connected with: (1) Entertainment facilities, (2) Living accommodations, (3) Employees attending conventions, (4) Employees' families, (5) Employee or family vacations. K. At any time during the tax year, did you have an interest in or a signature or other authority over a financial account in a foreign country... L. Were you the grantor of, or transferor to, a foreign trust... M. During this tax year did you maintain any part of your accounting/tax records on a computerized system? N. Check method of accounting: (1) Cash, (2) Accrual, (3) Other. O. Check this box if the S corporation has filed or is required to file Form 8264, Application for Registration of a Tax Shelter.

Schedule K Shareholders' Share of Income, Credits, Deductions, etc. (See Instructions.)

	(a) Distributive share items	(b) Total amount
Income (Losses) and Deductions		
1 Ordinary income (loss) (page 1, line 24) *	1	
2 Dividends qualifying for the exclusion	2	
3 Net short-term capital gain (loss) (Schedule D (Form 1120S))	3	
4 Net long-term capital gain (loss) (Schedule D (Form 1120S))	4	
5 Net gain (loss) under section 1231 (other than due to casualty or theft)	5	
6 Other income (loss) (attach schedule)	6	
7 Charitable contributions	7	
8 Expense deduction for recovery property (section 179 expense) *	8	
9 Other deductions (attach schedule)	9	
Credits		
10 Jobs credit *	10	
11 Other credits (see instructions) *	11	
Tax Preference Items		
12 a Accelerated depreciation on nonrecovery real property or 15-year or 18-year real property.	12a	
b Accelerated depreciation on leased personal property or leased recovery property other than 15 (or 18)-year real property	12b	
c Depletion (other than oil and gas)	12c	
d (1) Gross income from oil, gas, or geothermal properties	12d(1)	
(2) Gross deductions allocable to oil, gas, or geothermal properties	12d(2)	
e (1) Qualified investment income included on page 1, Form 1120S	12e(1)	
(2) Qualified investment expenses included on page 1, Form 1120S	12e(2)	
f Other items (attach schedule)	12f	
Investment Interest		
13 a (1) Investment debts incurred before 12-17-69	13a(1)	
(2) Investment debts incurred before 9-11-75 but after 12-16-69	13a(2)	
(3) Investment debts incurred after 9-10-75	13a(3)	
b (1) Investment income included on page 1, Form 1120S	13b(1)	
(2) Investment expenses included on page 1, Form 1120S	13b(2)	
c (1) Income from "net lease property"	13c(1)	
(2) Expenses from "net lease property"	13c(2)	
d Excess of net long-term capital gain over net short-term capital loss from investment property	13d	
Foreign Taxes		
14 a Type of income		
b Name of foreign country or U.S. possession		
c Total gross income from sources outside the U.S. (attach schedule)	14c	
d Total applicable deductions and losses (attach schedule)	14d	
e Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	14e	
f Reduction in taxes available for credit (attach schedule)	14f	
g Other (attach schedule)	14g	
Other Items		
15 Total dividend distributions paid from accumulated earnings and profits contained in retained earnings (lines 23 and 24 of Schedule L)	15	
16 Total property distributions (including cash) other than dividend distributions reported on line 15	16	
17 Other items and amounts not included in lines 1 through 16 that are required to be reported separately to shareholders (attach schedule)		

* You are not required to complete lines 1, 8, 10, and 11. Completion of these lines is optional because the amounts which would appear in column (b) appear elsewhere on Form 1120S or on other IRS forms or schedules which are attached to Form 1120S.

Schedule L Balance Sheets

	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
Assets				
1 Cash				
2 Trade notes and accounts receivable				
a Less allowance for bad debts				
3 Inventories				
4 Federal and State government obligations				
5 Other current assets (attach schedule)				
6 Loans to shareholders				
7 Mortgage and real estate loans				
8 Other investments (attach schedule)				
9 Buildings and other depreciable assets				
a Less accumulated depreciation				
10 Depletable assets				
a Less accumulated depletion				
11 Land (net of any amortization)				
12 Intangible assets (amortizable only)				
a Less accumulated amortization				
13 Other assets (attach schedule)				
14 Total assets				
Liabilities and Shareholders' Equity				
15 Accounts payable				
16 Mortgages, notes, bonds payable in less than 1 year				
17 Other current liabilities (attach schedule)				
18 Loans from shareholders				
19 Mortgages, notes, bonds payable in 1 year or more				
20 Other liabilities (attach schedule)				
21 Capital stock				
22 Paid-in or capital surplus				
23 Retained earnings—Appropriated (attach schedule)				
24 Retained earnings—Unappropriated (see instructions)				
25 Shareholders' undistributed taxable income previously taxed				
26 Accumulated adjustments account				
27 Other adjustments account				
28 Less cost of treasury stock				
29 Total liabilities and shareholders' equity				

Schedule M Analysis of Shareholders' Undistributed Taxable Income Previously Taxed, Accumulated Adjustments Account, and Other Adjustments Account (If Schedule L, column (d), amounts for lines 25, 26, or 27 are not the same as corresponding amounts on line 9 of Schedule M, attach a schedule explaining any differences. See Instructions.)

	Shareholders' undistributed taxable income previously taxed	Accumulated adjustments account	Other adjustments account
1 Balance at beginning of year			
2 Ordinary income from page 1, line 24			
3 Other additions			
4 Total of lines 1, 2, and 3			
5 Distributions other than dividend distributions			
6 Loss from page 1, line 24			
7 Other reductions			
8 Add lines 5, 6, and 7			
9 Balance at end of tax year—Subtract line 8 from line 4			

1985



Instructions for Form 1120S

U.S. Income Tax Return for an S Corporation

(Section references are to the Internal Revenue Code, unless otherwise noted.)

Paperwork Reduction Act Notice

We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Voluntary Contributions To Reduce the Public Debt

Quite often inquiries are received about how voluntary contributions to reduce the public debt may be made. A corporation may contribute by enclosing a separate check, payable to "Bureau of the Public Debt" with the tax return. Please keep the contribution to reduce the public debt separate from any amount payable with the tax return. Tax remittances should be made payable to "Internal Revenue Service."

Changes You Should Note

- **Changes in Service Center Addresses.**— Filers from Arkansas, California, Kentucky, Minnesota, and West Virginia should note the new filing addresses listed in the Where To File instruction.
- **New Reporting Requirements.**— All corporations claiming either a deduction or credit for automobiles or other "listed property" are required to complete the appropriate sections of Part III of Form 4562, Depreciation and Amortization.
- **Reduced Depreciation for Vehicles.**— For automobiles placed in service after April 2, 1985, the depreciation deduction for each vehicle, including any section 179 expense deduction, is limited to \$3,200 in the first tax year, and \$4,800 in each succeeding tax year. These limitations are further reduced if your business and/or investment use is less than 100%. See Form 4562 for details.
- **New Limitations for Investment Tax Credit.**— For an automobile leased or placed in service after April 2, 1985, the investment tax credit amount is limited to \$675. This amount is further limited to \$450 if the corporation elects not to decrease the basis for depreciation purposes. See Form 3468, Computation of Investment Credit, and the Form 3468 Instructions for details.
- **Taxable Fringe Benefits.**— If you provided a Form W-2, Wage and Tax Statement, to your employees because of taxable fringe benefits such as personal use of a car, do not include as wages the amount allocated for depreciation and other expenses that you claimed elsewhere on Form 1120S.

Reminders

- **Pre-addressed Label.**— Use the pre-addressed label and envelope that comes with the tax package to help speed the processing of your return.
- **Penalty for Failure To Furnish Schedule K-1 Information to Shareholders.**— For tax years beginning after December 31, 1984, a penalty may be imposed on the corporation for each failure to furnish a statement (Schedule K-1) under section 6037(b) unless the failure is due to reasonable cause and not willful neglect. The penalty is \$50 for each schedule not furnished, but not to exceed \$50,000 in any tax year. See section 6678(a)(3)(F) for more information.
- **Section 58(i) Expenditures.**— Do not take a deduction for any qualified expenditures to which an election under section 58(i) applies. Instead, pass the expenditures and information needed to compute this deduction through to your shareholders on the schedule attached for line 19 of Schedule K-1. Each shareholder will take the deductible amount, if any, on his or her own return. See the instructions for line 17 of Schedule K and line 19 of Schedule K-1 for more information.
- **Inactive Shareholder.**— For purposes of the alternative minimum tax information to be reported on lines 12e(1) and (2) of Schedules K and K-1, if a shareholder does not actively participate in the management of the corporation, the shareholder's share of the corporation's qualified investment income and qualified investment expenses includes the income and expenses from the trade or business of the corporation. See section 55(e)(8) and the instructions for lines 12e(1) and 12e(2) of Schedules K and K-1 for details.
- **Depletion.**— Do not deduct depletion on oil and gas wells on the S corporation return. Instead, pass the information needed to compute this deduction through to the shareholders on an attached schedule for line 19 of Schedule K-1. The shareholders will determine the deductible amount on their own returns. See the instructions for line 17 of Schedule K and line 19 of Schedule K-1 for more information.

Registration of Tax Shelter

If an S corporation is a tax shelter, or if the corporation is involved in a tax shelter, or if the corporation is considered to be the organizer of a tax shelter, or if the corporation is a pass-through entity of the shelter benefits, there are reporting requirements under section 6111 for both the corporation and its shareholders.

See Form 8264, Application for Registration of a Tax Shelter, and Form

8271, Investor Reporting of Tax Shelter Registration Number, and their related instructions for information the corporation must provide to IRS and to the shareholders to enable them to comply with these requirements.

The tax shelter registration number has been added to Schedule K-1 for 1985 as item C. The corporation must complete item C for all shareholders if applicable. Also complete item O on page 2 of Form 1120S.

General Instructions

Purpose of Form

Form 1120S is used if a domestic corporation has filed Form 2553, Election by a Small Business Corporation, to be an S corporation and its election is in effect. Do not file your first Form 1120S until you have been notified by the IRS that your election is accepted and the tax year it will take effect.

If you need more information, get Publication 589, Tax Information on S Corporations.

Filing Form 1120S

Who Must File

You must file Form 1120S if: you elected by filing Form 2553 to be taxed as an S corporation; IRS accepted your election; and the election remains in effect.

End of Election

Once the election is made, it stays in effect for all years until it is terminated. During the 5 years after the tax year the election has been terminated, the corporation can make another election on Form 2553 only if the Commissioner consents. See section 1362(g), and related regulations.

The election ends automatically in any of the following cases:

- The corporation is no longer a small business corporation as defined in section 1361(b). The ending of an election in this manner is effective as of the day on which the corporation ceases to be a small business corporation. See sections 1362(d)(2) and 1362(e) for more information.
- If, for each of three consecutive tax years, the corporation has both subchapter C earnings and profits, and gross receipts more than 25% of which are derived from passive investment income as defined in section 1362(d)(3)(D), the election shall terminate on the first day of the first tax year beginning after the third consecutive tax year. The corporation must pay a tax for each year it has excess net passive income. See specific instructions for line 25a for details on how to figure the tax.
- When an existing S corporation (section 1378(c)(1)) has a more than 50% change in ownership and has not adopted a permitted tax year as defined in section 1378(b) for any tax year following the year it has more than 50% change in ownership. See section 1378(c) for details. The election may be revoked if shareholders who collectively own a majority of the stock in the corporation consent to a revocation. So long as the specified date is on or after the date of consent to the revocation, the revocation is effective as of the specified date. If no date

is specified, the revocation is effective as of the beginning of a tax year if it is made on or before the 15th day of the 3rd month of such tax year. If no date is specified and the revocation is made after the 15th day of the 3rd month, it is not effective until the beginning of the following tax year. See section 1362(d)(1) for more information.

When To File

In general, file Form 1120S by the 15th day of the 3rd month after the end of the tax year. Use Form 7004, Application for Automatic Extension of Time To File Corporation Income Tax Return, to request an automatic 6-month extension of time to file Form 1120S.

Period To Be Covered by 1985 Return

File the 1985 return for calendar year 1985 and fiscal years beginning in 1985 and ending in 1986. If the return is for a fiscal year, fill in the tax year spaces on the form. **Note:** The 1985 Form 1120S may also be used if: (1) the corporation has a tax year of less than 12 months that begins and ends in 1986; and (2) the 1986 Form 1120S is not available by the time the corporation is required to file its return. However, the corporation must show its 1986 tax year on the 1985 Form 1120S and incorporate any tax law changes that are effective for tax years beginning after December 31, 1985.

Final Return

If the corporation ceases to exist, write "FINAL RETURN" at the top of the form.

Amended Return

To correct an error in a Form 1120S already filed, file an amended Form 1120S and write "AMENDED" across the top. If the amended return results in a change to income, or a change in the distribution of any income or other information provided to shareholders, an amended Schedule K-1 (Form 1120S) must also be filed with the amended Form 1120S and given to each shareholder. Write "AMENDED" across the top of the corrected Schedule K-1.

Designation of Tax Matters Person (TMP)

An S corporation may designate an individual shareholder as the TMP for a specific corporate tax year by attaching a statement to the return that:

- Identifies by name, address, and taxpayer identification number the corporation and the individual shareholder designated as the TMP, and
- Declares that the attached statement is a designation of a TMP for the tax year to which the return relates (an S corporation may not designate a TMP for any tax year other than the year for which the return is being filed), and
- Is signed by a corporate officer authorized to sign the corporation's return.

Where To File

If the corporation's principal business, office, or agency is located in

Use the following Internal Revenue Service Center address

New Jersey, New York City and counties of Nassau, Rockland, Suffolk, and Westchester	Holttsville, NY 00501
New York (all other counties), Connecticut, Maine, Massachusetts, Minnesota, New Hampshire, Rhode Island, Vermont	Andover, MA 05501
Alabama, Florida, Georgia, Mississippi, South Carolina	Atlanta, GA 31101
Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Kansas, Louisiana, New Mexico, Oklahoma, Texas	Austin, TX 73301
Alaska, Arizona, California (counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201
California (all other counties), Hawaii	Fresno, CA 93888
Illinois, Iowa, Missouri, Wisconsin	Kansas City, MO 64999
Arkansas, Indiana, North Carolina, Tennessee, Virginia	Memphis, TN 37501
Delaware, District of Columbia, Maryland, Pennsylvania	Philadelphia, PA 19255

Accounting Methods

Figure ordinary income using the method of accounting regularly used in keeping the corporation's books and records. In all cases, the method adopted must clearly reflect income. (See section 446.)

Unless the law specifically states otherwise, a corporation may change the method of accounting used to report income in earlier years (for income as a whole or for any material item) only by first getting consent on Form 3115, Application for Change in Accounting Method. Also see Publication 538, Accounting Periods and Methods.

Rounding Off to Whole-Dollar Amounts

You may show the money items on the return and accompanying schedules as whole-dollar amounts. To do so, drop any amount less than 50 cents, and increase any amount from 50 cents through 99 cents to the next higher dollar.

Change in Accounting Period

To change an accounting period, see regulations section 1.442-1 and Form 1128, Application for Change in Accounting Period. Also see Publication 538.

Paying the Tax

The corporation must pay the tax due (line 27, page 1) in full within 2½ months after the end of the tax year.

Deposit corporation income tax payments with a Federal Tax Deposit Coupon (Form 8109). Make these tax deposits with either a financial institution qualified as a Depository for Federal taxes or the Federal Reserve Bank or Branch servicing the geographic area where the corporation is located. Do not submit deposits directly to an IRS office, otherwise the corporation deposits will be sent to IRS for crediting to the corporation's account. See the instructions contained in the coupon book (Form 8109) for more information. There will no longer be periodic mailouts of Federal Tax Deposit forms. To get more deposit forms, use the reorder form (Form 8109A) provided in the coupon book.

For additional information concerning deposits, see Publication 583, Information for Business Taxpayers.

Penalties

a. Form 1120S is required to be filed by sections 6037 and 6012. A corporation that does not file its tax return by the due date, including any extensions, may have to pay a penalty of 5% a month, or fraction of a month, up to a maximum of 25%, for each month the return is not filed. (The penalty is imposed on the net amount due. See section 6651(a)(1).) The minimum penalty for not filing a tax return within 60 days of the due date for filing (including extensions) is the lesser of the underpayment of tax or \$100.

b. A corporation that does not pay the tax when due may have to pay a penalty of ½% a month or fraction of a month, up to a maximum of 25%, for each month the tax is not paid. (The penalty is imposed on the net amount due. See section 6651(a)(2).)

These penalties will not be imposed if the corporation can show that not filing or not paying was due to reasonable cause and not willful neglect.

The penalties are in addition to the interest charge imposed on unpaid tax at a rate under section 6621.

Stock Ownership in Foreign Corporations

If the corporation owned at least 5% in value of the outstanding stock of a foreign personal holding company, attach the statement required by section 551(c).

A taxpayer who controls a foreign corporation, or who is a 10% or more shareholder of a controlled foreign corporation, may have to file Form 5471, Information Return with Respect to a Foreign Corporation.

Net Operating Loss and Other Deductions

An S corporation may not take the deduction for net operating losses provided by section 172 and the special deductions in sections 241 through 250 (except section 248).

The corporation's net operating loss is allowed as a deduction from the shareholders' gross income. (Section 1366.)

Attachments

Attach Form 4136, Computation of Credit for Federal Tax on Gasoline and Special

Fuels, after page 4, Form 1120S. Attach schedules in alphabetical order and other forms in numerical order.

To assist us in processing the return, we ask that you complete every applicable entry space on Form 1120S and Schedule K-1. Please do not attach statements and write "See attached" in lieu of completing the entry spaces on Form 1120S and Schedule K-1.

If you need more space on the forms or schedules, attach separate sheets and show the same information in the same order as on the printed forms. But show your totals on the printed forms. Please use sheets that are the same size as the forms and schedules. Attach these separate sheets after all the schedules and forms. Be sure to put the taxpayer's name and employer identification number (EIN) on each sheet.

Unresolved Tax Problems

IRS has a Problem Resolution Program for taxpayers who have been unable to resolve their problems with IRS. If the corporation has a tax problem it has been unable to resolve through normal channels, write to the corporation's local IRS District Director or call the corporation's local IRS office and ask for Problem Resolution Assistance. This office will take responsibility for your problem and ensure that it receives proper attention. Although the Problem Resolution Office cannot change the tax law or make technical decisions, it can frequently clear up misunderstandings that resulted from previous contacts.

Signature

The return must be signed and dated by the resident, vice president, treasurer, assistant treasurer, chief accounting officer, or any other corporate officer (such as tax officer) authorized to sign.

A receiver, trustee, or assignee must sign and date any return he or she is required to file on behalf of a corporation.

If your corporate officer fills in Form 1120S, the Paid Preparer's space under "Signature of Officer" should remain blank. If someone prepares Form 1120S and does not charge the corporation, that person should not sign the return. Certain others who prepare Form 1120S should not sign. For example, a regular, full-time employee of the corporation such as a clerk, secretary, etc. does not have to sign.

In general, anyone paid to prepare Form 1120S must sign the return and fill in the other blanks in the Paid Preparer's Use Only area of the return.

The preparer required to sign the return MUST:

- Complete the required preparer information.
- Sign, by hand, in the space provided for the preparer's signature. (Signature stamps or labels are not acceptable.)
- Give a copy of Form 1120S to the taxpayer in addition to the copy filed with IRS.

Tax return preparers should be familiar with their responsibilities. See Publication 1045, Information and Order Blanks for Preparers of Federal Income Tax Returns, for more details.

Transfers to Corporation Controlled by Transferor

If a person acquires stock or securities of a corporation in exchange for property, and no gain or loss is recognized under section 351, the transferor and transferee must attach the information required by regulations section 1.351-3.

Information Returns That May Be Required

Form 966. Corporate Dissolution or Liquidation.

Form 1096. Annual Summary and Transmittal of U.S. Information Returns. (For transmitting Form 1099-R information for 1985, use Form W-3G, Transmittal of Certain Information Returns.)

Form 1098. Mortgage Interest Statement. This form is used to report the receipt from any individual of \$600 or more of mortgage interest in the course of the corporation's trade or business for any calendar year after 1984.

Forms 1099-A, B, DIV, INT, MISC, OID, PATR and R. You may have to file these information returns to report abandonments and acquisitions through foreclosure, proceeds from broker and barter exchange transactions, certain dividends, interest payments, medical and dental health care payments, miscellaneous income, original issue discount, patronage dividends, and total distributions from profit-sharing plans, retirement plans, and individual retirement arrangements. Also use these returns to report amounts that were received as a nominee on behalf of another person.

For more information about filing these forms, see the Instructions for Form 1099 Series, and Forms 1098, 5498, and 1096.

Use Form 1099-DIV to report actual dividends paid by the corporation. Only distributions from accumulated earnings and profits are classified as dividends. These dividends qualify for the dividend exclusion under section 116. Do not issue Form 1099-DIV for dividends received by the corporation that are allocated to shareholders on line 2 of Schedule K-1 (Form 1120S).

Note: Every corporation must file information returns if it makes payments of rents, commissions, or other fixed or determinable income (see section 6041) totaling \$600 or more to any one person in the course of its trade or business during the calendar year.

Form 5713. International Boycott Report, is for use by persons having operations in or related to "boycotting" countries. In addition, persons who participate in or cooperate with an international boycott may have to complete Schedule A or Schedule B and Schedule C of Form 5713 to compute their loss of the following items: the foreign tax credit, the deferral of earnings of a controlled foreign corporation, I.C.-DISC benefits and FSC benefits.

Form 8300. Report of Cash Payments Over \$10,000 Received in a Trade or Business. This form is used to report the receipt of more than \$10,000 in cash or foreign currency in one transaction (or a series of related transactions).

Windfall Profit Tax. Notify each shareholder of any income tax deduction for windfall profit tax on Form 6248, Annual Information Return of Windfall Profit Tax. Include on the statement attached for line 19 of Schedule K-1 the shareholder's share of windfall profit tax. The individual shareholder figures his or her overpaid windfall profit tax on Form 6249, Computation of Overpaid Windfall Profit Tax.

Specific Instructions

Employer Identification Number. If the employer identification number (EIN) on the label is wrong or if you did not receive a label, write the correct number at the top of the return.

A corporation that does not have an EIN should apply for one on Form SS-4. Application for Employer Identification Number. Obtain this form at most IRS or Social Security Administration offices. Send Form SS-4 to the same Internal Revenue Service Center to which Form 1120S is mailed. If the EIN has not been received by the filing time for Form 1120S, write "Applied for" in the space for the EIN. See Publication 583 for additional information.

Business Code No.—See "Codes for Principal Business Activity" at the end of these instructions.

Total Assets. Enter the total assets of the corporation. If there are no assets at the end of the tax year, enter the total assets as of the beginning of the tax year.

Gross Income

Caution: Do not include investment interest expense on debts incurred after December 16, 1969, in figuring the amounts to enter on lines 1 through 8. Report this amount on lines 16a and 16b of page 1. This amount is passed through to the shareholders on Schedules K and K-1. See the instructions for lines 13a(2) and (3) of Schedules K and K-1. Property held for investment, including property subject to a net lease, includes all investments held for producing taxable income or gain. It does not include property used in the corporation's trade or business.

Note: Do not include any income that is tax-exempt in lines 1 through 8, or any nondeductible expenses in lines 10 through 22. However, this income and expense is used in figuring the amount for line 26 or 27 of Schedule L. Also, see instructions for line 17 of Schedule K and line 19 of Schedule K-1.

A corporation that receives any exempt income other than interest, or holds any property or engages in an activity that produces exempt income, must attach to its return an itemized statement showing the amount of each type of exempt income and the expenses allocated to each type.

Line 1

Gross receipts

Enter gross receipts or sales from all business operations except those you report on lines 4 through 8.

For reporting advance payments and long-term contracts, see regulations sections 1.451-3 and 1.451-5.

If you use the installment method, enter on line 1c the gross profit on collections from installment sales and carry the same amount to line 3. Attach a schedule showing for the current year and 3 preceding years: (a) gross sales, (b) cost of goods sold, (c) gross profit, (d) percentage of gross profit to gross sales, (e) amount collected, and (f) gross profit on amount collected.

Line 2

Cost of goods sold and/or operations

See the instructions for Schedule A.

Line 4

Enter the total taxable interest and the total nonqualifying dividends. See Publication 550, Investment Income and Expenses, for additional information.

Taxable interest

Include taxable interest from all sources. Do not include interest exempt from tax and interest on tax-free covenant bonds.

Nonqualifying dividends

Nonqualifying dividends are taxable dividends that are included in ordinary income and for which the individual shareholder is not entitled to an exclusion under section 116. These dividends come from the following:

- Foreign corporations, including a controlled foreign corporation.
- Exempt organizations (charitable, fraternal, etc.) and exempt farmers' cooperative organizations.
- Regulated investment companies (including Money Market Funds) and real estate investment trusts, unless the companies have told you how much of the dividends qualify for the exclusion or as capital gain dividends.

Qualifying dividends are taxable dividends received from domestic corporations not listed above. They are passed through to the shareholders on Schedules K and K-1, line 2. See section 116 for more information.

Line 5

Gross rents

Enter the gross amount you received for renting property. Enter expenses attributable to rental income on the proper deduction lines (10-22).

The corporation may be limited in the amount of deductions for renting a vacation home if a shareholder uses the property for personal purposes. (See section 280A.)

Before deducting any interest expense, see the instructions for lines 16a-c and lines 13c(1) and (2) of Schedules K and K-1 to determine if the interest on rental property is investment interest.

Line 8

Other income

Enter any other taxable income not listed above and explain its nature on an attached schedule. Examples of other income are recoveries of bad debts deducted in earlier years under the specific charge-off method, the amount of credit for alcohol used as a fuel that was figured on Form 6478, Credit for Alcohol Used as Fuel, and refunds of

taxes deducted in earlier years. Do not include those items requiring separate computations by shareholders that must be reported on Schedule K. (See the instructions for Schedules K and K-1.) Do not offset current year's taxes with tax refunds.

If "other income" consists of only one item, identify it by showing the account caption in parentheses on line 8. A separate schedule need not be attached to the return in this case.

Deductions

Limitations on deductions

1. Transactions between related taxpayers.—See section 267 for rules on treatment of losses, expenses, and interest on transactions between related taxpayers.

2. Limitation on deductions for tax preference items.—If the S corporation was a C corporation for any of the three immediately preceding years, it may be required to reduce deductions for the following tax preference items by 20% except where noted:

- a) Section 1250 capital gain;
- b) Amortizable basis of pollution control facilities (15% for property placed in service before January 1, 1985);
- c) Intangible drilling and exploration and development costs (15% for expenditures made before January 1, 1985); and
- d) Depletion of iron ore and coal (including lignite) (15%).

See sections 1363(b)(4) and 291 for more information.

3. See section 58(i) regarding qualified expenditures under sections 173, 174(a), 263(c), 616(a), and 617. These expenditures are passed through separately to shareholders to allow them the write-off option under section 58(i). See instructions for line 17 of Schedule K.

4. Business start-up expenses.—Section 195 provides that business start-up expenses be amortized over a period of at least 60 months.

Line 10

Compensation of officers

Enter on line 10 the total compensation of all officers.

Line 11

Salaries and wages

Enter on line 11a the amount of total salaries and wages (other than salaries and wages deducted elsewhere on your return) paid or incurred for the tax year.

Enter on line 11b the applicable jobs credit from Form 5884, Jobs Credit. See Instructions for Form 5884 for more information.

If a shareholder or a member of the family of one or more shareholders of the corporation renders services or furnishes capital to the corporation for which reasonable compensation is not paid, the shareholder may make adjustments in the items taken into account by such individuals and the value of such services or capital. See section 1366(e).

Line 12

Repairs

Enter the cost of incidental repairs, such as labor and supplies, that do not add to the

value of the property or appreciably prolong its life. New buildings, machinery, or permanent improvements that increase the value of the property are not deductible. They are chargeable to capital accounts and may be depreciated or amortized.

Do not include section 179 expense items. Report this amount on Form 4562, Depreciation and Amortization, Part I, Section A, and on Schedule K, line 8, and each shareholder's share on line 8 of Schedule K-1.

Line 13

Bad debts

You may treat bad debts in either of two ways: (a) as a deduction for specific debts that become worthless in whole or in part, or (b) as a deduction for a reasonable addition to a reserve for bad debts. (Section 166.)

If the corporation uses the reserve method, attach a schedule for 1985 that separately lists:

1. Trade notes and accounts receivable outstanding at the end of the year;
2. Sales on account;
3. Amount added to reserve—current-year's provision;
4. Amount added to reserve—recoveries;
5. Amount charged against reserve; and
6. Reserve for bad debts at end of year.

An S corporation may choose either method on its first return in which it takes a bad debt deduction. It must use that method for following years unless it receives permission to change. However, if the corporation is changing from the specific charge-off method (section 166(a)) to the reserve method (section 166(c)), see Revenue Procedure 85-8, 1985-6 I.R.B. 41. Apply on Form 3115 if you want to change the method of figuring bad debts.

Line 15

Taxes

Enter taxes paid or incurred on business property for carrying on a trade or business, if not reflected in cost of goods sold. Federal import duties and Federal excise and stamp taxes are deductible only if paid or incurred in carrying on the trade or business of the corporation. Taxes incurred in the production or collection of income, or for the management, conservation, or maintenance of property held for the production of income may be considered to be deductible only under section 212. These are not deductible on line 15; they are reported separately on Schedules K and K-1, line 9.

Do not deduct taxes assessed against local benefits that increase the value of the property assessed (such as for paving, etc.). Federal income taxes, estate, inheritance, legacy, succession, and gift taxes, or taxes reported elsewhere, such as in Schedule A.

Do not deduct section 901 foreign taxes. These taxes are reported separately to shareholders on line 14 of Schedules K and K-1.

See section 189(b) for information on amortizing real property construction period taxes.

Lines 16a-16c

Interest

Caution: Include on lines 16a and 16b interest expense on indebtedness incurred after December 16, 1969 to purchase or carry property held for investment (including net lease property). Also include interest expense not incurred in the trade or business of the corporation required to be reported on line 9 of Schedules K and K-1. Property held for investment includes all investments held for producing taxable income or gain. It does not generally include property used in a trade or business. See the instructions for Schedules K and K-1, line 13b, for a description of investment income. See the instructions for Schedules K and K-1, line 13c, to determine if rental property is investment property.

For more information, see section 163(d) and Form 4952, Investment Interest Expense Deduction.

Line 16a

Enter interest on all indebtedness incurred for the operation of the corporation that is deductible by either the corporation or the shareholders (that is not claimed elsewhere on the return).

Generally, both accrual and cash basis corporations must deduct prepaid interest payments over the period of the prepayment instead of when actually paid. (See section 461(g).)

Do not include on line 16a:

- Amounts claimed elsewhere on the return such as on Schedule A.
- Amounts paid or accrued during the year for real property construction period interest. See section 189 for more information.

The interest and carrying charges on straddle positions established after June 23, 1981, can no longer be deducted. Instead, capitalize these amounts. See section 263(g) for exceptions.

Line 16b

See Caution under Lines 16a-16c above before completing Line 16b. The line 16b amount is entered on lines 13a(2) and 13a(3) of Schedule K.

Line 17

Depreciation

Enter depreciation expense from Form 4562. Include amortization expense from Form 4562 on line 22.

Do not include any expense deduction for recovery property (section 179) on this line. This amount is not deductible by the corporation. Instead, it is passed through to the shareholders on line 8 of Schedules K and K-1.

Line 18

Depletion

Do not report depletion deductions for oil and gas properties on this line. Each shareholder figures depletion on these properties under section 613A(c)(13). See the instructions for line 17 of Schedule K for information on oil and gas depletion that must be supplied to the shareholders by the corporation.

Line 20

Pension, profit-sharing, etc., plans

Employers who maintain a pension, profit sharing, or other funded deferred compensation plan whether or not qualified under the Internal Revenue Code and whether or not a deduction is claimed for the current tax year, generally are required to file one of the forms listed below:

Form 5500, Annual Return/Report of Employee Benefit Plan (With 100 or more participants).

Form 5500-C, Return/Report of Employee Benefit Plan (With fewer than 100 participants). Form 5500-R, Registration Statement of Employee Benefit Plan.—Complete the applicable form for each plan with fewer than 100 participants.

There are penalties for failure to file these forms on time.

Line 21

Employee benefit programs

Enter the amount of contributions to employee benefit programs (such as insurance and health and welfare programs) that are not an incidental part of a pension, profit-sharing, etc., plan included in line 20.

Partnership-type rules apply for fringe benefit purposes. See section 1372 for more information and section 6(c) of Public Law 97-354 for exceptions to section 1372.

Also include the corporation's contributions to a qualified group legal services plan established for the exclusive benefit of employees (including shareholders) and their spouses or dependents. See section 120(e) for termination of a qualified group legal services plan for tax years ending after December 31, 1985.

Line 22

Other deductions

Enter any other authorized deductions for which there is no line on page 1 of the return. Do not include those items requiring separate computations which must be reported on Schedules K and K-1. Do not deduct losses incurred in transactions which were not connected with the corporation's trade or business. Report these losses separately to shareholders on Schedules K and K-1, line 9.

Do not include qualified expenditures to which an election under section 58(i) applies. See instructions for line 17 of Schedule K for details on treatment of these items.

Include in line 22 the deduction taken for amortization. See instructions for Form 4562 and sections 169, 174, 177, 188, 189, 195, etc. for more information.

In most cases, you may not take a deduction for any part of any item allocable to a class of exempt income. (See section 265(2) for exceptions.) Items directly attributable to wholly exempt income must be allocated to that income. Items directly attributable to any class of taxable income must be allocated to that taxable income.

If an item is indirectly attributable both to taxable income and to exempt income, allocate a reasonable proportion of the item to each, based on all the facts in each case.

Attach a statement showing (1) the amount of each class of exempt income and (2) the amount of expense items allocated to each such class. Show the amount allocated by apportionment separately.

In the case of a farming syndicate, a deduction for amounts paid for feed, seed, fertilizer, or other similar farm supplies is allowed only in the tax year in which these items are actually used or consumed. For definitions, exceptions to the general rule, and special rules for orchard and vineyard expenses, see section 278.

For special treatment of certain expenses incurred in the production of films, books, records, or similar property, see section 280.

Generally, the corporation can deduct all ordinary and necessary travel and entertainment expenses paid or incurred in the corporation's trade or business.

However, the corporation cannot deduct an expense paid or incurred for a facility (such as a yacht or hunting lodge) that is used for an activity that is usually considered entertainment, amusement, or recreation. (The corporation may be able to deduct the expense if the amount is treated as compensation and reported on Form W-2 for an employee or on Form 1099-MISC for an independent contractor.) See Publication 463, Travel, Entertainment, and Gift Expenses, for more details.

Line 24

Ordinary income (loss)

This is nonseparately computed income or loss as defined in section 1366(a)(2). This income or loss is entered on line 1 of Schedule K.

Line 24 income is not used in figuring line 25a or 25b tax. See instruction for line 25a for figuring taxable income for purposes of line 25a or 25b tax.

Line 25a

If the corporation has always been a subchapter S corporation, the line 25a tax does not apply to the corporation. If the corporation has subchapter C earnings and profits at the close of its tax year, has passive investment income that is in excess of 25% of gross receipts, and has taxable income at year end, the corporation must pay a tax on the excess net passive income.

Complete lines 1 through 3 and line 9 of the worksheet on page 6 to make this determination. If line 2 is greater than line 3 and the corporation has taxable income (see taxable income instruction on page 6), it must pay the tax. Complete a separate schedule using the format of lines 1 through 10 of the worksheet to figure the tax. Enter the tax on line 25a, page 1, Form 1120S, and attach the computation schedule to Form 1120S.

Reduce each item of passive income passed through to shareholders by its portion of tax on line 25a. See section 1366(f)(3).

Worksheet

1. Enter gross receipts for the tax year (see section 1362(d)(3)(C) for gross receipts from the sale of capital assets)*
2. Enter passive investment income as defined in section 1362(d)(3)(D)*
3. Enter 25% of line 1 (if line 2 is less than line 3, stop here. You are not liable for this tax.)
4. Excess passive investment income—Subtract line 3 from line 2
5. Enter expenses directly connected with the production of income on line 2 (see section 1375(b)(2))
6. Net passive income—Subtract line 5 from line 2
7. Divide amount on line 4 by amount on line 2
8. Excess net passive income—Multiply line 6 by line 7
9. Enter taxable income (see instruction for taxable income below)
10. Tax on excess net passive income—Enter 46% of the smaller of line 8 or 9. (Enter here and on line 25a, page 1, Form 1120S.)

*Income and expenses on lines 1, 2, and 5 are from total operations for the tax year. This includes applicable income and expenses from page 1, Form 1120S, as well as those that are reported separately on Schedule K. See sections 1362(d)(3)(D)(i) (v) for exceptions regarding lines 2 and 5.

Taxable income (line 9 of the worksheet)

Line 9 income is defined in section 1374(d). You figure this income by completing lines 1 through 28 of Form 1120, U.S. Corporation Income Tax Return. Include the Form 1120 computation with the worksheet computation you attach to Form 1120S. You do not have to attach the schedules, etc. called for on Form 1120. However, you may want to complete certain Form 1120 schedules, such as Schedule D (Form 1120) if you have capital gains or losses.

Note: Taxable income is the same for figuring line 25b tax as for figuring line 25a tax.

Line 25b

If net capital gain, line 10, Schedule D (Form 1120S), is \$25,000 or less, the corporation is not liable for income tax or minimum tax. If the net capital gain is more than \$25,000, see instructions for Part IV, Tax Computation of Schedule D (Form 1120S), to determine if the corporation is liable for income tax or minimum tax.

Line 25c

Section 1371(d) provides that an S corporation is liable for investment credit recapture attributable to credits allowed for tax years for which the corporation was not an S corporation.

Include the corporation's section 47 recapture tax in the total amount to be entered on line 25c. Write to the left of the line 25c total the amount of recapture tax and the words "section 47 tax," and attach Form 4255, Recapture of Investment Credit, to Form 1120S.

Schedule A

Cost of Goods Sold and/or Operations

Cost of Operations

If the entry on line 2, page 1, of Form 1120S is for the cost of operations, complete Schedule A, even if inventories are not used.

Valuation methods

Your inventories can be valued at: (a) cost, (b) cost or market value (whichever is lower), or (c) any other method approved by the Commissioner of Internal Revenue, if that method conforms to the provisions of the applicable regulations cited below.

Taxpayers using erroneous valuation methods must change to a method permitted for Federal income tax purposes. To make this change, file Form 3115. For more information, see regulations section 1.446-1(e)(3) and Rev. Proc. 84-74, 1984-2 C.B. 738.

In line 8a, check the method(s) used for valuing inventories. Under "lower of cost or market," market generally applies to normal market conditions when there is a current bid price prevailing at the date the inventory is valued. When no regular open market exists or when quotations are nominal because of inactive market conditions, use fair market prices from the most reliable sales or purchase transactions that occurred near the date the inventory is valued. For additional requirements, see regulations section 1.471-4.

Inventory may be valued below cost when the merchandise is unsalable at normal prices or unusable in the normal way because the goods are "subnormal" (that is because of damage, imperfections, shop wear, etc.) within the meaning of regulations section 1.471-2(c). Such goods may be valued at a current bona fide selling price less direct cost of disposition (but not less than scrap value) when the taxpayer can establish such a price. See regulations section 1.471-2(c) for additional requirements.

If this is the first year the "Last-in-First-out" (LIFO) inventory method was either adopted or extended to inventory goods not previously valued under the LIFO method, as provided in section 472, attach Form 970, Application to Use LIFO Inventory Method, or a statement with Form 1120S and check the LIFO box in line 8b. In line 8c, enter the amount or percent (estimates may be used) of total closing inventories covered under section 472.

If you have changed or extended your inventory method to LIFO and have had to "writeup" your opening inventory to cost in the year of election, report the effect of this writeup as income (line 8, page 1) proportionately over a 3-year period that begins in the tax year you made this election. (Section 472(d).)

If you are engaged in manufacturing or production, you must use the full absorption method of inventory costing. If you are not using it, you must change to this method. Under it, both direct and certain indirect production costs are included for inventory valuation purposes. Use Form 3115 to change to full absorption. For details, see

Rev. Proc. 75-40, 1975-2 C.B. 571, regulations section 1.471-11; and Rev. Rul. 81-272, 1981-2 C.B. 116.

Additional Information

Be sure to answer the questions and provide other information in items G through O. The instructions that follow are keyed to these items.

Question K

Foreign financial accounts

Check the Yes box if either 1. or 2. below applies to you. Otherwise, check the No box.

1. At any time during the year the corporation had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account). Exception: Check No if either of the following applies to you:
 - The combined value of the accounts was \$5,000 or less during the whole year.
 - The accounts were with a U.S. military banking facility operated by a U.S. financial institution.

2. The corporation owns more than 50% of the stock in any corporation that would answer the question "Yes" based on item 1 above.
 - The accounts were with a U.S. military banking facility operated by a U.S. financial institution.

Get Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts, to see if the corporation is considered to have an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account).

If question K is checked Yes, file Form TD F 90-22.1 by June 30, 1986, with the Department of the Treasury at the address shown on the form. Form TD F 90-22.1 is not a tax return, so do not file it with the IRS. Form TD F 90-22.1 can be obtained from many IRS offices.

Also, if question K is checked Yes, write the name of the foreign country or countries. Attach a separate sheet if you need more space.

Schedule K and Schedule K-1

Shareholders' Share of Income, Credits, Deductions, etc.

Purpose

Schedule K is a summary schedule of all the shareholders' share of the corporation's income, deductions, credits, etc. Schedule K-1 shows each shareholder's separate share. A copy of each shareholder's K-1 is attached to the Form 1120S filed with the IRS. A copy is kept as a part of the corporation's records and each shareholder receives his or her own separate copy with attached instructions.

Be sure to give each shareholder a copy of the Shareholder's Instructions for Schedule K-1 (Form 1120S). These instructions are available, separately from Schedule K-1, at most IRS offices.

General Instructions

The corporation is liable for taxes on lines 25a, b, and c, page 1, Form 1120S. Shareholders are liable for income tax on

their share of the corporation's income (reduced by any taxes paid by the corporation on income) and must include their share of the income on their tax return whether or not it is distributed to them. Unlike partnership income, S corporation income reported to shareholders on Schedule K-1 is not self-employment income and is not subject to self-employment tax.

The total distributive share items (column (b)) of all Schedules K-1 should equal the amount reported on the same line of Schedule K. Lines 1 through 14 of Schedule K and K-1 are the same. Other lines are not the same, but instructions will explain the differences.

Substitute Forms

You do not need IRS approval to use a substitute Schedule K-1 if it is an exact facsimile of the IRS schedule, or if it contains only those lines the taxpayer is required to use, and the lines have the same numbers and titles and are in the same order as on the comparable IRS Schedule K-1. In either case, your substitute schedule must include the OMB number and the Shareholder's Instructions for Schedule K-1 (Form 1120S).

Other substitute Schedules K-1 require approval. You may apply for approval of a substitute form by writing to: Internal Revenue Service, Attention D:R.R, 1111 Constitution Avenue, NW, Washington, DC 20224.

You may be subject to a penalty if you file a substitute Schedule K-1 that does not conform to the specifications of Rev. Proc. 85-3, I.R.B. 1985-2, 14.

Shareholder's Distributive Share Items

Items of income, loss, deductions, etc. are allocated to a shareholder on a daily basis, according to the number of shares of stock held by the shareholder on each day during the tax year of the corporation. See item A in the Line-by-Line Instructions.

A transferee shareholder (rather than the transferor) is considered to be the owner of stock on the day it is transferred.

Special rule.—If a shareholder terminates his or her interest in a corporation during the tax year, the corporation, with the concurrence of all shareholders (including the one whose interest is terminated), may elect to allocate income and expenses, etc. as if the corporation's tax year consisted of 2 tax years, the first which ends on the date of the shareholder's termination. To make the election, the corporation must file a statement of election with the return for the tax year of election and attach a statement of consent signed by all shareholders. If the election is made, write "Section 1377(a)(2) Election Made" at the top of each Schedule K-1. See section 1377(a)(2) and temporary regulations section 18.1377-1 for details.

Specific Instructions

(Schedule K only)

Enter the total distributive amount for each applicable item listed.

Note: You do not have to complete certain lines on Schedule K. Completion of the lines is optional because the amounts for these lines appear elsewhere on Form 1120S or on other IRS forms or IRS schedules

attached to Form 1120S. Although you do not have to complete the optional lines on Schedule K, you have to complete these lines on Schedule K-1 (Form 1120S). The optional lines are:

Line 1. Ordinary income (loss).

Line 8. Expense deduction for recovery property.

Line 10. Jobs credit.

Line 11. Other credits (If the other credits appear elsewhere on an IRS Form or Schedule that is attached to Form 1120S).

(Schedule K-1 only)

On each Schedule K-1, enter the names, addresses, and identifying numbers of the shareholder and corporation, complete items A, B, and C and enter the shareholder's distributive share of each item. Schedule K-1 must be prepared and given to each shareholder on or before the day on which Form 1120S is filed.

Line-by-Line Instructions

Note: Actual dividend distributions paid out of accumulated earnings and profits of the S corporation are not reported on Schedule K-1. However, these dividends are reported to shareholders on Form 1099-DIV. These distributions do not increase or decrease a shareholder's basis in stock.

Item A (Schedule K-1 only).—If there was no change in shareholders or in the relative interest in stock the shareholders owned during the tax year, enter the percentage of total stock owned by each shareholder during the tax year. For example, if shareholders X and Y each owned 50% for the entire tax year, enter 50% in item A for each shareholder. Each shareholder's distributive share items (lines 1-19 of Schedule K-1) are figured by multiplying the annual amount on the corresponding line of Schedule K by the percentage in A.

If there was a change in stock ownership during the tax year, each shareholder's percentage of ownership is weighted for the number of days in the tax year that stock was owned. For example, A and B each held 50% for half the tax year and A, B, and C held 40%, 40% and 20% respectively for the remaining half of the tax year. The percentage of ownership for the year for A, B, and C is figured as follows and is then entered in item A.

	a	b	c. (a x b)	
	% of total stock owned	% of tax year held	25%	45%
A	50	50	+20	45%
B	50	50	+25	
	40	50	+20	45%
C	20	50	10	10%
Total				100%

If there was a change in stock ownership during the tax year, each shareholder's distributive share items (lines 1-19 of Schedule K-1) are figured on a daily basis, based on the percentage of stock held by the shareholder on each day. See section 1377(a)(1) and (2) for details.

Item B (Schedule K-1 only).—Enter the Internal Revenue Service Center address where the tax return, to which a copy of this K-1 was attached, was or will be filed.

Item C (Schedule K-1 only).—Enter the tax shelter registration number assigned to

the corporation by IRS or provided to the corporation by other pass-through entities.

Line 1.—Enter ordinary income (loss) from line 24, page 1. If line 24 is a loss, enter the shareholder's full share of the loss. Enter the loss without reference to the adjusted basis of the shareholder's stock in the corporation or the shareholder's amount at risk. Line 1 should reflect the total ordinary income (loss) from all business operations, including section 465 at risk activities and income (loss) from other activities.

If the corporation is involved in more than one business activity and has a section 465 at risk activity loss(es), the corporation must show section 465 loss(es) separately. This separate reporting is to assist the shareholder in determining the allowable loss to claim on his or her tax return.

Line 2.—Enter the qualifying dividends received from other domestic corporations for which each shareholder is entitled to an exclusion under section 116. The investment companies will tell the S corporation what part, if any, of the dividends qualify for the exclusion. (See the instructions for Form 1120S, page 1, line 4.)

Line 5.—Enter net gain (loss) under section 1231. Do not include net gains or losses from involuntary conversions due to casualties or thefts on this line. Instead, report them on line 6.

Note: If there was a gain (loss) from a casualty or theft to property not used in a trade or business or used for income producing purposes, do not complete Form 4684 for this type of casualty or theft. Instead, provide each shareholder with the needed information to complete their own Form 4684 for their portion of this casualty or theft.

Line 6.—Enter any other items of income or loss not included on lines 1-5, such as:

a. Wagering gains and losses (section 165(d)).

b. Recoveries of bad debts, prior taxes, or delinquency amounts (section 111).

c. Any gain or loss (where the corporation was a trader or dealer in section 1256 contracts or property related to such contracts. See sections 1256(f) and 1374(c)(4).

d. Net gain (loss) from involuntary conversions due to casualty or theft.

Line 7.—Enter the total amount of charitable contributions paid by the corporation during its tax year. Attach an itemized list that separately shows the corporation's charitable contributions subject to the 50%, 30%, and 20% limitations.

If the corporation contributes property other than cash and the aggregate amount of the claimed value exceeds \$500, Form 8283, Noncash Charitable Contributions, must be completed and attached to the Form 1120S. The corporation must give a copy of its Form 8283 to every shareholder if the value of an item or group of similar items of contributed property exceeds \$5,000 even though the amount allocated to each shareholder is \$5,000 or less. For property that does not meet the \$5,000 filing requirement, the corporation does not have to furnish the shareholders with its Form 8283. However, the corporation must provide shareholders with their share of fair

market value for property valued between \$500 and \$5,000 in order for individual shareholders to complete their own Form 8283. See the Instructions for Form 8283 for more information.

If the corporation made a qualified conservation contribution under section 170(h), also include the fair market value of the underlying property before and after the donation, the type of legal interest contributed, and describe the conservation purpose furthered by the donation. Give a copy of this information to each shareholder.

Line 8.—A corporation may elect to expense part of the cost (up to \$5,000) of recovery property that qualifies for investment credit that the corporation purchased this year for use in its trade or business. The corporation may not deduct the section 179 expense, but should report the expense separately on Schedules K and K-1, line 8.

The corporation must specify the item(s) of section 179 property which it elects to treat as an expense and the portion of the cost of each item which is being treated as an expense. Do this on Form 4562 and on a schedule attached to Schedule K-1. Generally, any election made under section 179 may not be revoked except with the consent of the Commissioner of IRS.

Depreciation, amortization, or investment credit may not be taken on any amount for which a deduction is allowed under section 179. See Changes You Should Note on page 1 of these instructions, section 179, and Form 4562 for more information.

Line 9.—Enter any other deductions not included on lines 7 and 8, such as:

a. Amounts (other than investment interest required to be reported on Schedules K and K-1, lines 13a(2) and 13a(3) and the portion of line 13a(1) of Schedules K and K-1 deductible under section 162), paid by the corporation that would be itemized deductions on any of the shareholder's income tax returns if they were paid directly by a shareholder for the same purpose. These amounts include, but are not limited to, expenses under section 212 for the production of income other than from the corporation's trade or business.

b. Any penalty on early withdrawal of savings because the corporation withdrew funds from its time savings deposit before its maturity.

c. Soil and water conservation expenditures (section 175).

d. Expenditures paid or incurred in tax years beginning before January 1, 1986, for the removal of architectural and transportation barriers to the elderly and handicapped which the corporation has elected to treat as a current expense. Do not deduct these expenditures on page 1 of Form 1120S. See section 190.

If there was a gain (loss) from a casualty or theft to property not used in a trade or business or for income producing purposes, provide each shareholder with the needed information to complete Form 4684, Casualties and Thefts.

Credits

Line 10.—On Schedule K enter the jobs credit (from attached Form 5884) computed by the corporation. The credit may be claimed only for wages or salaries paid to individuals who began work for the corporation before January 1, 1986. The jobs credit is computed at the corporate level. On Schedule K-1 enter each shareholder's share of the credit. See Form 5884 for definitions, special rules, limitations, and other details on the credit.

Line 11.—The following credits are also figured at the corporate level and then apportioned to persons who are shareholders of the corporation in accordance with stock ownership.

1. Credit for alcohol used as fuel. Complete and attach Form 6478, Credit for Alcohol Used as Fuel, to Form 1120S.
2. Orphan drug credit and credit for increasing research activities. Complete and attach Form 6765, Credit for Increasing Research Activities, to Form 1120S.
3. Nonconventional source fuel credit.
4. Unused regular investment credit from cooperatives.
5. Unused energy investment credit from cooperatives.
6. Credit for backup withholding on dividends, interest, or patronage dividends.

The nonconventional source fuel credit is figured by the corporation on a separate schedule prepared by the corporation. This computation schedule must also be attached to Form 1120S. See section 29 for computation provisions and other special rules for figuring this credit.

If the corporation is a member of a cooperative that passes an unused regular investment credit or unused energy investment credit through to its members, these credits are in turn passed through to the corporation's shareholders.

If the corporation has only one of the above 6 credits, enter the amount of the credit in the amount column of line 11 and identify the type of credit in the space to the left of the amount. If the corporation has more than one credit, enter the total credits on line 11 and identify and list the amount(s) of the credits on an attached schedule.

Tax Preference Items

Lines 12a through 12f.—Enter items of income and deductions that are tax preference items. See Form 6251.

Alternative Minimum Tax Computation, and Publication 909, Alternative Minimum Tax, to determine the amounts to enter and for other information.

Do not include as a tax preference item any qualified expenditures to which an election under section 58(i) may apply.

Line 12c.—Do not include any depletion on oil and gas wells. The shareholders must compute their depletion deduction separately under section 613A.

In the case of mines, wells, and other natural deposits, other than oil and gas wells, enter the amount by which the deduction for depletion under section 611 (including percentage depletion for geothermal deposits), is more than the

adjusted basis of such property at the end of the tax year. Figure the adjusted basis without regard to the depletion deduction and figure the excess separately for each property.

Lines 12d(1) and 12d(2).—Generally, the amounts to be entered on these lines are not the total corporation income or deductions for oil, gas, and geothermal properties. Generally, they are only the income and deductions included on page 1, Form 1120S, that are used to figure the amount on line 24, page 1, Form 1120S.

If there are any items of income or deductions for oil, gas, and geothermal properties included in the amounts that are required to be passed through separately to the shareholders on Schedule K-1, give each shareholder a schedule for the line on which the income or deduction is included which shows the amount of income or deductions included in the total amount for that line. Do not include any of these direct pass-through amounts on lines 12d(1) or 12d(2). The shareholder is told in the Shareholder's Instructions for Schedule K-1 (Form 1120S) to adjust the amounts on lines 12d(1) and 12d(2) for any other income or deductions from oil, gas, or geothermal properties included in lines 2 through 9 and 17 of Schedule K-1 to determine the total income or deductions from oil, gas, and geothermal properties for the corporation.

Figure the amount for lines 12d(1) and (2) separately for oil and gas properties which are not geothermal deposits and for all properties which are geothermal deposits.

Give the shareholders a schedule that shows the separate amounts that are included in the computation of the amounts on lines 12d(1) and (2).

Line 12d(1).—Enter the aggregate amount of gross income (within the meaning of section 613(a)) from all oil, gas, and geothermal properties received or accrued during the tax year that was included on page 1, Form 1120S.

Line 12d(2).—Enter the amount of any deductions allocable to oil, gas, and geothermal properties reduced by the excess intangible drilling costs that were included on page 1, Form 1120S, on properties for which the corporation made an election to expense intangible drilling costs in tax years beginning before January 1, 1983. Do not include non-productive well costs, or the amounts shown on lines 16a, 16b, 17a, and 17b, page 1, Form 1120S. Instead, use the amounts on lines 16c and 17c, page 1, Form 1120S.

Figure excess intangible drilling costs as follows: From the allowable intangible drilling and development costs (except for costs in drilling a nonproductive well), subtract the amount that would have been allowable if the corporation had capitalized these costs and either amortized them over the 120 months that started when production began, or treated them according to any election the corporation made under section 57(d)(2).

See section 57(a)(11) for more information.

Lines 12e(1) and 12e(2), Qualified Investment Income and Expenses.—Enter the corporation's qualified investment income and expenses from all sources that were included on page 1, Form 1120S. However, do not include as qualified investment expense the amounts shown on lines 16a, 16b, 17a, and 17b, page 1, Form 1120S. Instead, use the amounts on lines 16c and 17c, page 1, Form 1120S. See Form 6251 to determine the amounts to enter.

If there are any items of qualified investment income or expenses included in the amounts that are required to be passed through separately to the shareholders on Schedule K-1, give each shareholder a schedule for the line on which the qualified investment income or expense is included which shows the amount of qualified investment income or expense included in the total amount for that line. Do not include any of these direct pass-through amounts on lines 12e(1) or 12e(2). The shareholder is told in the Shareholder's Instructions for Schedule K-1 (Form 1120S) to adjust the amounts on lines 12e(1) and 12e(2) for any other qualified investment income or expenses included in lines 2 through 9 to determine the total qualified investment income or expense for the corporation.

Generally, investment income is gross income from interest, nonqualifying dividends, rents and royalties, and any other amount treated as ordinary income under sections 1245, 1250, and 1254 that is reported on page 1, Form 1120S.

Generally, investment expenses are those expenses allowable against the production of investment income provided they are allowed in figuring a shareholder's adjusted gross income and not includable as a tax preference item.

Note: If a shareholder does not actively participate in the management of the corporation, qualified investment income and expenses include income and expenses from the corporation's trade or business. See section 55(e)(8).

Line 12f.—Attach a schedule which shows each shareholder's share of:

- Amortization of certified pollution control facilities. Enter the amount by which the amortization the corporation took for 1985 is more than the depreciation deduction otherwise allowable.
- Reserves for losses on bad debts of financial institutions. Enter the corporation's share of the excess of the addition to the reserve for bad debts over the reasonable addition to the reserve for bad debts that would have been allowable if the corporation had maintained the bad debt reserve for all tax years based on actual experience.
- Any other applicable tax preference items not shown on lines 12a through 12e.

Investment Interest

Lines 13a through 13c(2).—Enter the interest on investment indebtedness and items of investment income and expenses, and gains and losses from the sale or exchange of investment property.

The interest expense reported on line 13a(1) may also be included on page 1, Form 1120S, line 16c or Schedules K and K-1, line 9. However, the interest expense reported on line 13a(2) and 13a(3) must not appear elsewhere on the return other than on lines 16a and 16b, page 1, Form 1120S. The income and expenses included on lines 13b, 13c, and 13d are reported on Form 1120S and Schedule K-1. For example, interest income included on line 13b is reported on Form 1120S, line 4.

For more information, see Form 4952, Investment Interest Expense Deduction.

Line 13a(1).—Enter investment interest expense from all sources on debts created before December 17, 1969, from a specific item of property for a specified term. Also include debts in existence after December 16, 1969, if a binding contract was in effect on that date.

Line 13a(2).—Enter investment interest expense from all sources, from a specific item of property for a specified term, and from debts incurred before September 11, 1975, but after December 16, 1969, that is included on line 16b, page 1, Form 1120S. Also include interest on obligations incurred after September 10, 1975, but subject to a written contract or commitment in effect on September 11, 1975, that is included on line 16b, page 1, Form 1120S.

Line 13a(3).—Enter investment interest expense from all sources from obligations incurred after September 10, 1975, that is included on line 16b, page 1, Form 1120S. Do not include those obligations for which a binding contract was in effect on September 11, 1975.

Note: The corporation must have an amount on line 16b of page 1, Form 1120S, in order to have an amount shown on either line 13a(2) or 13a(3).

Line 13b(1).—Enter the corporation's investment income from all sources that was included on page 1, Form 1120S.

Investment income includes the following that are includable in gross income on page 1, Form 1120S: interest, nonqualifying dividends, rents from net lease property, royalties, and amounts recaptured as ordinary income from the sale or exchange of investment property subject to sections 1245, 1250, and 1254 provisions. Investment income generally does not include any amounts connected with a trade or business. See section 163(d)(3).

Caution: The amount to be entered on this line is not the total corporate investment income. It is only the investment income included on page 1, Form 1120S, that is used to figure the amount on line 24, page 1, Form 1120S.

If there are any items of investment income included in the amounts that are required to be passed through separately to the shareholders on Schedule K-1, give each shareholder a schedule for the line on which the investment income is included which shows the amount of investment income included in the total amount for that line. Do not include any of these direct pass-through amounts on line 13b(1) of Schedules K and K-1. The shareholder is told in the Shareholder's Instructions for Schedule K-1 (Form 1120S) to adjust the

amount on line 13b(1) for any other investment income included in lines 2 through 9 to determine the total investment income for this corporation.

Line 13b(2).—Enter the corporation's investment expenses from all sources that were included on page 1, Form 1120S.

Note: Do not include the amounts shown on lines 17a and 17b, page 1, Form 1120S. Instead, use the amounts in line 17c, page 1, Form 1120S.

Investment expenses are those deductions directly connected with the production of investment income. Interest is not included in investment expenses for this purpose. Depreciation is limited to the amount figured using the straight-line method. Depletion is limited to an amount based on cost. Investment expenses generally do not include any amounts connected with a trade or business. See section 163(d)(3).

Caution: The amount to be entered on this line is not the total corporate investment income. It is only the investment expenses included on page 1, Form 1120S, that are used to figure the amount on line 24, page 1, Form 1120S.

If there are any items of investment expense included in the amounts that are required to be passed through separately to the shareholders on Schedule K-1, give each shareholder a schedule for the line on which the investment expense is included which shows the amount of investment expenses included in the total amount for that line. Do not include any of these direct pass-through amounts on line 13b(2). The shareholder is told in the Shareholder's Instructions for Schedule K-1 (Form 1120S) to adjust the amount on line 13b(2) for any other investment expenses included on lines 2 through 9 to determine the total investment expenses for this corporation.

Lines 13c(1) and (2).—Enter the corporation's income and expenses from net lease property if the expenses for each property subject to a net lease, allowable under sections 162, 163 (without any reduction for the limitations of section 163(d)), 164(a)(1) and (2), and 212, are more than the income produced by this property. Do not include the income or expenses for any property if the income exceeds the expenses.

For a definition of net lease property, see Form 4952.

Foreign Taxes

Lines 14a through 14g.—In addition to the Instructions below, see Form 1116, Computation of Foreign Tax Credit—Individual, Fiduciary, or Nonresident Alien Individual, and the related instructions.

Line 14a.—Enter the type of income earned as follows:

- Nonbusiness (section 904(d)) interest income
- Qualified dividends from an IC-DISC or former DISC
- Qualified dividends from a FSC or former FSC
- All other income from sources outside the U.S. (including income from sources in U.S. possessions)

If, for the country or U.S. possession shown on line 14b, the corporation had more than one type of income, enter "More than one type" and attach a schedule for each type of income for lines 14b through 14g.

Line 14b.—Enter the name of the foreign country or U.S. possession. If, for the type of income shown on line 14a, the corporation had income from or paid taxes to more than one foreign country or U.S. possession, enter "More than one foreign country or U.S. possession" and attach a schedule for each country for lines 14a and 14c through 14g.

Line 14c.—Enter in U.S. dollars the total gross income from sources outside the U.S. Attach a schedule that shows each type of income as follows:

- Dividends
- Gross rents and royalties
- Foreign source capital gain net income
- Wages, salaries, and other employee compensation
- Business or profession
- Gross income from trust and estates
- Other (including interest) (specify)

Line 14d.—Enter in U.S. dollars the total applicable deductions and losses. Attach a schedule that shows each type of deduction or loss as follows:

- Expenses directly allocable to business or profession
- Depreciation and depletion directly allocable to rent and royalty income
- Repairs and other expenses directly allocable to rent and royalty income
- Other expenses directly allocable to specific income items (specify)
- Pro rata share of all other deductions not directly allocable to specific items of income
- Losses from foreign sources

Line 14e.—Enter in U.S. dollars the total foreign taxes (described in section 901) that were paid or accrued by the corporation to foreign countries or U.S. possessions. Attach a schedule that shows the date(s) the taxes were paid or accrued, and the amount in both foreign currency and in U.S. dollars, as follows:

- Taxes withheld at source on dividends
- Taxes withheld at source on rents and royalties
- Other foreign taxes paid or accrued

Line 14f.—Enter in U.S. dollars the total reduction in taxes available for credit. Attach a schedule that shows separately the:

- Reduction for foreign mineral income
- Reduction for failure to furnish returns required under section 6038
- Reduction for taxes attributable to boycott operations (section 908)
- Reduction for foreign oil and gas extraction income (section 907(a))
- Reduction for any other items (specify)

Line 14g.—Enter in U.S. dollars any items not covered in lines 14c, 14d, 14e, and 14f.

Property Eligible for Investment Credit

Complete the applicable parts of Form 3468, Computation of Investment Credit, and attach it to Form 1120S. See Form 3468 and the related instructions for information on whether property is eligible for the credit; the amount that is eligible for the credit; any adjustment of basis or percentage eligible for the credit and other information.

Note: Do not include that part of the cost of property the corporation has elected to expense under section 179.

Complete the applicable parts of Schedule B of Form 3468, showing the corporation's total qualified investment in business energy property that is eligible for the credit. See Schedule B of Form 3468 and the related instructions for more information.

Lines 15a—15i (Schedule K-1 only).—Enter each shareholder's share of the corporation's investment in qualifying property that is eligible for the investment credit.

Attach to each Schedule K-1 a separate schedule that shows each shareholder's share of the corporation's investment in qualified energy property that is eligible for the credit, and where the shareholder should report it on Schedule B of Form 3468.

The corporation must reduce the basis of regular and energy credit property by half of any credit allowable for the property. The basis reduction is not required for regular investment credit property if the corporation elects to take a reduced credit. If the election is made, each shareholder must be notified by completing the appropriate line or lines of lines 15a-15h. See section 48(q) and Publication 572, Investment Credit, regarding adjustments to be made to the basis of investment credit property as well as the shareholders' adjusted basis in stock of the corporation.

Line 15i. Other Property.—Attach to each Schedule K-1 a separate schedule that shows each shareholder's share of nonrecovery property, new commuter and used commuter highway vehicle property, and qualified rehabilitation expenditures eligible for the credit. Show on the schedule the amount for each type of property, the line number of Form 3468 on which the amount should be reported, and any additional information that may be needed to complete Form 3468.

The schedule for nonrecovery property should use the format of the worksheet in the Instructions for Form 3468 for nonrecovery property.

Property Subject to Recapture of Investment Credit

Line 16 (Schedule K only).—Complete line 16 when regular or energy investment credit property is disposed of, ceases to qualify or if there is a decrease in the business percentage before the end of the "life-years category" or "recovery period" assigned. For more information, see Form 4255, Publication 572 and section 48(q).

The corporation itself is liable for investment credit recapture in certain cases. See instructions for line 25c, page 1, Form 1120S, for details.

Other Items

Line 15 (Schedule K only).—Enter total dividends paid to shareholders from accumulated earnings and profits contained in retained earnings (lines 23 and 24 of Schedule L). Report these dividends to shareholders on Form 1099-DIV. Do not report them on Schedule K-1.

Line 16 (Schedule K) and Line 17 (Schedule K-1).—Enter total distributions made to shareholders other than dividends reported on line 15 of Schedule K. Non-cash distributions of appreciated property are valued at fair market value. See Schedules L and M instructions for ordering rules on distributions.

Lines 17 (Schedule K) and Line 19 (Schedule K-1).—Do not put an amount on these lines. Instead, enter on an attached statement the description and the amounts of each shareholder's share of the items listed in (a) through (j) below. Show income or gains as a positive number. Show losses with the number in parentheses.

a. Tax-exempt income realized by the corporation. Corporations should report tax-exempt interest separately to assist shareholders in figuring the taxable portion (if any) of their social security or railroad retirement benefits.

b. Nondeductible expenses incurred by the corporation.

c. Taxes paid on undistributed capital gains by a regulated investment company. As a shareholder of a regulated investment company, the corporation will receive notice on Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains, that the company paid tax on undistributed capital gains.

d. Gross income and other information relating to oil and gas well properties that are reported to shareholders to allow them to figure the depletion deduction for oil and gas well properties. See section 613A(c)(13) for details.

The corporation cannot deduct depletion on oil and gas wells. The shareholders must determine the allowable amount to report on his or her return. See Publication 535 for more information.

e. Recapture of section 179 expense deduction. Enter the amount that was originally passed through and the corporation's tax year in which it was passed through. Tell the shareholder if the recapture amount was caused by the disposition of the recovery property. See section 179(d)(10) for more information. Do not include this amount on line 8, page 1, Form 1120S.

f. Total qualified expenditures (and the period paid or incurred during the tax year) to which an election under section 58(i) applies. Do not report these expenditures as tax preference items on line 12 of Schedules K and K-1.

g. Intangible drilling costs under section 263(c). See Publication 535 to determine the amount to pass through to each shareholder.

SCHEDULE D (Form 1120S)

Capital Gains and Losses

OMB No. 1545-0130

1985

Department of the Treasury Internal Revenue Service

Attach to your tax return. For Paperwork Reduction Act Notice, see page 1 of Instructions for Form 1120S.

Form 1120S Schedule D sections: Part I Short-term Capital Gains and Losses, Part II Long-term Capital Gains and Losses, Part III Summary of Schedule D Gains for Tax Computation Purposes, and Part IV Tax Computation.

Form 1120S Schedule D sections: 11 Taxable income, 12 Enter tax on line 11 amount, 13 Net capital gain from line 10, 14 \$25,000 (statutory minimum), 15 Subtract line 14 from line 13, 16 Enter 28% of line 15, 17 Income tax on capital gains, 18 Minimum tax, 19 Total tax.

Instructions

Section references are to the Internal Revenue Code, unless otherwise noted.

Purpose of Schedule

Schedule D should be used by corporations to report sales or exchanges of capital assets and gains on distributions to shareholders of appreciated assets that are capital assets (hereafter referred to as distributions).

Sales, exchanges, and distributions of property other than capital assets, including property used in a trade or business; involuntary conversions (other than casualties or thefts); and gain from the disposition of an interest in oil, gas, or geothermal property, should be reported on Form 4797, Gains and Losses From Sales or Exchanges of Assets Used in a Trade or Business and Involuntary Conversions.

Parts I and II

Generally, you should report sales and exchanges (including like-kind exchanges) even though there is no gain or loss. Report gain, but not loss, on a distribution. In Part I report the sale, exchange, or distribution of capital assets held six months or less (1 year or less if acquired before 6/23/84). In Part II report the sale, exchange, or distribution of capital assets held more than 6 months (more than one year if acquired before 6/23/84).

For more information, see Publication 544, Sales and Other Dispositions of Assets, and Publication 589, Tax Information on S Corporations.

Exchange of like-kind property.—Report the exchange of "like-kind" property on Schedule D or on Form 4797, whichever applies. Report it even though no gain or loss is recognized when you exchange business or investment property for property of "like-kind." For exceptions, see Publication 544.

If you use Schedule D, identify the property you disposed of in column (a). Enter the date you acquired it in column (b), and the date you exchanged it in column (c). Write "like-kind exchange" in column (d). Enter the cost or other basis in column (e). Enter zero in column (f).

Schedule D (Form 1120S) (1985)

Special Rules for the Treatment of Certain Gains and Losses

Gain on distributions of appreciated property.—Except as stated below, gain is recognized by an S corporation on a distribution of appreciated property to shareholders in the same manner as if the property had been sold to a shareholder at its fair market value.

Exceptions.—The above rule does not apply to (1) distributions of property in complete liquidation and (2) distributions in tax-free reorganizations where gain or loss is not recognized by the distributee shareholders.

Gain from installment sales.—Except as explained below, if you sold property at a gain this year and will receive any payment in a later tax year, you must use the installment method to report your gain.

If the corporation wants to elect out of the installment method, it must do the following on a timely filed return (including extensions):

- (1) Report the full amount of the sale on Schedule D (Form 1120S). (2) If you received a note or other obligation and are reporting it at less than face value, state that fact in the margin, enter the face amount of the note or other obligation, and give the percentage of valuation.

For additional information, get Publication 537, Installment Sales.

Gains and losses on section 1256 contracts and straddles.—Use Form 6781, Gains and Losses From Section 1256 Contracts and Straddles, to report gains and losses from section 1256 contracts and straddles.

Gain or loss on an option to buy or sell property.—See section 1234 for the rules that apply to a purchaser or grantor of an option.

Gain or loss from a short sale of property.—Report the gain or loss to the extent that the property used to close the short sale is considered a capital asset in the hands of the taxpayer.

Loss from securities that are capital assets that become worthless during the year.—Except for securities held by a bank, treat the loss as a capital loss as of the last day of the tax year.

How to Determine the Cost or Other Basis of the Property

In determining gain or loss, the basis of property will generally be its cost (section 1012). The exceptions to the general rule are provided in sections contained in subchapters C, K, O, and P of the Code.

If you are allowed a charitable contribution deduction because you sold property to a charitable organization, figure the adjusted basis for determining gain from the sale by dividing the amount realized by the fair market value and multiplying that result by the adjusted basis.

Line 8.—If the corporation has a gain from line 8b of Form 4797, enter it on line 8.

If the line 8 gain is from line 8b of Form 4797, and it contains gain from line 21, Section B, of Form 4684 and other gain or loss under section 1231, enter the gain from Form 4684 on a schedule for line 8 of Schedule K and report the portion that is gain or loss under section 1231 (reduced by any capital gains tax applicable to the gain) on line 5 of Schedule K.

Part III—Summary of Schedule D Gains

If the net long-term capital gain is more than the net short-term capital loss, there is a net capital gain. If this gain exceeds \$25,000, the corporation may be liable for an income tax on the gain. Answer the questions in the instructions for Part IV below to determine if the corporation is liable for income tax on the gain.

Line 10.—If the corporation is liable for the tax on excess net passive income (line 25a, page 1, Form 1120S), and capital gain income was included in the computation of the tax, the amount to be entered on line 10 is figured as follows:

- 1. Reduce the capital gain income reported on lines 1-2 and 5-8 of Schedule D by the portion of the excess net passive income attributable to such gain. 2. Refigure lines 4 and 9 of Schedule D based on the revised amounts from step 1 above. 3. Enter on line 10 the net capital gain (if any) based on revised lines 4 and 9.

Part IV—Tax Computation

Section 1374 imposes a tax on certain capital gains of an S corporation.

By answering the following questions, you can determine if you are liable for the tax. If your net capital gain is more than \$25,000, and you are not liable for the tax, you must answer questions A through D below as your explanation of why you are not liable for the tax.

If answers to questions A, B, and C or questions A, B, and D are "Yes," the tax applies and you must complete Part IV of Schedule D (Form 1120S). Otherwise, you are not liable for the tax.

Note: Taxable income referred to in questions A and B below is NOT the income figured on line 24, page 1, of Form 1120S. See the instruction for "Taxable income" in the instructions for line 25a, page 1, of Form 1120S.

A. Is taxable income more than \$25,000? Yes No B. Is net capital gain (line 10, Part III, Schedule D (Form 1120S)) more than \$25,000, and more than 50% of taxable income? Yes No

C. Have you been other than an S corporation at any time during the 3 tax years just before this year or since existence, if less than 4 years? Yes No

D. If the answer to question C is "No," does any long-term capital gain (line 9, Schedule D (Form 1120S)) represent gain from property described in each of items 1, 2, and 3 that follow? Yes No

existence as an S corporation during the tax year or within 36 months before the tax year up to the time of the acquisition; and

3. Property has a substituted basis to you. (A substituted basis is one determined by reference to its basis in the hands of the transferor corporation.)

If the answer to question D is "Yes" and the tax is applicable, multiply by 28% the net capital gain from property described in question D (reduced by any excess net passive income attributable to this gain). See instruction for line 10 and section 1375(c)(2). If this amount is less than the tax figured on line 12, Part IV, enter this amount on line 17, Part IV, and write to the right of the amount, "Substituted basis." Attach the computation of the substituted basis amount to Schedule D. (See section 1374(c)(3).)

For purposes of questions C and D above, a corporation is not considered to be in existence for any tax year before the first tax year in which the corporation has shareholders, acquires assets, or begins business, whichever occurs first.

Line 11.—See Instructions for line 25a, page 1, of Form 1120S regarding computation of taxable income for line 11 of Schedule D. Do NOT enter amount from line 24, page 1, Form 1120S.

Line 12.—If the tax computation is applicable, figure the regular corporate income tax below and enter this amount on line 12 of Schedule D.

If the corporation is a component member of a controlled group of corporations, see section 1561 and related regulations for rules on how to allocate the amounts on lines (b), (d), (f), and (h) below. Also, members of a controlled group are treated as one corporation for purposes of figuring the applicability of the tax on line (a) below. If the additional tax applies, each member of the group will pay that tax based on the portion of the \$25,000 amount used in each taxable income bracket.

- (a) Taxable income per attached schedule (1374(d)) (b) Enter \$25,000 (members of a controlled group, see prior instructions) (c) Subtract line (b) from line (a) (d) Enter line (c) or \$25,000, whichever is smaller (members of a controlled group, see prior instructions) (e) Subtract line (d) from line (c) (f) Enter line (e) or \$25,000, whichever is smaller (members of a controlled group, see prior instructions) (g) Subtract line (f) from line (e) (h) Enter line (g) or \$25,000, whichever is smaller (members of a controlled group, see prior instructions) (i) Subtract line (h) from line (g) (j) Enter 15% of line (b) (k) Enter 18% of line (d) (l) Enter 30% of line (f) (m) Enter 40% of line (h) (n) Enter 46% of line (j) (o) Additional tax for large corporation—If taxable income on line (a) exceeds \$1,000,000 enter the lesser of 5% of the excess over \$1,000,000 or \$20,250 (if line (a) is \$1,000,000 or less, enter zero). (p) Total-Add lines (j) through (o). Enter here and on line 12.

Note: If for any reason the computation for line 12 is made on a separate schedule, attach the schedule to Schedule D (Form 1120S).

Line 18.—S corporations are subject to the minimum tax only for the capital gains item of tax preference and only to the extent that the gains are subject to the tax imposed by section 1374. Corporations having such capital gains of more than \$10,000 must attach Form 4626 to Form 1120S.

1120-IC-DISC

Interest Charge Domestic International Sales Corporation Return

OMB No. 1545-0938

1985

Department of the Treasury
Internal Revenue Service

(Please Type or Print)

For calendar year 1985 or other tax year beginning 1985 and ending 198

A Date of IC-DISC election		C Employer identification number	
Name		Date incorporated	
Number and street			
B Business code number (See page 10 of instructions)		E Enter total assets from line 3, column (B), Schedule L (see specific instructions)	
City or town, state, and ZIP code		\$	

F (1) Did any corporation, individual, partnership, trust or estate at the end of your tax year own, directly or indirectly, 50% or more of your voting stock? Yes No
If "Yes," complete the following schedule (see specific instructions).

Name	Identifying number	Address	Per-centage of voting stock owned	Total assets (Corporations only)	Foreign owner	
					Yes	No

(2) Enter the following for any corporation listed in F(1) that will report the IC-DISC's income:

Tax year of first corporation	IRS Service Center where filed
Tax year of second corporation	IRS Service Center where filed

G Check the appropriate box(es) to indicate any inter-company pricing rules that were applied to 25% or more of total receipts (line 1 below):
 50-50 combined taxable income method
 4% gross receipts method
 Section 482 method ("arm's length pricing")

All Computations Must Reflect Inter-Company Pricing Rules If Used (Section 994) (See Separate Schedule P (Form 1120-IC-DISC))

Taxable Income

1	Enter amount from Schedule B, line 4, column (e)	1
2	Cost of goods sold and/or operations (Schedule A, line 7)	2
3	Total income (subtract line 2 from line 1)	3
4	Enter amount from Schedule E, line 3	4
5	Taxable income before net operating loss deduction and dividends-received deduction (subtract line 4 from line 3)	5
6	a Net operating loss deduction (see instructions—attach schedule)	6a
	b Dividends-received deduction from line 6, Schedule C	6b
	c Add lines 6a and 6b	6c
7	Taxable income (subtract line 6c from line 5)	7

8 Refund of U.S. tax on gasoline and special fuels (attach Form 4136) (see instructions) 8

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Please Sign Here	Signature of officer	Date	Title
Paid Preparer's Use Only	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>
	Firm's name (or yours, if self-employed) and address	E.I. No.	Preparer's social security no.
		ZIP code	

For Paperwork Reduction Act Notice, see page 1 of the instructions. Form 1120-IC-DISC (1985)

Form 1120-IC-DISC (1985)

Page 2

SCHEDULE A.—Cost of Goods Sold and/or Operations (See page 4 of Instructions.)
 Reflect ACTUAL purchases from a related supplier at the transfer price determined under the inter-company pricing rules of section 994, if used. See separate Schedule P (Form 1120-IC-DISC).

1	Inventory at the beginning of the year	1
2	Purchases	2
3	Cost of labor	3
4	Other costs (attach schedule)	4
5	Total (add lines 1 through 4)	5
6	Inventory at the end of the year	6
7	Cost of goods sold and/or operations (subtract line 6 from line 5)—Enter here and on line 2, page 1	7

8 a Check all methods used for valuing closing inventory:
 (i) Cost (ii) Lower of cost or market as described in regulations section 1.471-4 (see instructions)
 (iii) Writedown of "subnormal" goods as described in regulations section 1.471-2(c) (see instructions)
 (iv) Other (Specify method used and attach explanation) **8c**
b Check if the LIFO inventory method was adopted this tax year for any goods
 If checked, attach Form 970.
c If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO. **8c**
d Was there any change in determining quantities, costs, or valuations between opening and closing inventory? Yes No
 If "Yes," attach explanation.

SCHEDULE B.—Gross Income (See page 4 of Instructions.)

	Commission sales			(e) Total (add columns (c) and (d))
	(b) Gross receipts	(c) Commission	(d) Other receipts	
1 Qualified export receipts from the sale of export property:				
a To unrelated purchasers:				
(i) Direct foreign sales				
(ii) Foreign sales through a related foreign entity				
(iii) To persons in the U.S. (other than an unrelated IC-DISC)				
(iv) To an unrelated IC-DISC				
b To related purchasers:				
(i) Direct foreign sales				
(ii) To persons in the U.S.				
c Total				
2 Other qualified export receipts:				
a Leasing or renting of export property				
b Services related and subsidiary to a qualified export sale or lease				
c Engineering and architectural services				
d Export management services				
e Qualified dividends (line 12, Schedule C)				
f Interest on producer's loans				
g Other interest (attach schedule)				
h Capital gain net income (attach Schedule D (Form 1120))				
i Net gain or (loss) from Part II, Form 4797 (attach Form 4797; see instructions)				
j Total				
3 Nonqualified gross receipts:				
a Ultimate use in U.S.				
b Exports subsidized by the U.S. Government (see instructions)				
c Certain direct or indirect sales or leases for use by the U.S. Government				
d Sales to other IC-DISCs in the same controlled group				
e Nonqualified dividends (line 13, Schedule C)				
f Other (see instructions—attach schedule)				
g Total				
4 Total—Enter amount in column (e) on line 1, page 1				

Corporation Returns/1985 • Forms and Instructions

SCHEDULE C.—Dividends and Special Deductions (See page 5 of Instructions.)

	(a) Dividends received	(b) %	(c) Special deductions: (multiply (a) x (b))
1 Domestic corporations subject to 85% deduction		85	
2 Debt-financed stock of domestic corporations (section 246A)		see instructions	
3 Certain preferred stock of public utilities		59.13	
4 Foreign corporations subject to 85% deduction		85	
5 Wholly-owned foreign subsidiaries subject to 100% deduction (section 245(b))		100	
6 Total—Add lines 1 through 5, column (c). See instructions for limitation. Enter here and on line 6b, page 1			
7 Other dividends from foreign corporations not included in lines 4 and 5			
8 Income from controlled foreign corporations under subpart F (attach Form 5471)			
9 IC-DISC or former DISC dividends not included in line 1 and/or 2 (section 246(d))			
10 Other dividends			
11 Total dividends (add lines 1 through 10)			
12 Qualified dividends—Enter here and on line 2e, column (d), Schedule B			
13 Nonqualified dividends (subtract line 12 from line 11)—Enter here and on line 3e, column (d), Schedule B			

SCHEDULE E.—Deductions (See page 6 of Instructions.)

1 Export promotion expenses:	
a Market studies	
b Advertising	
c Depreciation (attach Form 4562)	
d Salaries and wages	
e Rents	
f Sales commissions	
g Warehousing	
h Freight (excluding insurance—see instructions)	
i Compensation of officers	
j Repairs (see instructions)	
k Pension, profit-sharing, etc. plans (see instructions)	
l Employee benefit programs	
m Other (list):	
n Total (add lines 1a through 1m)	
2 Other expenses not deducted on line 1:	
a Bad debts (Schedule F if reserve method is used)	
b Taxes	
c Interest	
d Contributions (not over 10% of line 7, page 1, adjusted per instructions)	
e Freight	
f Freight insurance	
g Other (list):	
h Total (add lines 2a through 2g)	
3 Total deductions (add lines 1n and 2h)—Enter here and on line 4, page 1.	

SCHEDULE F.—Bad Debts—Reserve Method

(a) Year	(b) Trade notes and accounts receivable outstanding at the end of the year	(c) Sales on account	Amount added to the reserve		(f) Amount charged against the reserve	(g) Reserve for bad debts at the end of the year
			(d) Current year's provision	(e) Recoveries		
1980						
1981						
1982						
1983						
1984						
1985						

SCHEDULE J.—Deemed and Actual Distributions to Shareholders for the Tax Year (See page 6 of Instructions.)

Part I.—Deemed Distributions Under Section 995(b)(1)	
1 Gross interest derived during the tax year from producer's loans (section 995(b)(1)(A))	1
2 Gain recognized on the sale or exchange of section 995(b)(1)(B) property (attach schedule)	2
3 Gain recognized on the sale or exchange of section 995(b)(1)(C) property (attach schedule)	3
4 50% of taxable income attributable to military property (section 995(b)(1)(D)) (see instructions—attach schedule)	4
5 Taxable income from line 7, Part II	5
6 Taxable income of the IC-DISC (from line 7, page 1)	6
7 Add lines 1, 2, 3, 4 and 5	7
8 Subtract line 7 from line 6	8
9 If you have corporate shareholders, enter one-seventeenth of line 8 (.0588235 times line 8)	9
10 International boycott income (see instructions)	10
11 Illegal bribes and other payments (see instructions)	11
<i>Note: Separate computations are required for corporate and noncorporate shareholders for lines 12–23. Complete lines 12, 15, 17a, 18, 20 and 22 for noncorporate shareholders. Complete lines 13, 16, 17b, 19, 21 and 23 for corporate shareholders.</i>	
12 Total of lines 7, 10 and 11	12
13 Total of lines 7, 9, 10 and 11	13
14 Earnings and profits for the tax year (see instructions—attach schedule)	14
15 Enter smaller of line 12 or 14	15
16 Enter smaller of line 13 or 14	16
17 Foreign investment attributable to producer's loans (see instructions—attach schedule):	
a Computation of amount for noncorporate shareholders	17a
b Computation of amount for corporate shareholders	17b
18 Add lines 15 and 17a	18
19 Add lines 16 and 17b	19
20 Enter percentage of stock owned by shareholders that are not corporations	20 %
21 Enter percentage of stock owned by shareholders that are corporations	21 %
22 Multiply line 18 by line 20 (see instructions)	22
23 Multiply line 19 by line 21 (see instructions)	23
24 Total deemed distributions under section 995(b)(1) for all shareholders—Add lines 22 and 23	24
Part II.—Section 995(b)(1)(E) Computation	
1 Total qualified export receipts (see instructions)	1
2 Statutory maximum	2 \$10,000,000
3 Controlled group member's portion of the statutory maximum (see instructions)	3
4 Enter smaller of: (a) number of days in tax year divided by 365, or (b) 1 (one)	4
5 Proration—Line 2 or 3, whichever is applicable, times line 4	5
6 Excess qualified export receipts—Line 1 less line 5. (If line 5 exceeds line 1, enter zero here and on line 7 below.)	6
7 Taxable income attributable to line 6 receipts—Enter here and on line 5 of Part I (see instructions)	7
Part III.—Deemed Distributions Under Section 995(b)(2)	
1 Annual installment of distribution attributable to revocation of election in an earlier year	1
2 Annual installment of distribution attributable to not qualifying as a DISC in an earlier year	2
3 Total deemed distributions under section 995(b)(2) (add line 1 and line 2)	3
Part IV.—Actual Distributions	
1 Distributions to meet qualification requirements under section 992(c) (attach computation)	1
2 Other actual distributions	2
3 Total (add line 1 and line 2)	3
4 Amount on line 3 treated as distributed from:	
a Previously taxed income (see instructions)	4a
b Accumulated IC-DISC income (including IC-DISC income of the current year)	4b
c Other earnings and profits	4c
d Other	4d
Part V.—Deferred DISC Income Under Section 995(f)(3)	
1 Accumulated IC-DISC income (for periods after 1984) at end of computation year	1
2 Distributions-in-excess-of-income for the tax year following the computation year to which line 1 applies	2
3 Deferred DISC income—Line 1 less line 2	3

SCHEDULE N.—Export Gross Receipts of the IC-DISC and Related U.S. Persons (see page 8 of instructions)

1 Enter product code and percentage of total export gross receipts for a the largest and b 2nd largest product or service sold or provided by the IC-DISC: a Code _____ Percentage of total _____ % b Code _____ Percentage of total _____ %

2 Export gross receipts for 1985.

Export gross receipts of related U.S. persons		
(a) Export gross receipts of the IC-DISC	(b) Related IC-DISCs	(c) All other related U.S. persons

3 If item 2(b) or 2(c) is completed, complete the following (if more space is needed, attach a schedule using the format as shown below):

Related U.S. Persons, Except IC-DISCs, in Your Controlled Group

Name	Address	Identifying number

IC-DISCs in Your Controlled Group

Name	Address	Identifying number

Additional Information

	Yes	No
H Did you claim a deduction for expenses connected with:		
(1) Entertainment facility (boat, resort, ranch, etc.)?		
(2) Living accommodations (except employees on business)?		
(3) Employees attending conventions or meetings outside the North American area? (See section 274(h).)		
(4) Employees' families at conventions or meetings?		
If "Yes," were any of these conventions or meetings outside the North American area? (See section 274(h).)		
(5) Employee or family vacations not reported on Form W-2?		
I Refer to page 10 of the instructions and state the main:		
Business activity ▶ _____ Product or service ▶ _____		
J Were you a U.S. shareholder of any controlled foreign corporation? (See sections 951 and 957.) If "Yes," attach Form 5471 for each corporation.		
K (1) Did 95% or more of your gross receipts for the tax year consist of qualified export receipts (defined in section 993(a))?		
(2) Did the adjusted basis of your qualified export assets (as defined in section 993(b)) at the end of the tax year equal or exceed 95% of the sum of the adjusted basis of all your assets at the end of the tax year?		
(3) If the answer to K(1) or (2) is "No," did you make a pro rata distribution of property as defined in section 992(c)?		
L Did you have more than one class of stock at any time during the tax year?		
M Was the par or stated value of your stock at least \$2,500 on each day of the tax year (for a new corporation, on the last day for making an election and for each later day)?		
N Did you have your own bank account?		
O Did you keep separate books and records?		
P At any time during the tax year, did you have an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? (See instructions for exceptions and filing requirements for form TD F 90-22.1.)		
If "Yes," write the name of the foreign country ▶ _____		
Q Were you the grantor of, or transferor to, a foreign trust that existed during the current tax year, whether or not you have any beneficial interest in it? If "Yes," you may have to file Forms 3520, 3520-A, or 926		
R During this tax year did the corporation maintain any part of its accounting/tax records on a computerized system?		
S (1) Do you or any member of your controlled group (as defined in section 993(a)(3)) have operations in or related to any country (or with the government, a company, or a national of that country) associated in carrying out the boycott of Israel that is on the list kept by the Secretary of the Treasury under section 999(a)(3)?		
(2) Did you or any member of the controlled group of which you are a member have operations in any unlisted country; that you know or have reason to know requires participation in or cooperation with an international boycott against Israel?		
(3) Did you or any member of the controlled group of which you are a member have operations in any country, that you know or have reason to know requires participation in or cooperation with an international boycott other than the boycott of Israel?		
If you answered "Yes" to any of the questions in S, see instructions and Form 5713, International Boycott Report		

SCHEDULE L.—Balance Sheets

	(a) Beginning of the tax year	(b) End of the tax year
1 Qualified assets:		
a Working capital (cash and necessary temporary investments)		
b Funds awaiting investment (cash in U.S. banks in excess of working capital needs to acquire other qualified export assets)		
c Export-Import Bank obligations		
d Trade receivables (accounts and notes receivable)		
(i) Subtract allowance for bad debts		
e Export property (net) (including inventory and qualified property held for lease)		
f Producer's loans		
g Investment in related foreign export corporations		
h Depreciable assets		
(i) Subtract accumulated depreciation		
i Other (attach schedule)		
2 Nonqualified assets (net) (list):		
3 Total assets		
4 Accounts payable		
5 Other current liabilities (attach schedule)		
6 Mortgages, notes, bonds payable in 1 year or more		
7 Other liabilities (attach schedule)		
8 Capital stock		
9 Paid-in or capital surplus		
10 Other earnings and profits		
11 Previously taxed income (section 996(f)(2))		
12 Accumulated pre 1985 DISC income (see instructions)		
13 Accumulated IC-DISC income (see instructions)		
14 Subtract cost of treasury stock		
15 Total liabilities and stockholders' equity		

SCHEDULE M-1.—Reconciliation of Income per Books With Income per Return

1 Net income on books		6 Income recorded on books this year and not included in this return (itemize)	
2 Excess of capital losses over capital gains		7 Deductions in this return not charged against book income this year (itemize)	
3 Taxable income not recorded on books this year (itemize)		8 Add lines 6 and 7	
4 Expenses recorded on books this year and not deducted in this return (itemize)		9 Income (line 7, page 1) (line 5 less line 8)	
5 Add lines 1 through 4			

SCHEDULE M-2.—Analysis of Other Earnings and Profits (Line 10 above)

1 Balance at the beginning of the year		5 Distributions to qualify under section 992(c)	
2 Increases (itemize)		6 Other decreases (itemize)	
3 Add lines 1 and 2		7 Add lines 4, 5, and 6	
4 Deficit in earnings and profits		8 Balance at end of year (line 3 less line 7)	

SCHEDULE M-3.—Analysis of Previously Taxed Income (Line 11 above)

1 Balance at the beginning of the year		5 Deficit in earnings and profits	
2 Deemed distributions under section 995(b)		6 Distributions to qualify under section 992(c)	
3 Other increases (itemize)		7 Other decreases (itemize)	
4 Add lines 1, 2, and 3		8 Add lines 5, 6, and 7	
		9 Balance at end of year (line 4 less line 8)	

SCHEDULE M-4.—Analysis of Accumulated IC-DISC Income (Line 13 above)

1 Balance at the beginning of the year		6 Distributions to qualify under section 992(c)	
2 Increases (itemize)		7 Distributions upon disqualification (sec. 995(b)(2))	
3 Add lines 1 and 2		8 Other decreases (itemize)	
4 Deficit in earnings and profits		9 Add lines 4 through 8	
5 Redemptions under section 996(d)		10 Balance at end of year (line 3 less line 9)	

Corporation Returns/1985 • Forms and Instructions

1985


 Department of the Treasury
 Internal Revenue Service

Instructions for Form 1120-IC-DISC

Interest Charge Domestic International Sales Corporation Return

(Section references are to the Internal Revenue Code, unless otherwise noted.)

Paperwork Reduction Act Notice

We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Voluntary Contributions to Reduce the Public Debt

Quite often inquiries are received about how voluntary contributions to reduce the public debt may be made. A domestic international sales corporation may contribute by enclosing a separate check payable to "Bureau of the Public Debt," with Form 1120-IC-DISC. These amounts are tax-deductible, subject to the rules and limitations for charitable contributions.

Tax Law Changes

- **Domestic Distributions.** Sections J, Parts I and II, were revised to reflect the revised provisions of section 995(b). Generally, prior deemed distributions rules relating to base period exports and to 50% (or 57.5%) of the DISC's income were revised to provide that any taxable income of the IC-DISC attributable to qualified export receipts that exceed \$10 million will be deemed distributed. See section 995(b) and instructions for Schedule J, Parts I and II, for more details.
- **Interest Charge Paid by Shareholders.** Each shareholder of an IC-DISC must pay an interest charge on the shareholder's DISC-related deferred tax liability. The IC-DISC reports on Schedule K (Form 1120-IC-DISC) each shareholder's share of deferred DISC income. The shareholders use this information to complete Form 8404, *Computation of Interest Charge on DISC-Related Deferred Tax Liability*. See section 995(f), instructions for Schedule J, Part V, and instructions for Schedule R (Form 1120-IC-DISC) for more details.
- **Tax Year.** The tax year of the IC-DISC must conform to the tax year of the majority shareholder. See section 441(h) and tests listed under General Instructions B, "What is an IC-DISC," for more details.

General Instructions

A. Purpose of Form

Form 1120-IC-DISC is an information return filed by interest charge domestic international sales corporations (IC-DISCs) and former DISCs.

B. What is an IC-DISC

An IC-DISC is a domestic corporation that has elected to be an IC-DISC and its election is still in effect. The IC-DISC election is made by filing Form 4876A, *Election To Be Treated as an Interest Charge DISC*.

Generally, an IC-DISC is not taxed on its income. Shareholders of an IC-DISC are taxed on its income when the income is actually or deemed distributed. In addition, section 995(f) imposes an interest charge on shareholders for their share of DISC-related deferred tax liability. See Form 8404 for details.

To be an IC-DISC, a corporation must be organized under the laws of a State or the District of Columbia and meet the following tests:

- Its tax year must conform to the tax year of the principal shareholder who at the beginning of the tax year has the highest percentage of voting power. If two or more shareholders have the highest percentage of voting power, the IC-DISC must elect a tax year that conforms to that of any one of the principal shareholders. (See section 441(h) for additional information.)
 - Its election to be treated as an IC-DISC is in effect for the tax year.
 - At least 95% of its gross receipts during the tax year are qualified export receipts.
 - At the end of the tax year, the adjusted basis of its qualified export assets is at least 95% of the sum of the adjusted basis of all its assets.
 - It has one class of stock, and its outstanding stock has a par value of at least \$2,500 on each day of the tax year (or, for a new corporation, on the last day to elect IC-DISC status for the year and on each later day).
 - On each day of the tax year it has its own bank account and keeps separate books and records.
 - It is not a member of any controlled group of which a foreign sales corporation (FSC) is a member.
- See section 992 and the related regulations for details and instruction D for definitions.

Distribution to meet qualification requirements.—An IC-DISC that does not meet the gross receipts test or qualified export asset test during the tax year will still be considered to have met them if, after the tax year ends, the IC-DISC makes a pro rata property distribution to its shareholders and specifies at the time that this is a distribution to meet the qualification requirements.

If the IC-DISC did not meet the gross receipts test, the distribution equals the part of its taxable income attributable to gross receipts that are not qualified export gross receipts. If it did not meet the qualified export asset test, the distribution equals the fair market value of the assets that are not qualified export assets on the last day of the tax year. If the IC-DISC did not meet either test, the distribution equals the sum of both amounts. Regulations section 1.992-3 explains how to figure the distribution.

"Interest" on late distribution.—If the IC-DISC makes this distribution after the date Form 1120-IC-DISC is due, an interest charge must be paid to the Internal Revenue Service Center where you filed the form.

The charge is 4½% of the distribution times the number of tax years that begin after the tax year to which the distribution relates until the date the IC-DISC made the distribution.

If you must pay this interest charge, send the payment to the service center within 30 days of making the distribution. On the payment write the IC-DISC's name, address, and employer identification number; the tax year involved; and a statement that the payment represents the interest charge under regulations section 1.992-3(c)(4).

Ineligible organizations.—The following organizations are not eligible for IC-DISC status. File the return indicated instead of Form 1120-IC-DISC:

- Tax-exempt organization (section 501): File the appropriate return in the Form 990 series.
- Personal holding companies (section 542): File Form 1120 with Schedule PH (Form 1120).
- Financial institution affected by section 581 or 593: File Form 1120.
- Life, mutual, or other insurance companies (subchapter L): File Form 1120L, 1120M, or 1120.
- Regulated investment company (section 851(a)): File Form 1120.
- An S corporation (section 1361(a)): File Form 1120S.

C. Filing Form 1120-IC-DISC

1. Who Files Form 1120-IC-DISC.—You must file Form 1120-IC-DISC if your corporation elected, by filing Form 4876A, to be treated as an IC-DISC.

If the corporation is a former DISC or former IC-DISC, you must file Form 1120-IC-DISC for it, in addition to any other return required. A former DISC is a corporation that was a DISC on or before December 31, 1984, but failed to qualify as a DISC sometime prior to December 31, 1984, or did not elect to be an IC-DISC after 1984; and at the beginning of the year, it had undistributed income that was previously taxed or accumulated DISC income. A former IC-DISC is a corporation that was an IC-DISC in an earlier year but did not meet the terms of being an IC-DISC at the end of its 1985 tax year; and at the beginning of the year, it had undistributed income that was previously taxed or accumulated IC-DISC income. (See section 992 and related regulations.)

In regard to a former DISC or former IC-DISC, you need not complete page 1 and the Schedules for figuring taxable income, but you must complete Schedules J, L, and M of Form 1120-IC-DISC and Schedule K (Form 1120-IC-DISC). Write "Former DISC" or "Former IC-DISC" across the top of the return.

2. When to File.—File Form 1120-IC-DISC by the 15th day of the 9th month after the tax year ends. No extensions are allowed for time to file.

Period covered.—File the 1985 return for calendar year 1985 and fiscal years that begin in 1985. If the return is for a fiscal year, fill in the tax year space at the top of the form.

Amended return.—To correct any error in a Form 1120-IC-DISC already filed, file an amended Form 1120-IC-DISC and write "Amended" across the top.

Change in tax year.—To change your tax year, file Form 1128, *Application for Change in Accounting Period*.

Final return.—If the corporation ceased to exist during 1985, write "Final return" across the top of the form.

3. Where to File.

If the main business, office, or agency is located in	Use the following Internal Revenue Service Center address
New Jersey, New York City and counties of Nassau, Rockland, Suffolk, and Westchester	Hotelsville, NY 00501
New York (all other counties), Connecticut, Maine, Massachusetts, Minnesota, New Hampshire, Rhode Island, Vermont	Andover, MA 05501
Alabama, Florida, Georgia, Mississippi, South Carolina	Atlanta, GA 31101
Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Kansas, Louisiana, New Mexico, Oklahoma, Texas	Austin, TX 73301
Alaska, Arizona, California (counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana,	Ogden, UT 84201

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California (all other counties), Hawaii	Fresno, CA 93888
Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201
Illinois, Iowa, Missouri, Wisconsin	Kansas City, MO 64999
Arkansas, Indiana, North Carolina, Tennessee, Virginia	Memphis, TN 37501
Delaware, District of Columbia, Maryland, Pennsylvania	Philadelphia, PA 19255

If the IC-DISC is one of a group of IC-DISCs controlled by a common parent, file with the service center where the common parent files.

A group of corporations in several service center regions may file their separate returns with the service center for the main office of the managing corporation that keeps all the books and records.

4. Signature.—The return must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or any other corporate officer (such as tax officer) authorized to sign. A receiver, trustee, or assignee must sign and date any return required to be filed on behalf of a corporation.

If your corporate officer filed in Form 1120-IC-DISC, the Paid Preparer's space under Signature of Officer should remain blank. If someone prepares Form 1120-IC-DISC and does not charge the corporation, that person should not sign the return. Certain others who prepare Form 1120-IC-DISC should not sign. For example, a regular, full time employee of the corporation such as a clerk or secretary does not have to sign. (This list is not all inclusive.)

Generally, anyone who is paid to prepare Form 1120-IC-DISC must sign the return and fill in the other blanks in the Paid Preparer's Use Only area of the return.

The preparer required to sign the return MUST:

- Complete the required preparer information.
- Sign it, by hand, in the space provided for the preparer's signature. (Signature stamps or labels are not acceptable.)
- Give a copy of Form 1120-IC-DISC to the taxpayer in addition to the copy filed with IRS.

Tax return preparers should be familiar with their responsibilities. See Publication 1045, *Information and Order Blanks for Preparers of Federal Income Tax Returns*, for more details.

5. Other Returns and Statements that May Be Required.

a. Financial statements. The balance sheets must agree with your books and records. Reconcile any differences.

b. Stock in foreign corporation. If, on the last day of your tax year, you owned at least 5% in value of a foreign personal holding company's outstanding stock and the corporation was required to include in its gross income any undistributed foreign personal holding company income, attach a statement showing the foreign company's gross income, deductions, credits, taxable income, and undistributed foreign personal holding company income. See section 551(c).

If you controlled a foreign corporation or owned at least 10% of the shares in a controlled foreign corporation, you may have to file Form 5471, *Information Return With Respect to a Foreign Corporation*.

c. Forms 1042 and 1042S.

File Form 1042, *U.S. Annual Return of Income Tax to be Paid at Source (Under Chapter 3, IRC)*, and Form 1042S, *Income Subject to Withholding under Chapter 3, Internal Revenue Code*, to report tax withheld from amounts paid to nonresident aliens and foreign corporations (sections 1441 through 1443 and 1461). In addition, please inform your shareholders who are nonresident alien individuals or foreign corporations, trusts, or estates that if they have gains from disposing of stock in the IC-DISC, former DISC, or former IC-DISC, or distributions from accumulated IC-DISC income, including deemed distributions, they should treat these amounts as effectively connected with the conduct of a trade or business through a permanent establishment in the U.S.

D. Definitions

1. The following definitions are based on section 993.

a. Qualified export receipts. In general, are any of the following:

- (1) Gross receipts from selling, exchanging, or otherwise disposing of export property.
- (2) Gross receipts from renting export property that the lessee uses outside the U.S.
- (3) Gross receipts from supporting services related to any qualified sale, exchange, rental, or other disposition of export property by the corporation.
- (4) Gross receipts, if there is a gain, from selling, exchanging, or otherwise disposing of qualified export assets that are not export property.
- (5) Dividends or amounts includible in gross income under section 951 regarding stock of a related foreign export corporation.
- (6) Interest on any obligation that is a qualified export asset.
- (7) Gross receipts for engineering or architectural services on construction projects outside the U.S.
- (8) Gross receipts for managerial services performed for an unrelated IC-DISC.

For more information, see regulations section 1.993-1.

b. Qualified export assets are any of the following:

- (1) Export property.
- (2) Assets used mainly in performing the engineering or architectural services listed under qualified export receipts, item (7), or managerial services that further the production of qualified export receipts, items (1), (2), (3) and (7) above; or assets used mainly in assembling, servicing, handling, selling, leasing, packaging, transporting, or storing of export property.
- (3) Accounts receivable produced by transactions listed under qualified export receipts, items (1)-(4), (7), or (8).

- (4) Temporary investments, such as money and bank deposits, in an amount reasonable to meet the corporation's needs for working capital.
- (5) Obligations related to a producer's loan.
- (6) A related foreign export corporation's stock or securities that the DISC holds.
- (7) Certain obligations that are issued or insured by the U.S. Export-Import Bank or the Foreign Credit Insurance Association and that the DISC acquires from the Bank, the Association, or the person who sold or bought the goods from which the obligations arose.
- (8) Certain obligations, held by the DISC, that were issued by a domestic corporation organized to finance export property sales under an agreement with the Export-Import Bank, by which the corporation makes export loans that the Bank guarantees.
- (9) Other deposits in the U.S. used to acquire qualified export assets within the time provided by regulations section 1.993-2(j).

Regulations section 1.993-2 gives more information.

c. Export property must meet all the following terms. It is:

- (1) Made, grown, or extracted in the U.S. by someone other than an IC-DISC.
- (2) Neither excluded under section 993(c)(2) nor declared in short supply under section 993(c)(3).
- (3) Held mainly for sale or rent in the ordinary course of trade or business, by or to a DISC for direct use, consumption, or disposition outside the U.S.
- (4) Not more than 50% of its fair market value is attributable to articles imported into the U.S.
- (5) Neither sold nor leased by or to another DISC that, immediately before or after the transaction, either belongs to the same controlled group (defined in section 993(a)(3)) as your IC-DISC or is related to your IC-DISC in a way that would result in losses being denied under section 267.

See regulations section 1.993-3 for details.

d. A producer's loan must meet all the following terms:

- (1) Satisfy sections 993(d)(2) and (3) limiting loans the IC-DISC makes to any one borrower.
- (2) Not raise the unpaid balance due the IC-DISC on all its producer's loans above the level of accumulated income it had at the start of the month in which it made the loan.
- (3) Be indicated by written evidence of debt, such as a note, that has a stated maturity date no more than 5 years after the date of the loan.
- (4) Be made to a person in the U.S. in the trade or business of making, growing, or extracting export property.
- (5) Be designated as a producer's loan when made.

For more information, see regulations section 1.993-4.

e. A related foreign export corporation of any of the following kinds can pay dividends and interest to the IC-DISC without loss of IC-DISC status. The IC-DISC's investment must be related to exports from the U.S.

(1) A foreign international sales corporation is a related foreign export corporation if:

- (i) The IC-DISC directly owns more than 50% of the total voting power of the foreign corporation's stock.
- (ii) For the tax year that ends with your IC-DISC's tax year or ends within it, at least 95% of the foreign corporation's gross receipts consists of the qualified export receipts described in items (1)-(4) of definition a above and interest on the qualified export assets listed in items (3) and (4) of definition b above, and
- (iii) The adjusted basis of the qualified export assets that are listed in items (1)-(4) of definition b above and that the foreign corporation held at the end of the tax year is at least 95% of the adjusted basis of all assets it held then.

(2) A real property holding company is a related foreign export corporation if:

- (i) The IC-DISC directly owns more than 50% of the total voting power of the foreign corporation's stock, and
- (ii) Applicable foreign law forbids the IC-DISC to hold title to real property; the foreign corporation's sole function is to hold the title; and only the IC-DISC uses the property, under lease or otherwise.

(3) An associated foreign corporation is a related foreign export corporation if:

- (i) The IC-DISC or a controlled group of corporations to which the IC-DISC belongs owns less than 10% of the total voting power of the foreign corporation's stock (section 1563 defines a controlled group in this sense, and sections 1563(d) and (e) define ownership), and
- (ii) The IC-DISC's ownership of the foreign corporation's stock or securities reasonably furthers transactions that lead to qualified export receipts for the IC-DISC.

See regulations section 1.993-5 for more information about related foreign export corporations.

f. Gross receipts are the IC-DISC's total receipts from (1) selling or renting property that the corporation holds for sale or rental in the course of its trade or business and (2) all other sources. For commissions on selling or renting property, include gross receipts from selling or renting the property on which the commissions arose. Regulations section 1.993-6 gives more information.

g. United States, as used in these instructions, includes Puerto Rico and U.S. possessions, as well as the 50 States and the District of Columbia.

2. Inter-company pricing rules (section 994).—If a related person described in section 482 sells export property to the IC-DISC, use inter-company pricing rules to figure taxable income for the IC-DISC and the seller. These rules generally do not permit the related person to price at a loss. Under inter-company pricing, the IC-DISC's taxable income from the sale (regardless of the price actually charged) is the greatest of:

- (a) 4% of qualified export receipts on the IC-DISC's sale of the property plus 10% of the IC-DISC's export promotion expenses attributable to the receipts,
- (b) 50% of the IC-DISC's and the seller's combined taxable income from qualified export receipts on the property, derived from the IC-DISC's selling it plus 10% of the IC-DISC's export promotion expenses attributable to the receipts, or
- (c) taxable income based on the sale price actually charged, as long as it accurately reflects taxable income without evading taxes.

Schedule P (Form 1120-IC-DISC), Computation of Inter-company Transfer Price or Commission, explains inter-company pricing in more detail.

3. Export promotion expenses (section 994(c)).—These expenses are incurred to help distribute or sell export property for use or distribution outside the U.S. These expenses do not include income tax, but do include 50% of the cost of shipping the property on U.S.-owned and operated aircraft or ships if the law and regulations do not require that it be shipped on them.

E. Penalties

The IC-DISC may have to pay the following penalties unless it can show that it had reasonable cause for not giving information or not filing a return:

- \$100 for each instance of not giving information, up to \$25,000 during the calendar year;
- \$1,000 for not filing a return.

Specific Instructions

File a Complete Return

In order to assist us in processing the return we ask that you complete every applicable entry space on Form 1120-IC-DISC. Please do not attach statements and write "See attached" in lieu of completing the entry space on Form 1120-IC-DISC.

Accounting methods.—Compute taxable income by the accounting method regularly used to keep the IC-DISC's books and records. The method used must clearly reflect taxable income. (See section 446.)

A member of a controlled group must avoid using an accounting method that would distort any group member's income, including its own. For example, an IC-DISC acts as a commission agent for property sales by a related corporation that uses the accrual method and pays the IC-DISC its commission more than 2 months after the sale. The IC-DISC, then, should not use the cash method of accounting, because it materially distorts the income of the IC-DISC.

Unless the law specifically permits otherwise, the IC-DISC may change from the accounting method it used to report taxable income in earlier years (for income as a whole or for any material item) only by first getting consent on Form 3115, Application for Change in Accounting Method.

Rounding Off.—You may show the money items on the return and accompanying schedules as whole-dollar amounts. To do so, drop any amount less than 50 cents, and increase any amount from 50 cents through 99 cents to the next higher dollar.

Attachments.—If you need more space, attach separate sheets to the back of Form 1120-IC-DISC. Attach Form 4136, Computation of Credit for Federal Tax on Gasoline and Special Fuels, after page 6, Form 1120-IC-DISC. Attach schedules in alphabetical order and other forms in numerical order after the Form 4136. Be sure to put the IC-DISC's name and employer identification number (EIN) on each sheet.

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Employer Identification Number.—Enter the IC-DISC's employer identification number (EIN). If the IC-DISC does not have an EIN, it should apply for one on Form SS-4, Application for Employer Identification Number. You can get this form at most IRS or Social Security Administration offices. Send Form SS-4 to the same Internal Revenue Service Center to which you send Form 1120-IC-DISC. If you have not received the EIN by the time for filing Form 1120-IC-DISC, write "Applied for" in the space for the EIN.

Question E.—Total assets.—Enter the total assets of the IC-DISC. If there are no assets at the end of the tax year, enter the assets as of the beginning of the tax year.

Question F.—For rules of stock attribution, see section 267(c). If the owner of the voting stock of the IC-DISC was an alien individual or a foreign corporation, partnership, trust, or estate, check the "Yes" box in the "Foreign Owner" column and enter the name of the owner's country, in parentheses, in the address column.

"Owner's country" for individuals is their country of residence; for other foreign entities, it is the country in which organized or otherwise created, or in which administered.

Lines 1 through 8

An IC-DISC must figure its taxable income although it does not pay most taxes. Of the taxes imposed by sections 1 through 1564, an IC-DISC is subject only to the tax imposed by sections 1491 through 1494 on certain transfers to avoid tax. An IC-DISC is exempt from corporate income tax, minimum tax on tax preference items, and accumulated earnings tax.

An IC-DISC and its shareholders are not entitled to the possessions corporation tax credit (section 936). Also, an IC-DISC cannot claim the investment tax credit, the jobs credit, employee stock ownership plan credit, research credit, alcohol fuel credit, general business credit, and credit for fuel produced from a nonconventional source, and these credits do not pass through to shareholders of an IC-DISC.

2. Cost of goods sold and/or operations.—See Instructions for Schedule A.

6a. Net operating loss deduction.—Your 1985 net operating loss is the excess of allowable deductions over gross income. (At the time these instructions were printed, regulations were not yet issued regarding the treatment of net operating loss carryovers from prior tax years.) Figure your dividends-received deduction on Schedule C without regard to the 85% limitation in section 246(b). See section 172 and related regulations for additional information.

A deficit in earnings and profits is chargeable in the following order:

- (1) First, to any other earnings and profits;
- (2) Second, to any accumulated IC-DISC income; and
- (3) Finally, to previously taxed income. Do not apply any deficit in earnings and profits against accumulated IC-DISC income that, as a result of the corporation's revoking its election to be treated as an IC-DISC (or other disqualification), is deemed distributed to the shareholders. (See section 995(b)(2)(A).)

7. Taxable income.—If you use either the gross receipts method or combined taxable income method to compute the IC-DISC's taxable income attributable to any transactions involving products or product lines, attach Schedule P (Form 1120-IC-DISC). Show in detail the IC-DISC's taxable income attributable to each such transaction or group of transactions.

8. Refund of U.S. tax on gasoline and special fuels.—Enter the credit from Form 4136. Also, if the IC-DISC is a producer of domestic crude oil and overpaid the windfall profit tax, include the overpayment from Form 6249, Computation of Overpaid Windfall Profit Tax, in the total on line 8. Also enter the overpayment separately in the margin beside line 8 and identify it as "Overpaid windfall profit tax." Attach Form 6249 to Form 1120-IC-DISC.

Schedule A.—Cost of Goods Sold and/or Operations

If you use inter-company pricing rules, reflect in Schedule A actual purchases from a related supplier. See General Instruction D2 and use the transfer price you compute in Part II of Schedule P (Form 1120-IC-DISC).

If the IC-DISC acts as another person's commission agent on a sale, do not enter any amount in Schedule A for the sale. See Schedule P (Form 1120-IC-DISC).

Cost of operations.—If the entry on line 2, part 1, of Form 1120-IC-DISC is for the cost of operations, complete Schedule A even if inventories are not used.

Valuation methods.—Your inventories can be valued at: 1. cost; 2. cost or market value (whichever is lower); or 3. any other method that is approved by the Commissioner of Internal Revenue and that conforms to the provisions of the applicable regulations cited below.

Taxpayers using erroneous valuation methods must change to a method permitted for Federal income tax purposes. Such changes should be made by filing Form 3115. For more information about the change, see regulations section 1.446-1(e)(3) and Rev. Proc. 80-51, 1980-2 C.B. 818.

In line 8a, check the method(s) used for valuing inventories. Under "lower of cost or market," market generally applies to normal market conditions when there is a current bid price prevailing at the date the inventory is valued. When no regular open market exists or when quotations are nominal because of inactive market conditions, use fair market prices from the most reliable sales or purchase transactions

that occurred near the date the inventory is valued. For more requirements, see regulations section 1.471-4.

Inventories may be valued below cost when the merchandise is 1. unsalable at normal prices or 2. unusable in the normal way because the goods are "subnormal" (that is, because of damage, imperfections, shop wear, etc.) within the meaning of regulations section 1.471-2(c). Such goods may be valued at a current bona fide selling price minus direct cost of disposition (but not less than scrap value) if you can establish such a price. See regulations section 1.471-2(c) for more requirements.

In (iv) of 8a indicate whether you used a method of inventory valuation other than those described in 8a (i) through (iii). Attach a statement describing the method used.

If this is the first year the "last-in first-out" (LIFO) inventory method was either adopted or extended to inventory goods not previously valued under the LIFO method, provided in section 472, attach Form 970, Application To Use LIFO Inventory Method, or a statement with the information required by Form 970. Also check the LIFO box in line 8b. In line 8c enter the amount or percent of total closing inventories covered under section 472. Estimates are acceptable.

If the IC-DISC changed or extended its inventory method to LIFO and had to "writeup" its opening inventory to cost in the year of election, report the effect of this writeup as income (line 3f, Schedule B) proportionately over a 3-year period that begins in the tax year the corporation made its election. (See section 472(d).)

Schedule B.—Gross Income

(Numbered to correspond to line numbers in Schedule B.)

If an income item falls in two or more categories, report each part on the applicable line. For example, if interest income consists of qualified interest from a foreign international sales corporation and nonqualified interest from a domestic obligation, enter the qualified interest on the attached schedule for line 2g and the nonqualified interest on an attached schedule for line 3f.

For gain from selling qualified export assets, you will need to attach a separate schedule in addition to the forms required for lines 2h and 2i.

If you use the installment method of reporting, attach a schedule showing for the current and 3 preceding years: (a) gross sales, (b) cost of goods sold, (c) gross profit, (d) percentage of gross profit to gross sales, (e) amount collected, and (f) gross profit on the amount collected.

Commissions: Special Rule.—If the IC-DISC received commissions on selling or renting property or furnishing services, list in column (b) the gross receipts from the sales, rentals, or services on which the commissions arose, and in column (c), list the commissions earned. In column (d) report receipts from non-commissioned sales or rentals of property or furnishing of services, as well as all other receipts.

For purposes of completing line 1a and line 1b, related purchasers are members of the same controlled group (as defined in section 993(a)(3)) as the IC-DISC. All other purchasers are unrelated.

A qualified export sale or lease must meet a use test and a destination test in order to qualify.

The use requirement applies at the time of sale or lease. If the property is used predominantly outside the U.S., and the sale or lease is not for ultimate use in the U.S., it is a qualified export sale or lease. Otherwise, if a reasonable person would believe that the property will be used in the U.S., the sale or lease is not a qualified export sale or lease.

For example, if property is sold to a foreign wholesaler, and it is known in trade circles that the wholesaler, to a substantial extent, supplies the U.S. retail market, the sale would not be a qualified export sale, and the receipts would not be qualified export receipts.

Destination test.—Regardless of where title or risk of loss shifts from the seller or lessor, the property must be delivered under one of the following conditions:

- Within the U.S. to a carrier or freight forwarder for ultimate delivery outside the U.S. to a buyer or lessee.
- Within the U.S. to a buyer or lessee who, within 1 year of the sale or lease, delivers it outside the U.S. or delivers it to another person for ultimate delivery outside the U.S.
- Within or outside the U.S. to an IC-DISC that is not a member of the same controlled group (as defined in section 993(a)(3)) as the IC-DISC that is making the sale or lease.
- Outside the U.S. by means of the seller's delivery vehicle (ship, plane, etc.).
- Outside the U.S. to a buyer or lessee at a storage or assembly site if the property was previously shipped from the U.S. by the IC-DISC.
- Outside the U.S. to a purchaser or lessee if the property was previously shipped by the seller or lessor from the U.S. and if the property is located outside the U.S. pursuant to a prior lease by the seller or lessor, and either (a) the prior lease terminated at the expiration of its term (or by the action of the prior lessee acting alone), (b) the sale occurred or the term of the subsequent lease began after the time at which the term of the prior lease would have expired, or (c) the lessee under the subsequent lease is not a related person (a member of the same controlled group as defined in section 993(a)(3) or a relationship that would result in a disallowance of losses under section 267 or section 707(b)) immediately before or after the lease with respect to the lessor and the prior lease was terminated by the action of the lessor (acting alone or together with the lessee).

Line-by-Line Instructions

Qualified export receipts to be entered in line 1 are received from the sale of property, such as inventory, that is produced in the U.S. for direct use, consumption, or disposition outside the U.S. These sales are qualified export sales.

1a.—Enter the IC-DISC's qualified export receipts from export property sold to foreign, unrelated buyers for delivery outside the U.S. Do not include amounts entered on line 1b.

1b.—Enter the IC-DISC's qualified export receipts from export property sold for delivery outside the U.S. to (i) a related foreign entity for resale to a foreign, unrelated buyer or (ii) an unrelated buyer when a related foreign entity acts as commission agent.

2a.—Enter the gross amount received from leasing or subleasing export property to unrelated persons for use outside the U.S.

Receipts from leasing export property may qualify in some years and not in others, depending on where the lessee uses the property. Enter only receipts that qualify during the tax year. (Use Schedule E to deduct expenses such as repairs, interest, taxes, and depreciation.)

2b.—A service connected to a sale or lease is related to it if the service is usually furnished with that type of sale or lease in the trade or business where it took place. A service is subsidiary if it is less important than the sale or lease.

2c.—Include receipts from engineering or architectural services on foreign construction projects abroad or proposed for location abroad. These services include feasibility studies, design and engineering, and general supervision of construction, but do not include services connected with exploring for minerals.

2d.—Include receipts for export management services provided to unrelated IC-DISCs.

2f.—Include interest received on any loan that qualifies as a producer's loan.

2g.—Enter interest on any qualified export asset other than interest on producer's loans.

For example, include interest on accounts receivable from sales in which the IC-DISC acted as a principal or agent and interest on certain obligations issued, guaranteed, or insured by the Export-Import Bank or the Foreign Credit Insurance Association.

2h.—On Schedule D (Form 1120) report in detail every sale or exchange of a capital asset, even if there is no gain or loss.

In addition to Schedule D (Form 1120), attach a separate schedule computing gain from the sale of qualified export assets.

2l.—Enter the net gain or loss from line 17, Part II, Form 4797.

In addition to Form 4797, attach a separate schedule computing gain from the sale of qualified export assets.

3b.—Enter receipts from selling products subsidized under a U.S. program if they have been designated as excluded receipts.

3c.—Enter receipts from selling or leasing property or services for use by any part of the U.S. Government if law or regulations require U.S. products or services to be used.

3d.—Enter receipts from any IC-DISC that belongs to the same controlled group (defined in section 993(a)(3)).

3f.—Include in an attached schedule any nonqualified gross receipts not reported on lines 3a through 3e. Do not offset an income item against a similar expense item.

Schedule C.—Dividends and Special Deductions

(Numbered to correspond to line numbers in Schedule C.)

Column (a)

1. Enter dividends received (except those received on debt-financed stock—see line 2 instruction below) from domestic corporations for which you can take the 85% deduction under section 243(a)(1). Include taxable distributions from an IC-DISC, former DISC, or former IC-DISC, if they are eligible for this deduction.

For dividends from a regulated investment company, see section 854 for the amount subject to the 85% deduction.

So-called dividends or earnings from mutual savings banks, etc., are really interest. Report them in Schedule B, not in Schedule C.

2. Enter dividends on debt-financed stock (acquired after July 18, 1984) that are received from domestic corporations.

Subject to income tax and that would otherwise be subject to the 85% dividends-received deduction under section 243(a)(1). Generally, debt-financed stock is that the corporation acquired, and in doing so, incurred a debt (for example, it borrowed money to buy the stock). See the instructions for Column (c), below, as well as section 246A to figure the dividends-received deduction for this stock.

3. Enter dividends received on the preferred stock of a public utility that is subject to income tax and is allowed the deduction provided in section 247 for dividends paid.

4. Enter dividends received from foreign corporations for which you can take the 85% deduction in section 245(a).

5. Enter dividends you can deduct that you received from wholly-owned foreign subsidiaries.

7. Enter foreign dividends that are not reportable on lines 4 and 5. Exclude distributions of amounts constructively taxed under subpart F for your 1985 tax year or in earlier years.

8. Include income constructively received from controlled foreign corporations under subpart F. This amount should equal the total of amounts reported on Schedule J of Form(s) 5471.

9. Enter taxable distributions from an IC-DISC or former DISC that are not eligible for the 85% dividends-received deduction. See sections 246(d), 995(b), and 996(a)(3).

10. Include: dividends, except capital gain dividends, from regulated investment companies that are not subject to the 85% deduction; dividends from tax-exempt organizations; dividends, except capital gain dividends, from a real estate investment trust that, for the trust's tax year in which the dividends are paid, qualifies under sections 856 through 860; dividends not eligible for a dividends-received deduction because of the holding period of the stock or an obligation to make corresponding

payments for similar stock; and other taxable dividend income not reported above.

12. Enter qualified dividends from the IC-DISC's investment in a related foreign export corporation (defined in General Instruction D1e). Include income constructively received from controlled foreign corporations under subpart F. Generally, the investment will be in stock or securities of the IC-DISC's foreign selling subsidiary that qualifies as a foreign international sales corporation.

Column (c)

Multiply the dividends received that are entered in lines 1-5, Column (a), by the percentages shown in lines 1-5, Column (b). Enter the result in lines 1-5, Column (c).

Dividends received on debt-financed stock that are reported on line 2, Column (a), are not entitled to the full 85% dividends received deduction. Instead, the 85% deduction is reduced by a percentage that is related to the amount of debt incurred to acquire the stock. See section 246A. A schedule showing how the dividends-received deduction (amount on line 2, Column (c)) was figured, must be attached to Form 1120-IC-DISC.

In general, no dividends-received deduction will be allowed on any share of stock:

- That is disposed of if the corporation held, at 15 days or less (45 days or less for shares of stock acquired after July 18, 1984), or
- To the extent the corporation is under an obligation to make related payments for substantially similar or related property.

No deduction is allowed for dividends received from another IC-DISC or former DISC or former IC-DISC income or previously taxed income or if it is a deemed distribution under section 995(b)(1).

Line 6.—Line 6 of Schedule C may not exceed 85% of line 5, page 1. For this purpose, figure line 5, page 1, without regard to any adjustment under section 1059, and without regard to any capital loss carryover to the tax year under section 1212(a)(1).

In a year when a net operating loss occurs, this 85% limit does not apply as if the dividends-received deduction creates the loss.

Schedule E.—Deductions

(Numbered to correspond to line numbers in Schedule E.)

1.—Enter export promotion expenses on lines 1a through 1m. Export promotion expenses are an IC-DISC's ordinary and necessary expenses paid or incurred to obtain qualified export receipts. Do not include income taxes. Any part of an expense not incurred to obtain qualified export receipts should be entered in lines 2a through 2g.

1c.—Attach Form 4562, Depreciation and Amortization, if you deduct depreciation. Enter on line 1c the depreciation not claimed on Schedule A or elsewhere on the return.

1h.—Enter half the freight expenses (except insurance) for shipping export property aboard U.S. flag ships and U.S.

owned and operated aircraft, unless the law required you to use U.S. ships or aircraft.

1i.—Attach a schedule showing the name, social security number and amount of compensation paid to all officers.

An officer is a person, such as a regular officer or chairman of the board, who is elected or appointed to office or is designated as an officer in the corporation's charter or bylaws.

1j.—Enter the cost of incidental repairs, such as labor and supplies, that do not add to the property's value or appreciably prolong its life.

1k.—If the IC-DISC has any kind of funded deferred compensation plan, such as a pension or profit-sharing plan, file one of the forms described below.

There are penalties for failure to file these forms on time.

Form 5500.—Complete this form for each plan with 100 or more participants.

Form 5500-C or 5500-R.—Complete the applicable form for each plan with fewer than 100 participants.

1l.—Enter your contributions to employee benefit programs, such as insurance or health and welfare programs, that are not an incidental part of a plan included on line 1k. Also include contributions to a qualified group legal services plan. Section 120 gives certain rules that the IC-DISC must follow for its employees (including spouses and dependents) to be able to exclude from their income the IC-DISC's contributions to the legal services plan.

1m.—Enter any other deduction not claimed above. Include amortization expense from Form 4562.

2a.—You may treat bad debts in either of two ways: (i) as a deduction for specific debts that became worthless, in whole or in part, or (ii) as a deduction for a reasonable addition to a reserve for bad debts. (See section 166.)

When applying to change the way you figure bad debts, file Form 3115.

2b.—Enter taxes paid or accrued during the tax year. See section 164(d) for apportioning real property tax between seller and buyer.

2c.—Do not include interest on debts incurred or continued to buy or carry obligations on which the interest is wholly exempt from income tax. (See section 265.)

Section 267 limits deductions for unpaid expenses and interest in transactions between related taxpayers. Section 461(g) limits a cash basis taxpayer's deduction for prepaid interest.

2d.—Enter contributions or gifts paid within the tax year to or for the use of charitable and governmental organizations described in section 170(c).

The IC-DISC may claim up to 10% of modified adjusted taxable income as contributions. The limit is 10% of the amount on line 7, page 1, figured without the deduction for contributions, and before taking the dividends-received deduction (line 6b, page 1), premiums paid on bond repurchases (section 249), or payments made to the National Railroad Passenger Corporation (section 250); and before figuring carrybacks to the 1985 tax year for

net operating loss (section 172) or capital loss (section 1212(a)(1)). Do not deduct charitable contributions above the 10% limit for the 1985 tax year.

A corporation on the accrual basis may elect to deduct contributions paid by the 15th day of the 3rd month after the tax year ends, if the board of directors authorized the contributions during the tax year. Attach both of the following to the return: a declaration, signed by an officer, stating that the board of directors adopted the resolution authorizing the contributions during the tax year, and a copy of the resolution.

If a contribution is made in property other than money, attach a schedule describing the kind contributed and what method was used to determine the fair market value.

Special rules for contributions of certain property.—To report contributed property, reduce its value by the ordinary income that would have resulted if the property were sold at its fair market value. Some contributions must also be reduced by 60.87% of the long-term capital gain that would have resulted from a sale at fair market value. These are contributions of:

- (1) tangible personal property to an organization for use in a way unrelated to the basis of its exemption, or (2) property (except stock that is donated after July 18, 1984, for which market quotations are readily available—see section 170(e)(5)) to or for use by certain private foundations. (Section 170(e).)

Section 170(e)(3) gives special rules about contributing inventory or other ordinary income property to certain organizations. Also see regulations section 1.170A-4A.

2e.—Enter the freight expense not deducted on line 1h as an export promotion expense.

2g.—Do not deduct any amount allocable to exempt income. Items directly attributable to wholly exempt income must be allocated to that income, and items directly attributable to any class of taxable income must be allocated to that income. If an item is indirectly attributable to both taxable and exempt income, allocate a reasonable proportion to each.

Attach a statement showing (1) the amount of each class of exempt income and (2) the amount of expense items allocated to each class. Show apportioned amounts separately.

Schedule J.—Parts I-V

(Numbered to correspond to line numbers in Schedule J.)

Part I.—Deemed distributions under section 995(b)(1)

Line 1.—Enter gross interest derived during the tax year from producer's loans (section 995(b)(1)(A)).

Line 2.—Enter gain recognized on the sale or exchange of section 995(b)(1)(B) property.—Show the computation of the gain. Include only limited gain on qualified export assets that the IC-DISC acquired by transactions in which gain was not recognized. Report the same amount of the DISC's gain that the transferor did not recognize on the earlier transfer.

Line 3.—Enter gain recognized on the sale or exchange of property described in section 995(b)(1)(C). Show the computation of the gain. Do not include any gain included in the computation of line 2. Include only the amount of the IC-DISC's gain that the transferor did not recognize on the earlier transfer and that would have been treated as ordinary income if the property had been sold or exchanged rather than transferred to the IC-DISC. Do not include gain on sale or exchange of the IC-DISC's stock in trade or other property that either would be included in inventory if on hand at the end of the tax year or is held primarily for sale in the normal course of business.

Line 4.—Enter fifty percent of taxable income attributable to military property (section 995(b)(1)(D)). Show the computation of this income. To figure taxable income attributable to military property, use the gross income attributable to military property for the year and the deductions properly allocated to that income. Military property is defined in section 38 of the International Security Assistance and Arms Export Control Act of 1976 (22 USC 2776) and related regulations (22 CFR 121.01).

Line 6.—Enter on line 6 the taxable income from line 7, page 1, of Form 1120-IC-DISC.

Line 9.—Line 9 provides for the computation of the one-seventeenth deemed distribution of section 995(b)(1)(F)(i). Line 9 only applies to shareholders of the IC-DISC that are corporations. It does not apply to shareholders of the IC-DISC that are not corporations.

Line 10.—An IC-DISC is deemed to distribute any income that resulted from cooperating with an international boycott (section 995(b)(1)(F)(ii)). See Form 5713, International Boycott Report, to compute this deemed distribution and for reporting requirements about any IC-DISC with operations related to a boycotting country.

Line 11.—An IC-DISC is deemed to distribute the amount of any illegal payments, such as bribes or kickbacks, that it pays, directly or indirectly, to government officials, employees, or agents (section 995(b)(1)(F)(iii)).

Line 14.—Attach a computation showing the earnings and profits for the tax year.

Generally, the allowance for depreciation (and any amortization) is the amount that would be allowable if the IC-DISC had used the straight line method of depreciation for each tax year. See section 312(k)(2) for exceptions.

Line 17a.—To figure the amount for line 17a, attach a computation showing: (1) the IC-DISC's foreign investment in producer's loans during the tax year; (2) accumulated earnings and profits (including earnings and profits for the 1985 tax year) less the amount on line 15, Part I; and (3) accumulated IC-DISC income. Enter the least of these amounts (but not less than zero) on line 17a.

Line 17b.—To figure the amount for line 17b, attach a computation showing: (1) the IC-DISC's foreign investment in producer's loans during the year; (2) accumulated earnings and profits (including earnings and profits for the 1985 tax year) less the amount on line 16, Part I; and (3)

accumulated IC-DISC income. Enter the least of these amounts (but not less than zero) on line 17b.

For purposes of lines 17a and 17b, foreign investment in producer's loans is the least of:

- (1) The net increase in foreign assets by members of the controlled group (defined in section 993(a)(3)) to which the IC-DISC belongs.
- (2) The actual foreign investment by the group's domestic members.
- (3) The IC-DISC's outstanding producer's loans to members of the controlled group.

"Net increase in foreign assets" and "actual foreign investment" are defined in sections 995(d)(2) and (3).

Lines 22 and 23.—Allocate the line 22 amount to shareholders that are individuals, partnerships, trusts, and estates. Allocate the line 23 amount to shareholders that are corporations.

Part II.—Deemed Distribution Under Section 995(b)(1)(E)

Generally, any taxable income of the IC-DISC attributable to qualified export receipts that exceed \$10 million will be deemed distributed.

Line 1.—If commission sales are not reported in Schedule B, page 2, enter on line 1, Part II, the total of line 1c, column (e), Schedule B, and line 2j, column (e), Schedule B.

If commission sales are reported in Schedule B, page 2, total qualified export receipts for purposes of line 1, Part II, is figured as follows:

1. Enter total of line 1c, column (e), Schedule B, and line 2j, column (e), Schedule B	_____
2. Enter total commission income included in line 1 above	_____
3. Line 1 less line 2	_____
4. For the commission income reported on line 2 above, enter the gross receipts on the sale, lease, or rental of the property on which such commission income arose (section 993(i))	_____
5. Add lines 3 and 4. Enter on line 1, Part II, Schedule J	_____

Line 3.—If the IC-DISC is a member of a controlled group that includes more than one IC-DISC, the \$10 million limit is allocated to each member of the group. If an allocation is made, a statement showing each member's portion of the \$10 million limit must be attached to Form 1120-IC-DISC.

Lines 4 and 5.—The \$10 million limit (or the controlled group member's share) is prorated on a daily basis. Thus, for example, if for its 1985 tax year an IC-DISC has a short tax year of 73 days, the limit that would be entered on line 5 of Part II is \$2 million (73/365 times \$10 million).

Line 7.—Enter the taxable income attributable to line 6 qualified export receipts. The IC-DISC may select the qualified export receipts to which the line 5 limitation is allocated.

Part III.—Deemed distributions under section 995(b)(2)

If the corporation is a former DISC or a former IC-DISC that revoked IC-DISC status for 1985, each shareholder is deemed to have received a distribution taxable as a dividend. The deemed distribution equals the shareholder's prorated share of the DISC's or IC-DISC's income accumulated during the years just before DISC or IC-DISC status ended. The shareholder will be deemed to receive the distribution in equal parts on the last day of the corporation's tax year for the shorter of the following periods after DISC or IC-DISC status ended:

- 10 tax years
- Twice the number of years the corporation was a DISC or IC-DISC

Part IV.—Actual Distributions

Line 4a.—Include in line 4a any distributions of pre 1985 accumulated DISC income that is nontaxable. Also, in the space to the left of the line 4a amount, enter the dollar amount of the distribution and identify it as "nontaxable pre 1985 DISC income". Do not include distributions of pre 1985 DISC income that are made under section 995(b)(2) because of prior year revocations or disqualifications.

Part V.—Deferred DISC Income

For 1985, Part V only applies to IC-DISCs that have two tax years beginning in 1985, and is only applicable for the second tax year beginning in 1985. IC-DISCs with only one tax year beginning in 1985 must wait until their 1986 tax year to figure the deferred DISC income attributable to their 1985 tax year.

In general, deferred DISC income is: (1) Accumulated IC-DISC income (for periods after 1984) of the IC-DISC as of the close of the computation year, over

(2) The amount of distributions-in-excess-of-income for the tax year of the IC-DISC following the computation year.

For purposes of item (1) above, the computation year is the IC-DISC's 1st tax year beginning in 1985.

For purposes of item (2) above, distributions-in-excess-of-income means, the excess (if any) of:

- (1) Actual distributions to shareholders out of accumulated IC-DISC income, over
- (2) Shareholders' pro rata share of the IC-DISC income (as defined in section 996(f)(1)) for the tax year following the computation year.

See section 995(f) and related regulations for more information on figuring deferred DISC income.

The amount on line 3, Part V, is allocated to each shareholder on line 2, Part III, of Schedule K (Form 1120-IC-DISC).

Schedule K.—Shareholder's Statement of IC-DISC Distributions

Attach a separate Copy A, Schedule K (Form 1120-IC-DISC) to Form 1120-IC-DISC for each shareholder who had an actual or deemed distribution or to whom you reported deferred DISC income during the IC-DISC's tax year.

Additional Information

Question P.—Check the Yes box if either (1) or (2) below applies to you. Otherwise check the No box.

(1) At any time during the year you had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account); AND

- The combined value of the accounts was more than \$5,000 at any time during the year; AND
- The account was NOT with a U.S. military banking facility operated by a U.S. financial institution.

(2) The IC-DISC owns more than 50% of the stock in any corporation that would answer the question Yes based on item (1) above.

Get form TD F 90-22.1, Report of Foreign Bank and Financial Accounts, to see if you are considered to have an interest in or signature or other authority over a bank account, securities account, or other financial account in a foreign country.

If question P is checked Yes, file form TD F 90-22.1 by June 30, 1986, with the Department of the Treasury at the address shown on the form. Form TD F 90-22.1 is not a tax return, so do not file it with the IRS.

You can get form TD F 90-22.1 from many IRS offices.

Also, if question P is checked Yes, write the name of the foreign country or countries. Attach a separate sheet if you need more space.

Question S.—File Form 5713 if the IC-DISC or any member of its controlled group (defined in section 993(a)) has operations in or related to a boycotting country (or with the government, a company, or a national of that country). An IC-DISC that cooperates with an international boycott is also deemed to distribute part of its income. See Form 5713 for more information.

Schedule L.—Balance Sheets

Line 12.—If the corporation was a qualified DISC as of December 31, 1984, the accumulated pre-1985 DISC income will generally be treated as previously taxed income (exempt from tax) when distributed to DISC shareholders after December 31, 1984. Exception: The exemption does not apply to distributions of accumulated pre-1985 DISC income of an IC-DISC or former DISC that was made taxable under section 995(b)(2) because of a prior revocation of the DISC election or disqualification of the DISC. For more details on these distributions, see regulations under section 1.921-1T, Question 6.

Line 13.—Accumulated IC-DISC income (for periods after 1984) is accounted for on

line 13 of Schedule L. The balance of this account is used in figuring deferred DISC income in Part V of Schedule J.

Schedule N.—Export gross receipts of the IC-DISC and Related U.S. Persons

1. Product Code and Percentage.—Enter in 1a the code number and percentage of total receipts for the product or service that accounts for the largest portion of the IC-DISC's gross receipts. The product codes are located on page 9 of these instructions. On line 1b enter the same information for the IC-DISC's next largest product or service.

Example: An IC-DISC has export gross receipts of \$10 million; selling agricultural chemicals accounts for \$4.5 million (45%) of that amount, which is the IC-DISC's largest product or service. The IC-DISC should enter "287" (the product code for agricultural chemicals) and "45%" in 1a.

Selling industrial chemicals accounts for \$2 million (20% of the \$10 million total), and is the IC-DISC's second largest product or service. The IC-DISC should enter "281" (the product code for industrial chemicals) and "20%" in 1b.

2. Columns (a), (b), and (c)

Export Gross Receipts.—These are receipts from any of the following:

- (a) selling, for direct use, consumption, or disposition outside the U.S., property (such as inventory) produced in the U.S.,
- (b) renting this property to unrelated persons for use outside the U.S.,
- (c) providing services involved in such a sale or rental,
- (d) providing engineering or architectural services for construction projects located outside the U.S., and
- (e) providing export management services.

For commission sales, "export gross receipts" include the total receipts on which the IC-DISC earned the commission.

For purposes of item 2, Schedule N only, no reduction is to be made for receipts attributable to military property. Therefore, an IC-DISC's "export gross receipts" for purposes of item 2 is the total of the amounts from page 2, Schedule B, columns (b) and (d), lines 1c, 2a, 2b, 2c, and 2d.

Related Persons.—The following are "related persons":

- (a) an individual, partnership, trust, or estate that controls the IC-DISC,
- (b) a corporation that controls the IC-DISC or is controlled by it, and
- (c) a corporation controlled by the same person or persons who control the IC-DISC.

Line 13.—Accumulated IC-DISC income (for periods after 1984) is accounted for on

"Control" means direct or indirect ownership of more than 50% of the total voting power of all classes of stock entitled to vote. (See section 993(a)(3).)

U.S. Person.—A "U.S. person" is: (a) a citizen or resident of the U.S., (b) a domestic corporation or partnership, or

(c) an estate or trust (other than a foreign estate or trust, which is one whose income is not includible in U.S. gross income because the income is from sources outside the U.S. and is not effectively connected with the conduct of a trade or business in the U.S.).

U.S.—U.S. includes the Commonwealth of Puerto Rico and possessions of the U.S. (See section 993(g).)

Column (a).—All IC-DISCs should complete column (a) in item 2. If two or more IC-DISCs are related persons, only the IC-DISC with the largest export gross receipts should complete columns (b) and (c) in item 2.

Export Gross Receipts in the 1985 Tax Year.—Report receipts from any transaction in one column only. If an IC-DISC acts as a commission agent for a related person, attribute the total amount of the transaction to the IC-DISC.

Column (a).—IC-DISC's export gross receipts.—Complete column (a) to report the IC-DISC's export gross receipts from all sources (including the U.S.) for the 1985 tax year.

Column (b).—Export gross receipts of related IC-DISCs.—Complete column (b) to report related IC-DISCs' export gross receipts from all sources (including the U.S.).

Column (c).—Export gross receipts of all other related U.S. persons.—Complete column (c) to report other related U.S. persons' export gross receipts from all sources except the U.S.

3. Related U.S. Persons.—Report the name, address, and identifying number of related U.S. persons in your controlled group.

If items 2(b) and 2(c) are completed, show first in item 3(b) the name, address, and identifying number of the IC-DISC that completed 2(b) and 2(c).

Separate Schedule P.—Computation of Inter-Corporation Transfer Price or Commission

Complete and attach a separate Schedule P (Form 1120-IC-DISC) for each transaction or group of transactions to which you apply the inter-company pricing rules of section 994(a)(1) and (2). (Please see General Instruction D2.)

Schedule N Product Code System

(These codes are to be used only with Schedule N, page 5, Form 1120-IC-DISC)
Using the list below, enter in 1 of Schedule N the product code number and percent of export gross receipts as explained in the Specific Instructions.

This product code system is divided into two categories—(1) nonmanufactured product groups and services and (2) manufactured product groups.

NONMANUFACTURED PRODUCT GROUPS AND SERVICES

Code	Description
011	Grains and soybeans
013	Cotton
019	Crops, except cotton, grains and soybeans
021	Livestock and livestock products
070	Agricultural services
090	Fishery products and services
100	Metal mining, except iron ores, products and services
101	Iron ores
110	Coal mining (anthracite, bituminous and lignite) products and services
130	Crude petroleum and natural gas products and services
147	Chemical and fertilizer mineral products and services
149	Other nonmetallic mineral products and services
400	Transportation services (land, air and water)
490	Electric, gas, and sanitary services
600	Finance, insurance, and real estate services
730	Export management services
780	Motion picture distribution
850	Engineering and architectural services
990	Miscellaneous nonmanufactured products and services

MANUFACTURED PRODUCT GROUPS

Code	Description
191	Ordnance and accessories:
192	Guns, howitzers, mortars, and related equipment
193	Ammunition, except for small arms
194	Tanks and tank components
195	Sighting and fire control equipment
196	Small arms
199	Small arms ammunition
201	Ordnance and accessories, not elsewhere classified
202	Food and kindred products:
203	Meat products
204	Dairy products
205	Canned and preserved fruits, vegetables and seafoods
206	Grain mill products
207	Bakery products
208	Sugar
209	Confectionery and related products
210	Beverages
211	Miscellaneous food preparations and kindred products
212	Tobacco manufactures:
213	Cigarettes
214	Cigars
215	Tobacco (chewing and smoking) and snuff
216	Tobacco stemming and reworking
221	Textile mill products:
222	Broad woven fabric mills, cotton
223	Broad woven fabric mills, men-made fiber and silk
224	Broad woven fabric mills, wool (including dyeing and finishing)
225	Narrow fabrics and other smallwares mills: cotton, wool, silk, and manmade fiber
226	Knitting mills
227	Dyeing and finishing textiles, except wool fabrics and knit goods
228	Floor covering mills
229	Yarn and thread mills
230	Miscellaneous textile goods
231	Apparel and other related products made from fabrics and similar materials:
232	Men's, youths', and boys' suits, coats, and overcoats
233	Men's, youths', and boys' furnishings, work clothing, and allied garments
234	Women's, misses', and juniors' outerwear, undergarments
235	Women's, misses', children's, and infants' outerwear
236	Hats, caps, and millinery
237	Girls', children's, and infants' outerwear
238	Foot goods
239	Miscellaneous apparel and accessories
240	Miscellaneous fabricated textile products

Code	Description
241	Lumber and wood products, except furniture:
242	Logging camps and logging contractors
243	Sawmills and planing mills
244	Millwork, veneer, plywood, and prefabricated structural wood products
245	Wooden containers
249	Miscellaneous wood products
251	Furniture and fixtures:
252	Household furniture
253	Office furniture
254	Public building and related furniture
259	Partitions, shelving, lockers, and office and store fixtures
261	Miscellaneous furniture and fixtures
262	Paper and allied products:
263	Pulp mills
264	Paper mills, except building paper mills
265	Paperboard mills
266	Converted paper and paperboard products, except containers and boxes
271	Paperboard containers and boxes
272	Building paper and building board mills
273	Printing, publishing, and allied products:
274	Newspapers, publishing, publishing and printing
275	Periodicals, publishing, publishing and printing
276	Books
277	Miscellaneous publishing
278	Commercial printing
279	Manifold business forms
281	Greeting card publishing
282	Blankbooks, looseleaf binders, and bookbinding and related work
283	Service industries for the printing trade
284	Chemicals and allied products:
285	Industrial inorganic and organic chemicals
286	Plastics materials and synthetic resins, synthetic rubber, rubber and other manmade fibers, except glass
287	Drugs
288	Soap, detergents, and cleaning preparations, perfumes, cosmetics, and other toilet preparations
289	Paints, varnishes, lacquers, enamels, and allied products
291	Gum and wood chemicals
292	Agricultural chemicals
293	Miscellaneous chemical products
294	Petroleum refining and related products:
295	Petroleum refining
296	Paving and roofing materials
299	Miscellaneous products of petroleum and coal
301	Rubber and miscellaneous plastics products:
302	Tires and inner tubes
303	Rubber footwear
304	Reclaimed rubber
305	Fabricated rubber products, not elsewhere classified
306	Miscellaneous plastics products
307	Leather and leather products:
308	Leather tanning and finishing
309	Industrial leather belting and packing
310	Boot and shoe cut stock and findings
311	Footwear, except rubber
312	Leather gloves and mittens
313	Luggage
314	Handbags and other personal leather goods
315	Leather goods, not elsewhere classified
316	Stone, clay, glass, and concrete products:
317	Flat glass
318	Glass and glassware, pressed or blown
319	Glass products, made or purchased glass
320	Cement, hydraulic
321	Structural clay products
322	Pottery and related products
323	Concrete, gypsum, and plaster products

Code	Description
328	Cut stone and stone products
329	Abrasive, asbestos, and miscellaneous nonmetallic mineral products
331	Primary metal products:
332	Iron and steel foundries
333	Primary smelting and refining of nonferrous metals
334	Secondary smelting and refining of nonferrous metals
335	Rolling, drawing, and extruding of nonferrous metals
336	Secondary foundries
337	Miscellaneous primary metal products
339	Fabricated metal products, except ordnance, machinery, and transportation equipment:
341	Metal cans
342	Cutlery, hand tools, and general hardware
343	Heating apparatus (except electric) and plumbing fixtures
344	Fabricated structural metal products
345	Screw machine products, and bolts, nuts, screws, rivets and washers
346	Metal stampings
347	Coating, engraving, and allied services
348	Miscellaneous fabricated wire products
349	Miscellaneous fabricated metal products
351	Machinery except electrical:
352	Engines and turbines
353	Farm machinery and equipment
354	Construction, mining, and materials handling machinery and equipment
355	Metalworking machinery and equipment
356	Special industry machinery, except metalworking machinery
357	General industrial machinery and equipment
358	Office, computing, and accounting machines
359	Service industry machines
361	Miscellaneous machinery, except electrical and supplies:
362	Electrical machinery, equipment, and supplies:
363	Electric transmission and distribution equipment
364	Electrical industrial apparatus
365	Household appliances
366	Electric lighting and wiring equipment
367	Radio and television receiving sets, except communication types
368	Communication equipment
369	Electronic components and accessories
371	Miscellaneous electrical machinery, equipment, and supplies
372	Transportation equipment:
373	Motor vehicles and motor vehicle equipment
374	Aircraft and parts
375	Ship and boat building and repairing
376	Railroad equipment
377	Motorcycles, bicycles, and parts
378	Miscellaneous transportation equipment
379	Professional, scientific, and controlling instruments; photographic and optical goods; watches and clocks:
381	Engineering, laboratory, and scientific and research instruments and associated equipment
382	Instruments for measuring, controlling, and indicating physical characteristics
383	Optical instruments and lenses
384	Surgical, medical, and dental instruments and supplies
385	Ophthalmic goods
386	Photographic equipment and supplies
387	Watches and clocks
391	Miscellaneous manufactured products:
392	Jewelry, silverware, and plated ware
393	Musical instruments
394	Toys, amusement, sporting and athletic goods
395	pens, pencils, and other office and artists' materials
396	Costume jewelry, costume novelties, buttons, and miscellaneous notions, except precious metal
399	Miscellaneous manufactured products

Codes for Principal Business Activity

These industry titles and definitions are based, in general, on the Standard Industrial Classification System authorized by the Regulatory and Statistical Analysis Division, Office of Information and Regulatory Affairs, Office of Management and Budget, to classify establishments. However, certain activities such as manufacturing do not apply to an IC-DISC.

Using the list below, enter on page 1, under B, the code number for the specific industry group from which the largest percentage of "total receipts" is derived. "Total receipts" means all income (line 1, page 1). On page 5, under question 1, state the principal business activity and principal product or service that account for the largest percentage of total receipts. For example, if the principal business activity is "Wholesale trade: Machinery, equipment, and supplies," the principal product or service may be "Engines and turbines."

TRANSPORTATION, COMMUNICATION, ELECTRIC, GAS, AND SANITARY SERVICES

Code	Description
4400	Water transportation
4700	Other transportation services
4910	Electric services
4920	Gas production and distribution
4930	Combination utility services

WHOLESALE TRADE

Code	Description
5008	Machinery, equipment, and supplies
5010	Motor vehicles and automotive equipment
5020	Furniture and home furnishings
5030	Lumber and construction materials
5040	Sporting, recreational, photographic, and hobby goods, toys, and supplies
5050	Metals and minerals, except petroleum and scrap
5060	Electrical goods
5070	Hardware, plumbing and heating equipment
5098	Other durable goods

Code	Description
5110	Paper and paper products
5129	Drugs, drug proprietaries, and druggists' sundries
5130	Apparel, piece goods, and notions
5140	Groceries and related products
5150	Farm-product raw materials
5160	Chemicals and allied products
5170	Petroleum and petroleum products
5180	Alcoholic beverages
5190	Miscellaneous nondurable goods

Code	Description
5220	Building materials dealers
5251	Hardware stores
5265	Garden supplies and mobile home dealers

Code	Description
5300	General merchandise stores
5410	Grocery stores
5490	Other food stores

Code	Description
5515	Motor vehicle dealers
5541	Gasoline service stations
5598	Other automotive dealers

Code	Description
371	Motor vehicles and motor vehicle equipment
372	Aircraft and parts
373	Ship and boat building and repairing
374	Railroad equipment
375	Motorcycles, bicycles, and parts
378	Miscellaneous transportation equipment

Code	Description
381	Engineering, laboratory, and scientific and research instruments and associated equipment
382	Instruments for measuring, controlling, and indicating physical characteristics
383	Optical instruments and lenses
384	Surgical, medical, and dental instruments and supplies
385	Ophthalmic goods
386	Photographic equipment and supplies
387	Watches and clocks

Code	Description
391	Jewelry, silverware, and plated ware
392	Musical instruments
393	Toys, amusement, sporting and athletic goods
394	Pens, pencils, and other office and artists' materials
395	Costume jewelry, costume novelties, buttons, and miscellaneous notions, except precious metal
399	Miscellaneous manufactured products

Code	Description
5110	Paper and paper products
5129	Drugs, drug proprietaries, and druggists' sundries
5130	Apparel, piece goods, and notions
5140	Groceries and related products
5150	Farm-product raw materials
5160	Chemicals and allied products
5170	Petroleum and petroleum products
5180	Alcoholic beverages
5190	Miscellaneous nondurable goods

Department of the Treasury Internal Revenue Service

For calendar year 1985 or other tax year beginning 1985 and ending 198

Form 1120-FSC (1985) header and Part I sections: A. Date of FSC or Small FSC election, B. Check type of election made, C. Country or U.S. Possession of Incorporation, D. Business code number, E. Employer identification number, F. Date incorporated, G. Enter total assets, H. Complete the following for the shareholder, I. Check the appropriate box(es) to indicate the pricing rule(s).

Tax

Tax calculation table with columns for Total tax from Schedule J, line 8; Payments (Overpayment from previous tax year, 1985 estimated tax payment, Less refund of 1985 estimated tax applied for on Form 4466, Tax deposited with Form 7004, Federal tax on gasoline and special fuels, U.S. income tax paid or withheld at the source from Form 1042S); Total; Tax Due; Overpayment; Enter amount of line 5 you want; Credited to following tax year's estimated tax; Refunded.

For Paperwork Reduction Act Notice, see page 1 of the instructions. Form 1120-FSC (1985)

Schedule A Cost of Goods Sold and/or Operations Relating to Foreign Trading Gross Receipts (See Instructions.)

Table with columns: (a) Using Administrative Pricing Rules, (b) Not Using Administrative Pricing Rules. Rows: 1. Inventory at the beginning of the year, 2. Purchases, 3. Cost of labor, 4. Other costs (attach schedule), 5. Total (add lines 1 through 4), 6. Inventory at the end of the year, 7. Cost of goods sold and/or operations—Line 5 less line 6. (Enter here and on line 7 of Schedule B. Small FSC, see instructions.)

Additional Information Required section with questions J through R regarding shareholders, office location, board of directors, accounting records, foreign management tests, business activity, preferred stock, and foreign personal holding company status.

Corporation Returns/1985 • Forms and Instructions

Schedule B Taxable Income

PART I—Income Attributable to Foreign Trade Income

Type of Receipt (see instructions)	(a) Using Administrative Pricing Rules	(b) Not Using Administrative Pricing Rules
1 Sale, exchange, or other disposition of export property. (Only include 50% of military property sales. Include the other 50% on line 12 below.)		
2 Lease or rental of export property for use outside the U.S.		
3 Services related and subsidiary to: <ul style="list-style-type: none"> a Sale, exchange, or other disposition of export property. (Only include 50% of services relating to the sale or other disposition of military property. Include the other 50% on line 12 below.) b Lease or rental of export property 		
4 Engineering or architectural services for construction projects outside the U.S.		
5 Managerial services for an unrelated FSC or IC-DISC. (See instructions for determination of qualifying amount.)		
6 Total Foreign Trading Gross Receipts: <ul style="list-style-type: none"> a All FSCs—Add lines 1 through 5. (FSCs that are not small FSCs skip lines 6b through 6h and go to line 7. Small FSCs complete lines 6b through 6h to determine their foreign trading gross receipts.) b Small FSC limitation (section 924(b)(2)(B)) \$5,000,000 c Controlled group member's share of line 6b (see instructions). d Enter smaller of (a) number of days in tax year divided by 365 or (b) 1 (one). e Proration of limitation—Line 6b or line 6c (whichever applies) times line 6d f Enter total of columns (a) and (b), line 6a (If commission income is included in line 6a, see special computation rule in line 6f instruction.) g Small FSC foreign trading gross receipts: Enter smaller of line 6e or 6f. <i>Note: If line 6f exceeds line 6e, enter the excess on line 3 of Schedule F. See line 6h instruction if commission income is involved.</i> h Allocate the amount from line 6g to columns (a) and (b) but do not enter in either column more than that shown for the column on line 6a above (see instructions) 		
7 Cost of Goods Sold (Schedule A) (Small FSCs enter only that portion of cost of goods sold that is attributable to the receipts on line 6h above.) (see Schedule A instructions)		
8 Foreign Trade Income—Line 6a or 6h (whichever applies) less line 7		
9 a Exemption percentage from line 3d, Schedule E		
b Exemption percentage from line 2d, Schedule E		
10 Exempt foreign trade income—Multiply line 8 by line 9a and 9b		
11 Nonexempt foreign trade income—Line 8 less line 10		
12 Enter 50% of total receipts attributable to the sale, exchange, or other disposition of military property and related services reduced by cost of goods sold and other expenses relating to the receipts (see Schedule A instructions)		
13 Add lines 11 and 12		
14 Allowable deductions from line 18, Schedule G		
15 Net income attributable to nonexempt foreign trade income—Line 13 less line 14		

PART II—Total Taxable Income

16 Taxable income attributable to foreign trade income—Enter total of columns (a) and (b), line 15 reduced by any nontaxable income included in column (b). (See instructions.)	
17 Taxable income from line 15, Schedule F	
18 Taxable income or (loss) before net operating loss deduction and special deductions—Add lines 16 and 17	
19 Less: a Net operating loss deduction (see instructions—attach schedule)	
b Special deductions—(see instructions—attach schedule)	
c Add lines 19a and 19b.	
20 Taxable income or (loss)—Line 18 less line 19c (Enter here and see instructions for Schedule J for figuring the tax on this income.)	

Additional Information (continued from page 2).

- 5 Foreign Economic Process Requirements (these requirements do not apply to small FSCs):**
Check the box or boxes below to indicate that the FSC (or any person acting under contract with the FSC) met the requirements of section 924(d) for all transactions relating to foreign trading gross receipts reported on lines 1 through 5 of Schedule B.
- (1) The FSC (or any person acting under contract with the FSC) met the 50% test of section 924(d)(1) for transactions relating to foreign trading gross receipts reported on lines 1 through 5 of Schedule B.
 - (2) The FSC (or any person acting under contract with the FSC) met the alternative 85% test of section 924(d)(2) for transactions relating to foreign trading gross receipts reported on lines 1 through 5 of Schedule B.
- If the section 924(d)(1) or (d)(2) requirements are not met for any transaction(s), attach a separate schedule showing the income and expenses relating to the transaction(s). Report the income as non-foreign trade income on line 11 of Schedule F. Enter related expenses on line 14 of Schedule F.

Schedule E Percentages (expressed as decimals to 5 places) To Be Used in Figuring Exempt Foreign Trade Income—Sections 923(a)(2) and (3) and 291(a)(4)

Note: If all shareholders are corporations, enter .30000 on line 2d and .65217 on line 3d and skip all other lines.
If all shareholders are noncorporate shareholders, enter .32000 on line 2d and .69565 on line 3d and skip all other lines.

1 Percentage (express as decimal to 5 places) of voting stock owned by shareholders that are corporations	1	
2 Exemption for foreign trade income determined without regard to administrative pricing rules: <ul style="list-style-type: none"> a Difference between section 923(a)(2) and section 291(a)(4) percentage b Section 923(a)(2) percentage c Line 2a times line 1 d Exemption percentage—Line 2b less line 2c. (Enter here and in column (b), line 9, Schedule B; and column B, line 16, Schedule G.) 	2a	.02000
	2b	.32000
	2c	
	2d	
3 Exemption percentage for foreign trade income determined under administrative pricing rules: <ul style="list-style-type: none"> a Difference between section 923(a)(3) fraction and section 291(a)(4) fraction (16/23 - 15/23 = 1/23) expressed as a decimal b Section 923(a)(3) fraction (16/23) expressed as a decimal c Line 3a times line 1 d Exemption percentage—Line 3b less line 3c. (Enter here and in line 9a, Schedule B; and line 16a, Schedule G.) 	3a	.04348
	3b	.69565
	3c	
	3d	

Schedule F Non-Foreign Trade Income

1 International boycott income (see instructions)	1	
2 Illegal bribes and other payments (see instructions)	2	
3 Small FSCs—If line 6f of Schedule B exceeds line 6e of Schedule B, enter the excess. (Include the deduction for cost of goods sold attributable to the excess on line 14 below.)	3	
4 Interest income	4	
5 Dividend income (attach schedule—see instructions)	5	
6 Carrying charges	6	
7 Royalties	7	
8 Other investment income	8	
9 Receipts excluded under section 924(f) on basis of use, subsidized receipts and receipts from related parties	9	
10 Income from excluded property under section 927(a)(2) and (3)	10	
11 Income from transactions that did not qualify as foreign trade income because the foreign economic process test of section 924(c) were not met	11	
12 Other income	12	
13 Total—Add lines 1 through 12.	13	
14 Enter deductions allocated or apportioned to above income items (attach schedule—see instructions)	14	
15 Taxable income from non-foreign trade income—Line 13 less line 14. (Enter here and on line 17, Schedule B.)	15	

Schedule G Deductions Allocated or Apportioned to Foreign Trade Income

	(a) Using Administrative Pricing Rules		(b) Not Using Administrative Pricing Rules	
1 Foreign direct costs:				
a Section 924(e)(1) (advertising, etc.)	1a			
b Section 924(e)(2) (processing, etc.)	1b			
c Section 924(e)(3) (transportation, etc.)	1c			
d Section 924(e)(4) (transmittal, etc.)	1d			
e Section 924(e)(5) (assumption of credit risk)	1e			
f Total of lines 1a through line 1e	1f			
Enter all other applicable costs on lines 2 through 14 below. Do not enter a cost on more than one line.				
2 Advertising	2			
3 Interest	3			
4 Depreciation from Form 4562 (less depreciation claimed elsewhere on this return) (attach Form 4562)	4			
5 Salaries and wages	5			
6 Rents	6			
7 Sales commissions	7			
8 Warehousing	8			
9 Freight	9			
10 Compensation of officers	10			
11 Bad debts (see instructions)	11			
12 Pension, profit-sharing, etc., plans (see instructions)	12			
13 Employee benefit programs	13			
14 Other (list): ▶				
	14			
15 Total (add lines 1f through 14)	15			
16 a Exemption percentage from line 3d, Schedule E	16a			
b Exemption percentage from line 2d, Schedule E	16b			
17 Deductions relating to exempt foreign trade income—Line 15 times line 16a and 16b	17			
18 Total deductions relating to non-exempt foreign trade income—Line 15 less line 17. (Enter here and on line 14, columns (a) and (b), Schedule B.)	18			

Schedule J Tax Computation (See Instructions.)

1 Check if you are a member of a controlled group (see section 927(d)(4))	▶ <input type="checkbox"/>	
2 If line 1 is checked, see instructions and enter your portion of the \$25,000 amount in each taxable income bracket:		
a \$	b \$	c \$
d \$		
3 Income tax (see instructions to figure the tax; enter this tax or alternative tax from Schedule D (Form 1120), whichever is less). Check if from Schedule D (Form 1120) ▶	<input type="checkbox"/>	3
4 Foreign tax credit (attach Form 1118) (see instructions)		4
5 Line 3 less line 4		5
6 Minimum tax (see instructions—attach Form 4626)		6
7 Personal holding company tax (attach Schedule PH (Form 1120))		7
8 Total tax—Add lines 5, 6, and 7. Enter here and on line 1, page 1		8

Schedule L Balance Sheets

	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
ASSETS				
1 Cash				
2 a Trade notes, and accounts receivable				
b Commissions receivable				
c Less allowance for bad debts				
3 Inventories				
4 Federal and State government obligations				
5 Other current assets (attach schedule)				
6 Loans to stockholders				
7 Mortgage and real estate loans				
8 Other investments (attach schedule)				
9 Buildings and other fixed depreciable assets				
a Less accumulated depreciation				
10 Depletable assets				
a Less accumulated depletion				
11 Land (net of any amortization)				
12 Intangible assets (amortizable only)				
a Less accumulated amortization				
13 Other assets (attach schedule)				
14 Total assets				
LIABILITIES AND STOCKHOLDERS' EQUITY				
15 Accounts payable				
16 Mtes., notes, bonds payable in less than 1 year				
17 Transfer prices payable				
18 Other current liabilities (attach schedule)				
19 Loans from stockholders				
20 Mtes., notes, bonds payable in 1 year or more				
21 Other liabilities (attach schedule)				
22 Capital stock				
23 Paid-in or capital surplus				
24 Retained earnings—Appropriated (attach schedule)				
25 Retained earnings—Unappropriated				
26 Less cost of treasury stock				
27 Total liabilities and stockholders' equity				

Schedule M-1 Reconciliation of Income Per Books With Income Per Return.

1 Net income on books		7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax		a Tax-exempt interest \$	
3 Excess of capital losses over capital gains		b Exempt foreign trade income \$	
4 Income subject to tax not recorded on books this year (itemize)			
5 Expenses recorded on books this year not deducted in this return (itemize)		8 Deductions in this tax return not charged against book income this year (itemize)	
a Depreciation \$		a Depreciation \$	
b Deductions attributable to exempt foreign trade income \$			
6 Total of lines 1 through 5		9 Total of lines 7 and 8	
		10 Taxable income—line 6 less line 9	

Schedule M-2 Analysis of Unappropriated Retained Earnings Per Books (line 25 above).

1 Balance at beginning of year		5 Distributions:	
2 Net income on books		a Cash	
3 Other increases (itemize)		b Stock	
		c Property	
		6 Other decreases (itemize)	
4 Total of lines 1, 2, and 3		7 Total of lines 5 and 6	
		8 Balance at end of year (line 4 less line 7)	

1985


 Department of the Treasury
Internal Revenue Service

Instructions for Form 1120-FSC

U.S. Income Tax Return of a Foreign Sales Corporation

(Section references are to the Internal Revenue Code, unless otherwise noted.)

Paperwork Reduction Act Notice

We ask for this information to carry out the Internal Revenue laws of the United States. The information is used to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

General Instructions

A. Purpose of Form

Form 1120-FSC is used to report a foreign sales corporation's (FSC) income, deductions, credits, and tax. If a refund is due, Form 1120-FSC may be used to claim it.

B. What is a FSC

A FSC is a foreign corporation that has elected to be a FSC or small FSC and its election is still in effect. The FSC election is made by filing Form 8279, Election To Be Treated as a FSC or as a Small FSC.

To be a FSC (or small FSC) a corporation must meet all of the following tests:

1. It must be a corporation created or organized under the laws of a qualifying foreign country or a U.S. possession (other than Puerto Rico). The foreign country must meet the requirements of section 927(e)(3).
2. It may not have more than 25 shareholders.
3. It may not have preferred stock.
4. It must maintain an office in a qualifying foreign country or U.S. possession (other than Puerto Rico) and maintain a set of permanent books of account at that office. It must also maintain at a location in the U.S. such books and records as are sufficient under section 6001 to establish the amount of gross income, deductions, credits or other matters required to be shown on its tax return.
5. It must have at least one director who is not a resident of the U.S.
6. It may not be a member of a controlled group of which an interest charge DISC is a member.
7. Its tax year must conform to the tax year of the principal shareholder who at the beginning of the FSC's tax year has the highest percentage of voting power. If 2 or more shareholders have the highest percentage of voting power, the FSC must elect a tax year that conforms to that of any one of the shareholders. See section 441(h).
8. A FSC, other than a small FSC, must also meet certain foreign management and foreign economic process requirements. See general instructions F2 and F3 for details.

C. Filing Form 1120-FSC

1. **Who Files.**—You must file Form 1120-FSC if your corporation elected, by filing Form 8279, to be treated as a FSC or small FSC and the election is still in effect.

D. Other Returns and Statements That May Be Required

1. **Financial statements.**—The balance sheets must agree with your books and records. Reconcile any differences.
2. **Forms.**—The FSC may also have to file other forms. A partial list includes:

Form 5471, Information Return with Respect to a Foreign Corporation.—Shareholders, directors, or officers of a FSC do not have to file Form 5471 when the FSC is organized. However, Form 5471 will be required with respect to subsequent changes in ownership as required under section 6046 and related regulations. Provided that a Form 1120-FSC is filed, a Form 5471 need not be filed to satisfy the requirements of section 6038. See temporary regulations section 1.921-1T(b), Question 3, for more information. However, if the FSC is involved in other than FSC activities, Form 5471 and applicable schedules may have to be filed.

Form 1096, Annual Summary and Transmittal of U.S. Information Returns.—Used to transmit certain information returns. Note: For transmitting Form 1099R information, use Form W-3G, Transmittal of Certain Information Returns Form 1098, Mortgage Interest Statement.—This form is used to report the receipt from any individual of \$600 or more of mortgage interest in the course of the corporation's trade or business for any calendar year.

Forms 1099-DIV, INT, MISC, and R.—These are some of the information returns that may be filed to report certain payments, such as dividends and interest. For more information, see Form 1096 and its instructions, and Publication 916, Information Returns.

Form 4626, Computation of Minimum Tax-Corporations.—Attach to Form 1120-FSC if the corporation has either more than \$10,000 in tax preference items (whether or not it has minimum tax) or minimum tax liability deferred from an earlier year. Form 5713, International Boycott Report.—Used by persons having operations in or related to "boycotted" countries. In addition, persons who participate in or cooperate with an international boycott may have to complete Schedule A or Schedule B and Schedule C of Form 5713 to compute their loss of the following items: the foreign tax credit, the deferral of earnings of a controlled foreign corporation, I.C.-DISC benefits, and FSC benefits.

Form 8264, Application for Registration of a Tax Shelter.—Used by tax shelter organizers to register tax shelters with the IRS, for the purpose of receiving a tax shelter registration number.

Schedule PH (Form 1120).—Attach Schedule PH (Form 1120), Computation of U.S. Personal Holding Company Tax, to Form 1120-FSC if the FSC is a personal holding company described in section 542, but not a foreign personal holding company described in section 552.

Form 8271, Investor Reporting of Tax Shelter Registration Number.—Used by taxpayers who have acquired an interest in a tax shelter, which is required to be registered, to report the tax shelter's registration number. Form 8271 must be attached to any tax return (including an application for tentative refund (Form 1139 and an amended return)) on which a deduction, credit, loss, or other tax benefit attributable to a tax shelter is taken.

2. **When To File.**—File Form 1120-FSC by the 15th day of the 3rd month after the end of the tax year.

Extensions.—File Form 7004, Application for Automatic Extension of Time To File Corporation Income Tax Return, to request an automatic 6-month extension of time to file Form 1120-FSC.

Period covered.—File the 1985 return for calendar year 1985 and fiscal years that begin in 1985. If the return is for a fiscal year, fill in the tax year space at the top of the form.

Amended return.—To correct any error in a Form 1120-FSC already filed, file a revised Form 1120-FSC and write "Amended" across the top.

Change in tax year.—To change your tax year, file Form 1128, Application for Change in Accounting Period.

Final return.—If the corporation ceased to exist during the tax year, write "Final Return" at the top of the form.

3. **Where To File.**—File Form 1120-FSC with the Internal Revenue Service Center, Philadelphia, PA 19255.

4. **Signature.**—The return must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or any other corporate officer (such as tax officer) authorized to sign. A receiver, trustee, or assignee must sign and date any return required to be filed on behalf of a corporation.

If your corporate officer filed in Form 1120-FSC, the Paid Preparer's space under Signature of Officer should remain blank. If someone prepares Form 1120-FSC and does not charge the corporation, that person should not sign the return. Certain others who prepare Form 1120-FSC should not sign. For example, a regular, full-time employee of the corporation such as a clerk or secretary does not have to sign. (This list is not all inclusive.)

Generally, anyone who is paid to prepare Form 1120-FSC must sign the return and fill in the other blanks in the Paid Preparer's Use Only area of the return.

The preparer required to sign the return MUST:

- Complete the required preparer information.
- Sign it, by hand, in the space provided for the preparer's signature. (Signature stamps or labels are not acceptable.)
- Give a copy of Form 1120-FSC to the taxpayer in addition to the copy filed with IRS.

Tax return preparers should be familiar with their responsibilities. See Publication 1045, Information and Order Blanks for Preparers of Federal Income Tax Returns, for more details.

Form 8300, Report of Cash Payments Over \$10,000 Received in a Trade or Business.—Generally, this form is used to report the receipt of more than \$10,000 in cash or foreign currency in one transaction (or in a series of related transactions). However, transactions that take place entirely outside the U.S. do not have to be reported.

E. Paying the Tax

A FSC must pay the tax due when it files its tax return, but not later than the 15th day of the 3rd month after the end of the tax year. Mail all payments to the Internal Revenue Service Center, Philadelphia, PA 19255. On the payment (or attachment), write the FSC's name, address, and employer identification number; the tax year involved; and specify that the payment is for FSC income tax liability. (Do not use a Federal Tax Deposit Coupon (Form 8109)).

Estimated Tax.—A FSC must make estimated tax payments if it can expect its estimated tax (income tax minus credits) to be \$40 or more.

Use Form 1120-W (WORKSHEET), Corporation Estimated Tax, as a worksheet to compute estimated tax. Mail all payments to the Internal Revenue Service Center, Philadelphia, PA 19255. On the payment (or attachment), write the FSC's name, address, and employer identification number; the tax year involved; and specify that the payment is for FSC estimated income tax liability. (Do not use a Federal Tax Deposit Coupon (Form 8109)).

If the corporation overpaid estimated tax, it may be able to get a "quick refund" by filing Form 4466, Corporation Application for Quick Refund of Overpayment of Estimated Tax. The overpayment must be both: (1) at least 10% of expected income tax liability, and (2) at least \$500. To apply, file Form 4466 within 2½ months after the end of the tax year and before Form 1120-FSC is filed.

F. Definitions, etc.

1. **Small FSC.**—A corporation must have filed Form 8279 and elected to be a small FSC. The small FSC cannot be a member of a controlled group which includes a FSC unless such FSC is also a small FSC.

A small FSC is treated as a FSC on the first \$5,000,000 of its foreign trading gross receipts without meeting the foreign management and foreign economic process requirements. The \$5,000,000 limit is reduced if the small FSC has a short tax year, or may be reduced if the small FSC is a member of a controlled group that contains other small FSCs. Any gross receipts in excess of the limitation are treated as non-foreign trading gross receipts.

See regulations section 1.921-2T(b) for more information.

Note: Although a small FSC does not have to satisfy the foreign management requirements below, it has to meet the requirements of section 925(c) if it uses the administrative pricing rules.

2. **Foreign Management Requirements.**—A FSC (other than a small FSC) is treated as having foreign trading gross receipts for the tax year only if the management of the FSC

during the year takes place outside the United States. These management activities include:

- a. Meeting of the board of directors and of shareholders.
- b. Maintaining the principal bank account at all times during the tax year.
- c. Disbursement of dividends, legal and accounting fees, salaries of officers, and salaries or fees of directors out of the principal bank account.

Meetings of directors and of shareholders.—All meetings of the board of directors of the FSC and all meetings of the shareholders of the FSC that take place during the tax year must take place outside the United States. Only meetings that are formally convened as meetings of the board of directors or as shareholders meetings are taken into account. If the participants in a meeting are not all physically present in the same location, the location of the meeting is determined by the location of the person exercising a majority of the voting power participating in the meeting. In addition, all such meetings must comply with the local laws of the foreign country or U.S. possession in which the FSC was created or organized. The local laws determine whether a meeting must be held, when and where it must be held, who must be present, quorum requirements, use of proxies, and so on.

Principal bank account.—The bank account that is regarded as the principal bank account of a FSC is the bank account from which disbursement of dividends, legal and accounting fees, salaries of officers, and salaries or fees of directors are made. The bank account regarded as the principal bank account must be maintained in a country which satisfies the exchange of information requirements of section 927(e)(3), or in any possession of the U.S. as defined in section 927(d)(5) and it generally must be so maintained for each day of the tax year. The principal bank account must be maintained in an institution that is engaged in the conduct of banking, financing, or similar business.

For more details, see regulations under section 1.924(c)-1T.

3. Economic Processes Requirements.

A FSC (other than a small FSC) has foreign trading gross receipts from any transaction only if economic processes for such transaction takes place outside the U.S. The regulations set forth the rules for determining whether a sufficient amount of the economic processes of a transaction take place outside the U.S. Generally, a transaction will qualify if the FSC satisfies two different requirements: Participation outside the U.S. in the sales portion of the transaction, and satisfaction of either the 50% or the 85% foreign direct cost test.

The activities comprising these economic processes may be performed by the FSC or by any other person acting under contract with the FSC.

The FSC (or other person) may act upon standing instructions from another person in the performance of any activity, whether, a sales activity or an activity relating to the disposition of export property.

Participation outside the U.S. in the sales portion of the transaction.

—The requirement is met for the gross receipts of a FSC derived from any transaction if the FSC (or other person) has participated outside the United States in the following sales activities relating to such transaction:

- a. Solicitation (other than advertising).
- b. Negotiation, and
- c. Making of the contract.

If any sales activity occurs with respect to a single contract for more than one transaction (or for items grouped separately for other purposes), that sales activity will apply to each transaction (or item), regardless of the fact that the transactions (or items) are grouped separately for other purposes (such as satisfying the foreign direct cost tests).

The FSC may elect on an annual basis to group transactions for purposes of satisfying the economic process requirements. Providing the necessary documentation and other rules of regulations section 1.924(d)-1T(e) are met, transactions may be grouped on the basis of product or product line, customer, contract, or product or product line within customer or contract groupings. For more details, see regulations section 1.924(d)-1T(e).

Solicitation (other than advertising) refers to any communication (by any method including, but not limited to, telephone, telegraph, mail, or in person) by the FSC (or other person), at any time during the 12-month period immediately preceding the execution of a contract relating to the transaction, to a specific, targeted customer or potential customer, that specifically addresses the customer's attention to the product or service covered by the transaction. Activities that would otherwise constitute advertising (such as sending sales literature to a customer or potential customer) will be considered solicitation (other than advertising) if the activities are not taken into account as advertising under the foreign direct cost tests.

Negotiation refers to any communication by the FSC (or other person) to a customer or potential customer of one or more of the terms of a transaction including, but not limited to, price, credit terms, quantity, or time or manner of delivery. Negotiation does not include the mere receipt of a communication from a customer (such as an order) that includes terms of a sale.

Making of a contract refers to performance by the FSC (or other person) of any of the elements necessary to complete a sale, such as making an offer or accepting an offer. Acceptance of an unsolicited bid or order is considered the "making of a contract" even if no solicitation or negotiation occurred with respect to the transaction.

The written confirmation by the FSC (or other person) to the customer of an oral or written agreement which confirms variable contract terms or specialties (directly or by cross-reference) additional contract terms will be considered the making of a contract. A written confirmation is any confirmation expressed in writing, including a telegram, telex, or other similar written communication. Satisfaction of either the 50% or the 85% foreign direct cost test.—For the gross receipts of a transaction to qualify as foreign trading gross receipts, the foreign

direct costs incurred by the FSC attributable to the transaction must equal or exceed 50% of the total direct costs incurred by the FSC attributable to the transaction. Direct costs are those costs described in the five categories of section 924(e). Instead of satisfying the 50% foreign direct cost test described above, the FSC may incur foreign direct costs attributable to activities described in each of two of the section 924(e) categories that equal or exceed 85% of the total direct costs attributable to the activity described in that category. If no direct costs are incurred by the FSC in a particular category, that category is not taken into account for purposes of determining whether the FSC has met either the 50% or the 85% foreign direct cost test.

Direct costs are those costs that are incident to and necessary for the performance of any activity described in section 924(e). Direct costs include the cost of materials which are consumed in the performance of the activity, and the cost of labor which can be identified or associated directly with the performance of the activity (but only to the extent of wages, salaries, fees for professional services, and other amounts paid for personal services actually rendered, such as bonuses or compensation paid for services on the basis of a percentage of profits). Direct costs also include the cost of equipment or facilities (or the use thereof) that can be specifically identified or associated with the activity, as well as the contract price of an activity performed on behalf of the FSC by a contractor.

"Total direct costs" means all of the direct costs of any transaction attributable to any of the activities described in section 924(e). For the 50% foreign direct cost test, total direct costs are determined based on the direct costs of all activities described in all of the paragraphs of section 924(e). For the 85% foreign direct cost test, however, the total direct costs are determined separately for each paragraph of section 924(e).

"Foreign direct costs" means the portion of the total direct costs of any transaction that is attributable to activities performed outside of the U.S. For the 50% foreign direct cost test, foreign direct costs are determined based on the direct costs of all activities described in all of the paragraphs of section 924(e). For the 85% foreign direct cost test, however, foreign direct costs are determined separately for each paragraph of section 924(e).

For more details see regulations under section 1.924(d)-1T.
Exception for military property.—These requirements do not apply to any activities performed in connection with the sale of military property if the activities are required by law or regulation to be performed in the U.S., by or in conjunction with the U.S. Government.

G. Penalties

The corporation may have to pay the following penalties unless it can show that not filing or not paying was due to reasonable cause and not willful neglect. (These penalties are in addition to the interest charge on unpaid tax at a rate established under section 6621.)

A corporation that does not file its tax return when due (including any extension of time for filing) may be subject to a penalty

of 5% a month or fraction of a month, up to a maximum of 25%, for each month the return is not filed. (The penalty is imposed on the net amount due.) The minimum penalty for failure to file a tax return within 60 days of the due date (including extensions) is the lesser of the underpayment of tax or \$100.

A corporation that does not pay the tax when due may be subject to a penalty of 1/4% a month or fraction of a month, up to a maximum of 25%, for each month the tax is not paid. (The penalty is imposed on the net amount due.)

A corporation that does not pay the proper estimated tax when due may be subject to an underpayment penalty for the period of underpayment. To avoid the estimated tax penalty, the amount of estimated tax payments required to be made by a corporation is 90%. See section 6655(b)(1). If the corporation underpaid estimated tax, attach Form 2220, Underpayment of Estimated Tax by Corporations, to show how the corporation figured the penalty or which exceptions the corporation believes it meets.

If there is a tax due on line 4, page 1, include the penalty in the total. If there is a refund due, subtract the penalty from the overpayment on line 5, page 1.

Penalty for Overstated Tax Deposits.—If deposits are overstated, the corporation may be subject to a penalty. See section 6656(b).

H. Cooperatives

Special rules may apply when cooperatives described in section 1381 are shareholders in a FSC. These special rules apply to the non-exempt portion of foreign trade income from the sale or other dispositions of agricultural or horticultural products by the FSC. The FSC may distribute its non-exempt foreign trade income to the cooperative and thereby not be taxed on this amount. The cooperative must include this amount in income for its tax year that includes the last day of the FSC's tax year, even though the FSC does not have to distribute the income until the due date of its income tax return.

I. Foreign Personal Holding Company

If the corporation is a foreign personal holding company as defined in section 552, certain officers, directors, and shareholders of the corporation must file Form 5471. See section 552 and Form 5471 for details. If the corporation is a personal holding company but not a foreign personal holding company, it must file Schedule PH (Form 1120) with Form 1120-FSC. See section 542 and Schedule PH (Form 1120) for details.

J. Tax Treaty Benefits

A FSC may not claim any benefits under any income tax treaty between the U.S. and any foreign country.

Specific Instructions

Accounting methods.—Compute taxable income by the accounting method regularly used to keep the FSC's books and records. The method used must clearly reflect taxable income. (See section 446.)

A member of a controlled group must avoid using an accounting method that would distort any group member's income, including its own. For example, a FSC acts as a commission agent for property sales by a related corporation that uses the accrual

method and pays the FSC its commission more than 2 months after the sale. The FSC, then, should not use the cash method of accounting, because it materially distorts the income of the FSC.

Unless the law specifically permits otherwise, the FSC may change from the accounting method it used to report taxable income in earlier years (for income as a whole or for any material item) only after obtaining consent by filing Form 3115, Application for Change in Accounting Method.

Rounding Off.—You may show the money items on the return and accompanying schedules as whole-dollar amounts. To do so, drop any amount less than 50 cents, and increase any amount from 50 cents through 99 cents to the next higher dollar.

Attachments.—If you need more space, attach separate sheets to the back of Form 1120-FSC. Attach Form 4136, Computation of Credit for Federal Tax on Gasoline and Special Fuels, after page 6, Form 1120-FSC. Attach schedules in alphabetical order and other forms in numerical order after the Form 4136. Be sure to put the FSC's name and employer identification number (EIN) on each sheet.

To assist us in processing the return, we ask that you complete every applicable entry space on Form 1120-FSC. Please do not attach statements and write "See attached" in lieu of completing the entry space on Form 1120-FSC.

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Address.—The address used on the return should be the location of the books and records in the U.S. (as required by section 6001).

Employer Identification Number.—Enter the FSC's employer identification number (EIN). If the FSC does not have an EIN, it should apply for one on Form SS-4. Application for Employer Identification Number. You can get this form at most IRS or Social Security Administration offices. Send Form SS-4 to the Internal Revenue Service Center, Philadelphia, PA 19255. If you have not received the EIN by the time for filing Form 1120-FSC, write "Applied for" in the space for the EIN.

Item C. Country or U.S. Possession of Incorporation.—Enter the name of the foreign country or U.S. possession in which the FSC was incorporated. See sections 927(d)(5) and 927(e)(3).

Item G.—Enter the total assets of the FSC on line 14, column (d), Schedule L. If there are no assets at the end of the tax year, enter the assets as of the beginning of the tax year.

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Item M.—All FSCs (except small FSCs) must complete questions (1) and (2) under item N. For more information, see "Foreign Management Requirements" in General Instruction F2.

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Item S.—A FSC (other than a small FSC) must complete item S to show that it satisfied the foreign economic process requirements of section 924(d) for all transactions for which foreign trading gross receipts were reported on lines 1 through 5 of Schedule B. While these rules are generally applied on a transaction by

transaction basis, the FSC may make an annual election to group the transactions (regulations section 1.924(d)-1(e)).

A FSC meets the foreign economic process tests for any transaction, if on an aggregate basis, the foreign direct costs attributable to the transaction are 50% or more of the total direct costs attributable to the transaction for the following activities:

- 1) advertising and sales promotion, 2) processing of customer orders and arranging for delivery, 3) transportation of property from the time of acquisition by the FSC (or in the case of a commission relationship, from the beginning of such relationship for such transaction) to delivery to the customer, 4) determination and transmittal of final invoice or statement of account and receipt of payment, and 5) assumption of credit risk. Alternatively, the FSC meets the foreign economic process test for any transaction if the foreign direct costs attributable to the activities described in at least two of the above categories is 85% or more of the total direct costs attributable to the activities described in those categories.

In item S indicate which test(s) apply to the transactions that gave rise to the gross receipts entered on lines 1 through 5, Schedule B. If only one test applies, check the appropriate box. If both tests apply, check both boxes.

In addition to completing item S the FSC must keep sufficient records to show it met the requirements for each transaction (or group of transactions). These records must be made available on examination of the FSC return.

Schedule A—Cost of Goods Sold and/or Operations Relating to Foreign Trading Gross Receipts

Complete Schedule A only for the cost of goods sold deduction related to foreign trading gross receipts reported on lines 1 through 5 of Schedule B.

If the FSC acts as another person's commission agent on a sale, do not enter any amount in Schedule A for the sale.

A small FSC will have to make two separate computations for cost of goods sold if its foreign trading gross receipts exceed the limitation amount on line 6e of Schedule B. In this case, a deduction for cost of goods sold will be figured separately for the income on line 6h of Schedule B, and separately for the income on line 3 of Schedule F. Attach the computation for line 3, Schedule F, to Form 1120-FSC.

Complete a separate computation for cost of goods sold and other expenses attributable to income reported on line 12 of Schedule B. Attach this schedule to Form 1120-FSC.

All FSCs are to complete a separate schedule for the computation of the cost of goods sold attributable to non-foreign trade income reported on Schedule F. Attach this schedule to Form 1120-FSC.

Complete lines 1 through 7, column (a) of Schedule A to show the cost of goods sold for inventory acquired in transactions using the administrative pricing rules. Complete lines 1 through 7, column (b), to show the cost of goods sold for inventory acquired in transactions in which the administrative pricing rules were not used. For details on administrative or non-administrative pricing

rules, see separate Schedule P (Form 1120-FSC), Computation of Transfer Price or Commission.

Line 8a. Valuation methods.—Inventories can be valued at: (a) cost, (b) cost or market value, whichever is lower, or (c) any other method approved by the Commissioner of Internal Revenue, that conforms to the applicable regulations cited below.

Taxpayers using erroneous valuation methods should file Form 3115 to change to a method permitted for Federal income tax purposes. For further details, see regulations section 1.446-1(e)(3) and Rev. Proc. 80-51, 1980-2 C.B. 818.

In line 8a, check the method(s) used for valuing inventories. Under lower of cost or market, market generally applies to normal market conditions when a current bid price prevails at the date the inventory is valued. When no regular open market exists or when quotations are nominal because of inactive market conditions, use fair market prices from the most reliable sales or purchase transactions that occurred near the date the inventory is valued. For more requirements, see regulations section 1.471-4.

Inventory may be valued below cost when the merchandise is unsalable at normal prices or unusable in the normal way because the goods are "subnormal" (that is, because of damage, imperfections, shop wear, etc.) within the meaning of regulations section 1.471-2(c). Such goods may be valued at a current bona fide selling price less direct cost of disposition (but not less than scrap value) if such a price can be established. See regulations section 1.471-2(c) for more requirements.

If this is the first year the "Last-in-First-out" (LIFO) inventory method was either adopted or extended to inventory goods not previously valued under the LIFO method, provided in section 472, attach Form 970, Application To Use LIFO Inventory Method, or a statement with the information required by Form 970. Also check the LIFO box in line 8b. Enter the amount or percent of total closing inventories covered under section 472 in line 8c. Estimates are acceptable.

If the corporation changed or extended its inventory method to LIFO and had to "writeup" opening inventory to cost in the year of election, report the effect of this writeup as income (as appropriate in Schedule F, line 12) proportionately over a 3-year period that begins in the tax year the election was first made. See section 472(d).

Schedule B—Taxable Income

Schedule B provides for the computation of taxable income from all sources.

Part I
 Part I provides for the computation of income attributable to foreign trade income. Income and expenses on lines 1 through 15 are reported in column (a) or (b) based on the method of pricing (administrative or non-administrative) used in the transaction that produced the income.

Report in column (b) all foreign trade income from all transactions in which the administrative pricing rules were not used. This income may or may not be effectively connected with a U.S. trade or business. Attach a schedule showing the computation of the taxable amount. (Only the taxable portion is included in line 16 of Schedule

B.) Such income would be effectively connected and taxable more often for a small FSC as it normally has a place of business in the U.S.

Lines 1 through 5—Enter foreign trading gross receipts as defined in section 924(a). Report commission income on lines 1 or 2 based on the sale, lease, or rental of property on which such commission arose.

Line 5—Gross receipts from the performance of managerial services for an unrelated FSC or DISC are foreign trading gross receipts if two conditions are met. These conditions are:

1. The managerial services must be performed with respect to activities that result in the sale, exchange, or other disposition of export property, the rental or lease by the lessee of export property outside the U.S., or that are related to and subsidiary to the activities described above; AND
2. At least 50% of the FSC's gross receipts for the tax year must be derived from the sale, exchange, or other disposition of export property, the lease or rental of export property outside the U.S., and services that are related or subsidiary to these activities. Gross receipts are defined in section 927(b).

For example, if receipts reported on lines 1, 2, and 3 of Schedule B are more than 50% of gross receipts for the year, managerial services would not qualify as foreign trading gross receipts for the year. In this case, these receipts would be reported on line 12 of Schedule F.

Lines 6b through 6h—Determination of limit on foreign trading gross receipts for the small FSC. See General Instruction F1 and section 924(b)(2) before completing this part.

Line 6f—If commission income is reported on lines 1 or 2 of Schedule B, total receipts for purposes of line 6f is figured as follows:

1. Enter total of columns (a) and (b), line 6a, Schedule B
2. Enter total commission income reported on line 1 or 2, Schedule B
3. Line 1 less line 2
4. For the commissions reported on line 2 above, enter total gross receipts for the sale, lease, or rental of property on which the commissions arose (Section 927(b)(2))
5. Add lines 3 and 4. Enter on line 6f, Schedule B

Line 6h—When making the line 6h allocation, only allocate the commission income attributable to the gross receipts on line 4 above. If the foreign trading gross receipts of the FSC exceeds the line 6g, Schedule B, limitation, the FSC may select the gross receipts to which the limitation is allocated. See regulations section 1.921-27(b)(2).

Line 7—Enter the deduction for cost of goods sold from line 7, Schedule A, page 2.
Line 10—Provides for exclusion of exempt foreign trade income based on exemption percentages on lines 9a and 9b.

Line 14—Enter deductions from Schedule G that are attributable to nonexempt foreign trade income.

Part II

Part II is a summary of taxable foreign trade income and taxable income from Schedule F (taxable non-foreign trade income).

Line 16—Combine the income on line 15, column (a) with any taxable amount in line

15, column (b). See instruction for Part I, column (b) above, regarding taxable income in column (b). Attach a schedule showing the computation of the taxable amount.

Line 19b—Special Deductions. A FSC may be entitled to a dividends-received deduction for dividends it receives from other corporations. Complete a dividend worksheet similar to that below to determine the total amount of dividends received by the FSC and to figure the dividends-received deduction. Attach your worksheet to Form 1120-FSC.

Schedule E—Percentages To Be Used in Figuring Exempt Trade Income, etc.

Schedule E is used to figure the exemption percentages that are used in figuring exempt foreign trade income (Schedule B, line 10) as well as deductions attributable to exempt foreign trade income (Schedule G, line 17).

Use lines 2a through 2d to figure the exemption percentage for foreign trade income that was determined without regard to the administrative pricing rules of section 923(a)(2).

Use lines 3a through 3d to figure the exemption percentage for foreign trade income that was determined by using the administrative pricing rules of section 923(a)(3).

Schedule F—Non-Foreign Trade Income

Schedule F—Enter the taxable portion of gross income of the FSC that is not derived from foreign trade gross receipts. This type of income includes amounts specifically excluded from foreign trade income by law (lines 1 through 3); passive type income (lines 4 through 8); income from property that is subsidized, deemed in short supply, or destined for use in the U.S. (lines 9 and 10); amounts from transactions that did not meet the foreign economic process tests (line 11); and other non-foreign trade income (line 12). For more details, see sections 924(f), 927(a)(2) and (3), and 927(e)(2).

Line 1—FSC income that resulted from cooperation with an international boycott is non-foreign trade income. See Form 5713 for reporting requirements for any FSC with operations in or related to a boycotting country and other details.

Line 2—Report as non-foreign trade income the amount of any illegal payments, bribes, or kickbacks that the FSC paid, directly or indirectly to government officials, employees, or agents (section 927(e)(2)).

Line 5—See instructions for the dividend worksheet below to figure the dividend income to report on line 5. Attach the dividend worksheet you prepare to Form 1120-FSC.

Instructions for Dividend Worksheet

Column (a) Instructions

1. Enter dividends received from domestic corporations subject to income tax and the 85% deduction under section 243(a)(1) and certain dividends received from Federal Home Loan Banks (section 246(a)(2)). For dividends received from a regulated investment company, see section 954 for the amount subject to the 85% deduction.

So-called dividends or earnings received from mutual savings banks, etc., are really interest. Do not treat them as dividends.

Do not enter on line 1 any dividends received on "debt-financed" stock acquired after July 18, 1984.

2. Enter dividends that would have been eligible for the 85% deduction except that they are from "debt-financed" stock acquired after July 18, 1984. "Debt-financed" stock is stock that the corporation incurred a debt in acquiring.

3. Enter dividends received on the preferred stock of a public utility that is subject to income tax and is allowed the deduction provided in section 247 for dividends paid.

4. Enter dividends that are received from foreign corporations and that qualify for the 85% deduction provided in section 245(a).

6. Enter all other dividends received from foreign corporations that do not qualify for a dividends-received deduction.

7. If the FSC claims the foreign tax credit, the tax that is deemed paid under section 902(a) (relating to credit for a corporate stockholder in a foreign corporation) must be treated as a dividend received from the foreign corporation. (See section 906(b)(4).)

8. Include dividends (other than capital gain dividends and exempt interest dividends) received from regulated investment companies that do not qualify for the 85% deduction; dividends (other than capital gain dividends) received from a real estate investment trust that, for the tax year of the trust in which the dividends are paid, qualifies under sections 856-860; dividends not eligible for a dividends-received deduction because of the holding period of the stock or an obligation to make corresponding payments with respect to similar stock; and any other taxable dividend income not properly reported above (including distributions under section 934(e)(3) or 936(h)(4)).

Column (b), line 2 Instructions
The proper amount of deduction for dividends from "debt-financed" stock acquired after July 18, 1984, is only a portion of the 85% deduction. This portion is determined by multiplying 85% times the difference between 100% and the "average indebtedness percentage." For definitions, rules, and certain exceptions, please see section 246A.

Attach a schedule to the worksheet showing how you have computed the amount of allowable deduction for each share or block of shares that were "debt-financed."

Column (c) Instructions

Exclusion of certain dividends.—In general, no dividends-received deduction will be allowed on any share of stock (a) that is disposed of if the corporation held it 15 days or less (45 days or less for stock acquired after July 18, 1984), or (b) to the extent the corporation is under an obligation to make corresponding payments with respect to substantially identical stock or other securities.

5. Limitation on dividends-received deduction.—Line 5 may not be more than 85% of line 18, Schedule B. For this purpose compute line 18, Schedule B, without regard to any adjustment under section 1059 and any capital loss carryback to the tax year under section 1212(a)(1).

In a year in which a net operating loss occurs, this 85% limit does not apply even if the loss is created by the dividends-received deduction. (See sections 172(d) and 245(b).)

Line 14—Enter on line 14 the deductions allocated or apportioned to income on lines 1 through 12. Make a separate computation for any cost of goods sold deduction included in the line 14 amount. Attach the computation to Form 1120-FSC.

If a deduction is taken for business bad debts in the line 14 amount and the FSC uses the reserve method to figure the bad debt deduction, attach a schedule to Form 1120-FSC that provides for line 14 the information requested in the instructions for line 11 of Schedule G.

Schedule G—Deductions Relating to Foreign Trade Income

Schedule G is a summary listing of deductions or expenses relating to foreign trade income. Each line item or type of deduction is allocated in column (a) or column (b) based on the administrative or non-administrative pricing rules for the transactions to which the expense item(s) relate. The purpose of this allocation is to determine the amount of expenses that relate to exempt and non-exempt foreign trade income. Only expenses relating to non-exempt foreign trade income are deductible in figuring taxable income. See section 921(b).

Line 1. Only enter foreign direct costs in lines 1a through 1e. See section 924(e) and regulations section 1.924(e)-1T(a) through (e) for definitions and rules on direct activity costs relating to foreign trade income. If you take a deduction for bad debts on line 1e, and you use the reserve method to figure the deduction, attach a schedule as explained in the line 11 instruction below.

Line 11. Bad Debts.—The FSC may either deduct business bad debts when they become wholly or partially worthless, or it may make a reasonable addition to a reserve for bad debts.

If the FSC uses the reserve method, attach a schedule for 1985 that separately lists:

- Trade notes and accounts receivable outstanding at the end of the year;
- Sales on account;
- Amount added to reserve-current-year's provision;
- Amount added to reserve-recoveries;
- Amount charged against reserve; and
- Reserve for bad debts at end of year.

A FSC may choose either method on its first return in which it takes a bad debt deduction. If it must use that method for the following years unless it receives consent to change by filing Form 3115. If the FSC is changing from the specific charge-off method (section 166(a)) to the reserve method (section 166(c)), see Revenue Procedure 82-19, 1982-1 C.B. 463.

Schedule J—Tax Computation

A corporation that is not a member of a controlled group (whose members should see the instruction for lines 1 and 2 below) must compute the tax on its taxable income as follows:

If the amount on line 20, page 3, Form 1120-FSC is:		Enter on Schedule J, Line 3:		Of the amount over—	
Over—	But not over—				
\$25,000	\$0	\$3,750 + 15%	\$25,000	0	0
50,000	50,000	8,250 + 30%	50,000	50,000	50,000
75,000	100,000	15,750 + 40%	75,000	75,000	75,000
100,000	25,750 + 46%	100,000	100,000	100,000

Additional tax.—If the corporation has taxable income of more than \$1,000,000, an additional tax is imposed on the corporation. The tax is the lesser of: (1) 5% of the taxable income over \$1,000,000; or (2) \$20,250.

Alternative Tax.—If the alternative tax does not apply, enter on line 3 of Schedule J, the amount computed above. If the alternative tax applies, see Schedule D (Form 1120).

Lines 1 and 2.—Members of a controlled group, as defined in section 927(d)(4), are entitled to only one \$25,000 amount in each taxable income bracket.

When a controlled group adopts or later amends an apportionment plan, each member must attach to its tax return a copy of its consent to this plan. The copy (or an attached statement) must show the part of the \$25,000 amount in each taxable income bracket apportioned to that member. There are other requirements as well. See regulations section 1.1561-3(b). For these requirements and for the time and manner of making the consent.

Equal Apportionment Plan.—If no apportionment plan is adopted, the members of the controlled group must divide the \$25,000 amount in each taxable income bracket equally among themselves. For example, controlled group AB consists of corporation A and corporation B. They do not elect an unequal apportionment plan. Therefore, corporation A is entitled to \$12,500 (one-half of \$25,000) in each taxable income bracket. Corporation B is also entitled to \$12,500 in each taxable income bracket.

Unequal Apportionment Plan.—Members of a controlled group may elect an unequal apportionment plan and divide the \$25,000 amount in each taxable income bracket as they wish. There is no need for consistency among taxable income brackets. Any member of the controlled group may be entitled to all, some, or none of the \$25,000 amount in a taxable income bracket. (But the total amount for all members of the controlled group cannot be more than \$25,000 in any taxable income bracket.) Each member of a controlled group must figure the tax as follows:

Note: If the alternative tax applies, corporations should do the following:

- (1) Complete lines 1 and 2 of Schedule J.
- (2) On line 1 below, instead of entering amount from line 20, page 3, Form 1120-FSC, enter amount from line 14, Schedule D (Form 1120).

- (3) Complete lines 2 through 16 below, and
- (4) Enter the amount from line 16 below on line 15 of Schedule D (Form 1120) and complete balance of Schedule D (Form 1120).

1. Enter taxable income (line 20, page 3 Form 1120-FSC) _____
2. Enter line 1 or the corporation's portion of the first \$25,000 taxable income bracket, whichever is less _____
3. Subtract line 2 from line 1 _____
4. Enter line 3 or the corporation's portion of the second \$25,000 taxable income bracket, whichever is less _____
5. Subtract line 4 from line 3 _____
6. Enter line 5 or the corporation's portion of the third \$25,000 taxable income bracket, whichever is less _____
7. Subtract line 6 from line 5 _____
8. Enter line 7 or the corporation's portion of the fourth \$25,000 taxable income bracket, whichever is less _____
9. Subtract line 8 from line 7 _____
10. 15% of line 2 _____
11. 18% of line 4 _____
12. 30% of line 6 _____
13. 40% of line 8 _____
14. 46% of line 9 _____
15. Additional tax _____
16. Total of lines 10 through 15. Enter this amount on line 3 of Schedule J _____

Additional Tax (line 15).—If the corporation is a member of a controlled group and the controlled group has taxable income of more than \$1,000,000, an additional tax is imposed on the corporation. The tax is the lesser of: (1) 5% of the taxable income of the controlled group over \$1,000,000; or (2) \$20,250.

The corporation pays its additional tax based on its share of each taxable income bracket, and enters this amount on line 15. If the additional tax does not apply, enter zero on line 15.

Line 4. Foreign Tax Credit.—Generally, neither a FSC nor its shareholders may claim a foreign tax credit. The FSC may, however, claim a foreign tax credit for any foreign taxes imposed on foreign source, non-foreign trade income that is effectively connected with a U.S. trade or business. This income is subject to a separate limitation when computing the foreign tax credit.

A shareholder of a FSC may be entitled to a foreign tax credit on certain distributions from a FSC. These distributions are from foreign sourced foreign trade income that was determined without using administrative pricing. See regulations section 1.921-2T(f), Question 19.

Schedule P (Form 1120-FSC).—Complete and attach a separate Schedule P (Form 1120-FSC) for each transaction or group of transactions to which you apply the transfer pricing rules of section 925. See Schedule P (Form 1120-FSC) for details on completing the schedule.

Dividend Worksheet

	(a) Dividends received	(b) Deduction %	(c) Special deductions (Multiply (a) by (b))
1. Domestic corporations subject to the 85% deduction		85	
2. Debt-financed stock of domestic corporations		See Inst.	
3. Certain preferred stock of public utilities		59.13	
4. Foreign corporations subject to the 85% deduction		85	
5. Total dividends-received deduction—Add lines 1 through 4, Column (c). Enter here and on line 19b, Schedule B			
6. Other dividends from foreign corporations			
7. Foreign dividend gross-up (section 78)			
8. Other dividends			
9. Total dividends—Add amounts on lines 1 through 8, Column (a). Enter here and on line 5, Schedule F			

Codes for Principal Business Activity

These industry titles and definitions are based, in general, on the Standard Industrial Classification System authorized by Regulatory and Statistical Analysis Division, Office of Information and Regulatory Affairs, Office of Management and Budget, to classify enterprises by type of activity in which they are engaged.

Using the list below, enter on page 1, under D, the code number for the specific industry group from which the largest percentage of "total receipts" is derived. "Total receipts" means the total of receipts on line 6a, Schedule B, line 12, Schedule C, and line 13, Schedule F.

On page 2, under O, state the principal business activity and principal product or service that accounts for the largest percentage of total receipts. For example, if the principal business activity is "Wholesale trade: Machinery, equipment, and supplies," the principal product or service may be "Engines and turbines."

Agriculture, Forestry, and Fishing Code 0400 Agricultural production 0600 Agricultural services (except veterinarians), forestry, fishing, hunting, and trapping	Code Chemicals and allied products: 2815 Industrial chemicals, plastics materials and synthetics. 2830 Drugs 2840 Soap, cleaners, and toilet goods. 2850 Paints and allied products. 2898 Agricultural and other chemical products	Transportation and Public Utilities Code Transportation: 4000 Railroad transportation 4100 Local and interurban passenger transit 4200 Trucking and warehousing 4400 Water transportation 4500 Transportation by air 4600 Pipe lines, except natural gas 4700 Miscellaneous transportation services Communication: 4825 Telephone, telegraph, and other communication services 4830 Radio and television broadcasting Electric, gas, and sanitary services: 4910 Electric services 4920 Gas production and distribution 4930 Combination utility services 4950 Water supply and other sanitary services	Finance, Insurance, and Real Estate Code Banking: 6030 Mutual savings banks 6050 Bank holding companies 6090 Banks, except mutual savings banks and bank holding companies Credit agencies other than banks: 6120 Savings and loan associations 6140 Personal credit institutions 6150 Business credit institutions 6199 Other credit agencies Security, commodity brokers and services: 6210 Security brokers, dealers, and flotation companies 6299 Commodity contracts brokers and dealers, security and commodity exchanges, and allied services Insurance: 6355 Life insurance 6356 Mutual insurance, except life or marine and certain fire or flood insurance companies 6359 Other insurance companies 6411 Insurance agents, brokers, and service
Mining Metal mining: 1010 Iron ores 1070 Copper, lead and zinc, gold and silver ores 1098 Other metal mining 1150 Coal mining Oil and gas extraction: 1300 Crude petroleum, natural gas, and natural gas liquids 1380 Oil and gas field services Nonmetallic minerals, except fuels: 1430 Dimension, crushed and broken stone, sand and gravel 1498 Other nonmetallic minerals, except fuels	Petroleum refining and related industries (including those integrated with extraction): 2910 Petroleum refining (including integrated) 2998 Other petroleum and coal products Rubber and misc. plastics products: 3050 Rubber products: plastics footwear, hose and belting 3070 Misc. plastics products Leather and leather products: 3140 Footwear, except rubber 3198 Other leather and leather products	Wholesale Trade Durable: 5008 Machinery, equipment, and supplies 5010 Motor vehicles and automotive equipment 5020 Furniture and home furnishings 5030 Lumber and construction materials 5040 Sporting, recreational, photographic, and hobby goods, toys and supplies 5050 Metals and minerals, except petroleum and iron 5060 Electrical goods 5070 Hardware, plumbing and heating equipment and supplies 5098 Other durable goods Non-durable: 5110 Paper and paper products 5129 Drugs, drug preparations, and druggists' sundries 5130 Apparel, piece goods, and notions 5140 Groceries and related products 5150 Farm product raw materials 5160 Chemicals and allied products 5170 Petroleum and petroleum products 5180 Alcoholic beverages 5190 Misc. non-durable goods	Real estate: 6511 Real estate operators and lessors of buildings 6516 Lessors of mining, oil, and similar property 6518 Lessors of railroad property and other real property 6530 Condominium management and cooperative housing associations 6550 Subdividers and developers 6599 Other real estate Holding and other investment companies, except bank holding companies: 6742 Regulated investment companies 6743 Real estate investment trusts 6744 Small business investment companies 6749 Other holding and investment companies except bank holding companies
Construction General building contractors and operative builders: 1510 General building contractors 1531 Operative builders 1600 Heavy construction contractors Special trade contractors: 1711 Plumbing, heating, and air conditioning 1731 Electrical work 1798 Other special trade contractors	Stone, clay, and glass products: 3225 Glass products 3240 Cement, hydraul. 3270 Concrete, gypsum, and plaster products 3298 Other nonmetallic mineral products Primary metal industries: 3370 Ferrous metal industries; misc. primary metal products 3380 Nonferrous metal industries Fabricated metal products: 3410 Metal cans and shipping containers 3428 Cutlery, hand tools, and hardware, screw machine products, bolts, and similar products 3430 Plumbing and heating, except electric and warm air 3440 Fabricated structural metal products 3460 Metal forgings and stampings 3470 Coating, engraving, and allied services 3480 Ordnance and accessories, except vehicles and guided missiles 3490 Misc. fabricated metal products	Retail Trade Building materials, garden supplies, and mobile home dealers: 5220 Building materials dealers 5251 Hardware stores 5265 Garden supplies and mobile home dealers 5300 General merchandise stores Food stores: 5410 Grocery stores 5490 Other food stores Automotive dealers and service stations: 5515 Motor vehicle dealers 5541 Gasoline service stations 5598 Other automotive dealers Apparel and accessory stores: 5700 Furniture and home furnishings stores 5800 Eating and drinking places Misc. retail stores: 5912 Drug stores and proprietary stores 5921 Liquor stores 5995 Other retail stores	Services 7000 Hotels and other lodging places 7200 Personal services Business services: 7310 Advertising 7389 Business services, except advertising Auto repair; miscellaneous repair services: 7500 Auto repair and services 7600 Misc. repair services Amusement and recreation services: 7812 Motion picture production, distribution, and services 7830 Motion picture theaters 7900 Amusement and recreation services, except motion pictures Other services: 8015 Offices of physicians, including osteopathic physicians 8021 Offices of dentists 8040 Offices of other health practitioners 8050 Nursing and personal care facilities 8060 Hospitals 8071 Medical laboratories 8079 Other medical services 8111 Legal services 8200 Educational services 8300 Social services 8600 Membership organizations 8911 Architectural and engineering services 8930 Accounting, auditing, and bookkeeping 8980 Miscellaneous services (including veterinarians)
Manufacturing Food and kindred products: 2010 Meat products 2020 Dairy products 2030 Preserved fruits and vegetables 2040 Grain mill products 2050 Bakery products 2050 Sugar and confectionery products 2081 Malt liquors and malt 2088 Alcoholic beverages, except malt liquors and malt 2089 Bottled soft drinks, and flavorings 2096 Other food and kindred products 2100 Tobacco manufacturers Textile mill products: 2228 Weaving mills and textile finishing 2250 Knitting mills 2298 Other textile mill products Apparel and other textile products: 2315 Men's and boys' clothing 2345 Women's and children's clothing 2388 Other apparel and accessories 2390 Miscellaneous fabricated textile products Lumber and wood products: 2415 Logging, sawmills, and planing mills 2430 Millwork, plywood, and related products 2498 Other wood products, including wood buildings and mobile homes 2500 Furniture and fixtures Paper and allied products: 2625 Pulp, paper, and board mills 2699 Other paper products Printing and publishing: 2710 Newspapers 2720 Periodicals 2735 Books, greeting cards, and miscellaneous publishing 2799 Commercial and other printing, and printing trade services	Machinery, except electrical: 3520 Farm machinery 3530 Construction and related machinery 3540 Metalworking machinery 3550 Special industry machinery 3560 General industrial machinery 3570 Office, computing, and accounting machines 3598 Other machinery except electrical Electrical and electronic equipment: 3630 Household appliances 3665 Radio, television, and communication equipment 3670 Electronic components and accessories 3698 Other electrical equipment Motor vehicles and equipment Transportation equipment, except motor vehicles: 3725 Aircraft, guided missiles and parts 3730 Ship and boat building and repairing 3798 Other transportation equipment, except motor vehicles Instruments and related products: 3815 Scientific instruments and measuring devices; watches and clocks 3845 Optical, medical, and optometric goods 3860 Photographic equipment and supplies 3998 Other manufacturing products	Meat products: 2010 Meat products Dairy products: 2020 Dairy products Preserved fruits and vegetables: 2030 Preserved fruits and vegetables Grain mill products: 2040 Grain mill products Bakery products: 2050 Bakery products Sugar and confectionery products: 2050 Sugar and confectionery products Malt liquors and malt: 2081 Malt liquors and malt Alcoholic beverages, except malt liquors and malt: 2088 Alcoholic beverages, except malt liquors and malt Bottled soft drinks, and flavorings: 2089 Bottled soft drinks, and flavorings Other food and kindred products: 2096 Other food and kindred products Tobacco manufacturers: 2100 Tobacco manufacturers	Real estate operators and lessors of buildings: 6511 Real estate operators and lessors of buildings Lessors of mining, oil, and similar property: 6516 Lessors of mining, oil, and similar property Lessors of railroad property and other real property: 6518 Lessors of railroad property and other real property Condominium management and cooperative housing associations: 6530 Condominium management and cooperative housing associations Subdividers and developers: 6550 Subdividers and developers Other real estate: 6599 Other real estate Regulated investment companies: 6742 Regulated investment companies Real estate investment trusts: 6743 Real estate investment trusts Small business investment companies: 6744 Small business investment companies Other holding and investment companies except bank holding companies: 6749 Other holding and investment companies except bank holding companies

Form **3468****Computation of Investment Credit**

OMB No. 1545-0155

1985
24Department of the Treasury
Internal Revenue Service▶ Attach to your tax return.
▶ Schedule B (Business Energy Investment Credit) on back.

Name(s) as shown on return

Identifying number

Part I Elections (Check the box(es) below that apply to you (See Instruction D).)

- A** I elect to increase my qualified investment to 100% for certain commuter highway vehicles placed in service before January 1, 1986 (section 46(c)(6)).
- B** I elect to increase my qualified investment by all qualified progress expenditures made this and all later tax years.
- Enter total qualified progress expenditures included in column (4), Part II ▶
- C** I claim full credit on certain ships under section 46(g)(3) (See Instruction B for details.)

Part II Qualified Investment (See instructions for rules on automobiles and other property with any personal use)

1 Recovery Property	Line	(1) Class of Property	(2) Cost or Other Basis	(3) Applicable Percentage	(4) Qualified Investment (Column 2 x column 3)
Regular Percentage	(a)	3-year		60	
	(b)	Other		100	
	(c)	3-year		60	
	(d)	Other		100	
Section 48(a) Election to Reduce Credit (instead of adjusting basis)	(e)	3-year		40	
	(f)	Other		80	
	(g)	3-year		40	
	(h)	Other		80	

- 2** Nonrecovery property—Enter total qualified investment (See instructions for line 2) **2**
- 3** New commuter highway vehicle—Enter total qualified investment (See Instruction D(1)). **3**
- 4** Used commuter highway vehicle—Enter total qualified investment (See Instruction D(1)). **4**
- 5** Total qualified investment in 10% property—Add lines 1(a) through 1(h), 2, 3, and 4 (See instructions for special limits) **5**
- 6** Qualified rehabilitation expenditures—Enter total qualified investment for:
- a 30-year-old buildings **6a**
- b 40-year-old buildings **6b**
- c Certified historic structures (You must attach NPS certification—see instructions) **6c**

Part III Tentative Regular Investment Credit

7 10% of line 5	7
8 15% of line 6a	8
9 20% of line 6b	9
10 25% of line 6c	10
11 Credit from cooperatives—Enter regular investment credit from cooperatives	11
12 Regular investment credit—Add lines 7 through 11	12
13 Business energy investment credit—From line 11 of Schedule B (see back of this form)	13
14 Current year investment credit—Add lines 12 and 13	14

Note: If you have a 1985 jobs credit (Form 5884), credit for alcohol used as fuel (Form 6478), or employee stock ownership plan (ESOP) credit (Form 8007) in addition to your 1985 investment credit, or if you have a carryback or carryforward of any general business credit, stop here and go to Form investment credit(I), you may continue with lines 15 through 20 to claim your credit.

Part IV Tax Liability Limitations

15 a Individuals—From Form 1040, enter amount from line 46	15
b Corporations—From Form 1120, Schedule J, enter tax from line 3 (or Form 1120-A, Part I, line 1).	
c Other filers—Enter income tax before credits from return.	
16 a Individuals—From Form 1040, enter credit from line 47, plus any orphan drug, nonconventional source fuel, and research credits included on line 49	16
b Corporations—From Form 1120, Schedule J, enter credits from lines 4(a) through 4(e) (Form 1120-A filers, enter zero)	
c Other filers—See instructions for line 16c	
17 Income tax liability as adjusted (subtract line 16 from line 15)	17
18 a Enter smaller of line 17 or \$25,000. (See instructions for line 18)	18a
b If line 17 is more than \$25,000—Enter 85% of the excess.	18b
19 Investment credit limitation—Add lines 18a and 18b	19
20 Total allowed credit—Enter the smaller of line 14 or line 19. This is your General Business Credit for 1985. Enter here and on Form 1040, line 48; Form 1120, Schedule J, line 4(f); Form 1120-A, Part I, line 2; or the proper line of other returns	20

For Paperwork Reduction Act Notice, see separate instructions.

Form **3468** (1985)

Form 3468 (1985)

Page 2

Schedule B.—Business Energy Investment Credit

1 Enter on lines 1(a) through 1(e) your qualified investment in business energy property that is the kind listed in the instructions for line 1, column (2)

Type of Property	Line	(1) Class of Property or Life Years	(2) Code	(3) Basis	(4) Applicable Percentage	(5) Qualified Investment (Column 3 x column 4)
Recovery	(a)	3-year			60	
	(b)	Other			100	
Nonrecovery	(c)	3 or more but less than 5			33 1/2	
	(d)	5 or more but less than 7			66 2/3	
	(e)	7 or more			100	

2 Total 10% energy investment property—Add lines 1(a) through 1(e), column (5) **2**

3 Enter on lines 3(a) through 3(e) the basis in qualified hydroelectric generating property. Enter nameplate capacity of the property (See instructions for line 3.) ▶

Type of Property	Line	(1) Class of Property or Life Years	(2) Code	(3) Basis	(4) Applicable Percentage	(5) Qualified Investment (Column 3 x column 4)
Recovery	(a)	3-year			60	
	(b)	Other			100	
Nonrecovery	(c)	3 or more but less than 5			33 1/2	
	(d)	5 or more but less than 7			66 2/3	
	(e)	7 or more			100	

4 Total 11% energy investment property—Add lines 3(a) through 3(e), column (5) **4**

5 Enter on lines 5(a) through 5(e) the basis in energy property that is solar equipment, wind equipment, ocean thermal equipment, or geothermal equipment. (See instructions for line 5, column (2).)

Type of Property	Line	(1) Class of Property or Life Years	(2) Code	(3) Basis	(4) Applicable Percentage	(5) Qualified Investment (Column 3 x column 4)
Recovery	(a)	3-year			60	
	(b)	Other			100	
Nonrecovery	(c)	3 or more but less than 5			33 1/2	
	(d)	5 or more but less than 7			66 2/3	
	(e)	7 or more			100	

6 Total 15% energy investment property—Add lines 5(a) through 5(e), column (5) **6**

7 Enter 10% of line 2 **7**

8 Enter 11% of line 4 **8**

9 Enter 15% of line 6 **9**

10 Cooperative credit—Enter business energy investment credit from cooperatives **10**

11 Tentative business energy investment credit—Add lines 7 through 10. Enter here and on line 13 of page 1 **11**

Fiscal Year Filers

The business energy investment credits shown on this page may be claimed only for energy property placed in service by December 31, 1985 (except for certain hydroelectric generating property, which may be placed in service by December 31, 1988).

At the time we printed this form it was uncertain whether Congress would extend this deadline. We will use news media and other means available to provide you with information and instructions on any change.

Instructions for Schedule B (Form 3468)

Energy property must meet the same requirements as regular investment credit property, except that the provisions of sections 48(a)(1) and 48(a)(3) do not apply. See the separate instructions for Form 3468 for definitions and rules regarding regular investment credit property.

Energy property must be acquired new. See sections 46(b)(2) and 48(i)(1) through (17) for details.

See section 48(i)(17) for special rules on public utility property, and section 48(i)(11) (as amended by the Crude Oil Windfall Profit Tax Act of 1980) for special rules on property financed by Industrial Development Bonds.

Specific Instructions

One Credit Only.—If property qualifies as more than one kind of energy property, you may take only one credit for the property.

Lines 1, 3, and 5—Type of Property.—For definition of recovery and nonrecovery property, see the separate instructions for Form 3468.

Line 1—Column (2).—Use the code letters from the following list to indicate the kind of property for which you are claiming a credit. If you enter more than one kind of property on a line, enter the code letter for each kind of property in column (2) and the code letter and dollar amount of each kind of property in the right hand margin.

The code letters are:

- a. Biomass property
b. Qualified intercity buses (see section 48(i)(16)(C) for the limitation on

qualified investment for intercity buses based on the increase in operating seating capacity)

Line 3.—Figure your qualified investment in hydroelectric generating property. If the installed capacity is more than 25 megawatts, the 11% energy credit is allowed for only part of the qualified investment. See section 48(i)(13)(C).

In the space provided in line 3, enter the megawatts capacity of the generator as shown on the nameplate of the generator.

Line 5—Column (2).—Use the code letters from the following list to indicate the kind of property for which you are claiming a credit. Be sure to put the code or codes on the line for the correct recovery period or life years as explained in the instructions for line 1, column (2).

- c. Solar equipment (but not passive solar equipment)
d. Wind equipment
e. Ocean thermal equipment
f. Geothermal equipment
See sections 48(i)(4) and 48(i)(3)(A)(viii) and (ix) for definitions and special rules that apply to these kinds of property.

1985



Instructions for Form 3468

Computation of Investment Credit

(Section references are to the Internal Revenue Code, unless otherwise noted.)

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Items You Should Note

General Business Credit.—The general business credit consists of the investment credit (Form 3468), jobs credit (Form 5884), credit for alcohol used as fuel (Form 6478), and employee stock ownership plan (ESOP) credit (Form 8007). If you have more than one of these credits for 1985, or a carryback or carryforward of any of these credits, you must summarize them on Form 3800, General Business Credit. If you have only a 1985 investment credit, you do not have to file Form 3800 this year.

Special Limitations on Automobiles and other "Listed Property."—

(1) The credit on any passenger car may not exceed \$1,000 (\$667 if you elect the reduced credit) for automobiles placed in service before April 3, 1985. For cars placed in service after April 2, 1985, the credit may not exceed \$675 (\$450 if you elect the reduced credit). Figure the credit by entering in column (2) no more than \$16,667 of the basis (\$11,250 after April 2, 1985) multiplied by the percentage of business, investment, and production-of-income use.

(2) You may not take ANY credit on the following types of property ("listed property") unless more than 50% of the use of the property during the year was business use:

- any passenger car or other transportation property,
- property of the type generally used for entertainment, recreation, or amusement, and
- computer equipment not used exclusively at a regular business establishment (office in the home must meet the requirements of section 280A(c)(1)).

When you figure the more-than-50% test, do not count use of property for investment or the production of income as business use. Once you have met the test, however, you may include investment and production-of-income use to arrive at your credit.

(3) You must complete Part III of Form 4562, Depreciation and Amortization, if you claim investment credit for any listed property.

(4) Employee use of property is considered business use only if it is for the convenience of the employer and required as a condition of employment. See section 280F.

(5) Vehicles used by employees (other than "disqualified persons"), are treated as being used 100% in your trade or business if the value of any personal use is included in the employees' gross income.

General Instructions

A. Purpose of Form.—Use Form 3468 to claim a regular or business energy investment credit or to make certain elections.

Caution: You may have to refigure the credit if you dispose of the property before the end of the property class life or life years. This also applies if you change the use of the property or if the business use of the property decreases so that it no longer qualifies (in whole or in part) as regular or energy investment credit property. See Form 4255, Recapture of Investment Credit.

A partnership or S corporation should complete only the following lines, to figure the cost or basis of property to pass through to the individual partners or shareholders:

- the Part I elections,
- columns (2) of line 1 and the line 2 worksheet,
- lines 3, 4, and 6, and
- columns (2) and (3) for lines 1, 3, and 5 of Schedule B.

Attach the completed form to the partnership or S corporation return to show the total cost or basis that is passed through. If you are a partner, beneficiary, shareholder in an S corporation, or lessee, use Form 3468 to figure the credit based on your share of the investment by the partnership, estate, trust, S corporation, or lessor.

For more details on investment credit, see Publication 572, Investment Credit, and regulations under sections 46 and 48.

B. How to Figure the Credit.—For recovery property, the class of property determines the percentage qualifying for investment credit. Even if you elect an alternate recovery period under section 168(b) of 5 or 12 years for 3-year property, the property is still treated as 3-year property, and the lower percentage applies. For nonrecovery property, the useful life of the property for investment credit must be the same as the useful life for depreciation or amortization.

See section 48 for special rules on movie and television films, sound recordings, and sale-leasebacks.

See section 46(e) for limitations on the investment credit for mutual savings institutions, regulated investment companies, and real estate investment trusts.

Generally, you may only take half of the regular credit for certain vessels. See sections 46(g)(1) through (6). If you claim the full credit, check box C in Part I of Form 3468.

C. Investment Credit Property.—Generally, you may take investment credit the first year you place qualified property in service, or make qualified progress expenditures.

The property must be used in a trade or business and be either recovery property or other depreciable property with a life of 3 years or more. Enter only the business part if property is for both business and personal use.

Generally, investment credit property is:

(1) Tangible personal property as defined in section 48(a)(1).

(2) Certain elevators and escalators.

(3) Other tangible property, including certain real property, used as an integral part of manufacturing, production, or extraction, or used as a research or bulk storage facility for fungible commodities for these activities.

(4) Livestock other than horses as long as you do not sell or dispose of substantially identical livestock (not subject to recapture tax) during the 1-year period beginning 6 months before the date you get the livestock. Reduce the cost of the livestock you got by the amount you received on the disposition of the substantially identical livestock.

(5) Single-purpose agricultural or horticultural structures. See section 48(p).

(6) Rehabilitation expenditures for qualified 30-year buildings, 40-year buildings, and certified historic structures. See sections 46(b)(4) and 48(g).

(7) Forestation and reforestation expenditures amortizable under section 194. See section 48(a)(1)(F).

(8) Petroleum storage facilities (but not buildings or their structural components). Except for investment credit generally does not apply to property that is:

- (1) Used mainly outside the U.S.
- (2) Used by a tax-exempt organization (other than a section 521 farmers' cooperative) unless the property is used mainly in an unrelated trade or business.
- (3) Used by governmental units and foreign persons and entities.

(4) Used for lodging or for furnishing the lodging (see section 48(a)(3) for exceptions, i.e., hotel or motel furnishings).

(5) Amortized or depreciated under sections 167(k), 184 or 188.

(6) Acquired or constructed with "excluded cost-sharing payments" from grants under any program listed in section 126(a) or by grants under the Energy Security Act.

D. Elections.—

(1) **Commuter Highway Vehicle.**—Employers may elect (subject to the rules of section 280F) to claim full investment credit for commuter highway vehicles which are placed in service before January 1, 1986, and have a useful life of 3 years or more, or which are recovery property. Check box A in Part I. See section 46(c)(6).

(2) **Qualified Progress Expenditures.**—You may elect under section 46(d) to increase your qualified investment for the year by qualified progress expenditures. This permits you to claim investment credit on a long-term construction project before it is completed and placed in service. Check box B in Part I. The election applies to all gross expenditure property for the tax year it is made and all later tax years.

(3) **Election for Leased Property.**—If you lease property to someone else, you may elect to treat all or part of your investment in new property as if it were made by the person who is leasing it from you. See section 48(d) and regulations for rules on making this election and special rules on leased property and the section 48(q) basis adjustment. For limitations see sections 46(e)(3) and 48(q)(6).

E. At Risk Limitation for Individuals and Closely Held Corporations.—The cost or basis of property for investment credit purposes may be limited if you borrowed

against the property and are protected against loss, or if you borrowed money from a person who is related or who has other than a creditor interest in the business activity. The cost or basis must be reduced by the amount of this "nonqualified nonrecourse financing" related to the property as of the close of the tax year in which it is placed in service. See Publication 572 and sections 46(c)(8) and 465 for details. If there is an increase during a later year of this nonqualified nonrecourse financing, you may have to refigure the credit on Form 4255.

Specific Instructions

Lines 1(a)-1(h). Recovery Property.—Enter the basis of recovery property in column (2). This is generally the cost of the property reduced by any personal-use factor and by any portion that was expensed under section 179. It includes all items properly included in the depreciable basis, such as installation and freight costs. Recovery property is tangible personal property used in a trade or business or held for the production of income, and depreciated under the Accelerated Cost Recovery System (ACRS). See sections 46(c)(7), 168 and 280F.

You must reduce the depreciable basis of the property by one-half of the investment credit taken. Instead of reducing the depreciable basis of the property, however, you may make an election under section 48(q) to take a reduced credit. You make this election by listing the property on lines 1(e)-1(h) instead of on lines 1(a)-1(d). See Publication 572 for more details.

Line 2. Nonrecovery Property.—Compute your qualified investment using the worksheet format below. Nonrecovery property includes:

- property you elect to depreciate using a method not expressed in terms of years;
- property you elect to amortize (e.g., leasehold improvements);
- property transferred or acquired merely to bring the property under ACRS;
- property acquired in certain nonrecognition transactions;
- certain property used outside the U.S.;
- public utility property if you do not use the normalization method of accounting.

See section 168(e) for further details. Enter the amortizable basis in forestation and reforestation expenditures on line 2(c) of the worksheet. See section 48(a)(1)(F). See section 46(c)(5) for rules for certain pollution control facilities.

Lines 1(a), 1(b), 1(e), and 1(f) of form; lines 2(a), 2(b), and 2(c) of worksheet. Qualified Progress Expenditures.—Enter on the proper line the amount of qualified progress expenditures made in the tax year.

Do not take any qualified progress expenditures for the year the property is

placed in service or for the year for which recapture is required for the property. The credit allowed for the year the property is placed in service is based on the entire qualified investment reduced by the progress expenditures included as qualified investment in earlier years. See section 46(d) for more information.

Lines 1(c), 1(d), 1(g), and 1(h) of form; lines 2(d), 2(e), and 2(f) of worksheet. Used Property Dollar Limitation.—In general, you may not take into account more than \$125,000 of the cost of used property in any one year. This does not include the basis of any property traded in unless the trade-in caused the recapture of all or part of an investment credit allowed earlier, or a reduction in an investment credit carryback or carryforward. Determine the \$125,000 amount before applying the percentages based on the class of property or useful life. Enter the cost (subject to the dollar limitation) of used property placed in service during the year. Property inherited, received as a gift, or acquired from certain related persons does not qualify for the investment credit.

If a husband and wife file separate returns, each may claim up to \$62,500. If one of them has no qualifying used property, the other may claim up to \$125,000.

The \$125,000 limitation applies to a partnership, S corporation, estate, or trust. The \$125,000 must be divided among the estate or trust and its beneficiaries based on the income of the estate or trust allocable to each. The \$125,000 limitation also applies to each partner, shareholder or beneficiary. Controlled corporate groups must divide the limitation among all component members. See section 48(b) and related regulations.

Lines 3 and 4. Commuter Highway Vehicle.—Enter 100% of basis in new vehicles on line 3, and 100% of cost (subject to the overall limitation) of used vehicles on line 4.

If you make the election to use the lower percentage in section 48(q)(4) instead of reducing the basis of the property, enter 80% (instead of 100%) of the cost or basis on these lines. If you elect to take a reduced credit on all the vehicles on line 3 or 4, write "48(q)(4) election property" in the margin. If your election covers only certain vehicles, attach a schedule showing the breakdown.

Lines 5a, 5b, and 5c. Rehabilitation Expenditures.—You may take a credit for certain capital costs incurred for additions or improvements to qualified existing buildings and for rehabilitation of certified historic structures. The expenditures must be added to the basis of the building and depreciated by the straight-line method over 18 years (15 years in the case of low-income housing). The applicable percentage for qualified rehabilitation expenditures is 100%.

The increase in depreciable basis resulting from the expenditures must be decreased by 100% of the allowed credit (50% for certified historic structures). See section 212(e)(2) of the Economic Recovery Tax Act of 1981 for transitional rules and Code section 48(g) for other details. The qualified investment for rehabilitation expenditures that qualify under pre-1982 rules, but not under post-1981 rules, is figured separately and entered in the total for line 5. (Identify this amount in the margin.)

If you are claiming a credit for a certified historic structure on line 6c, you must attach a copy of your request for final certification from the National Park Service (NPS Form 10-156c). (Do not do this if the line 6c credit is a flow-through from a partnership, S corporation, estate or trust because that entity will attach a copy to its return. Instead write "\$_____ FROM PARTNERSHIP" (or "S CORP." etc.) on the dotted line to the left of the entry column.)

Lines 5, 6, and 18a Limitations.—Mutual savings institutions, regulated investment companies, and real estate investment trusts are subject to special limitations for the amounts to be entered on lines 5, 6-a, c, and line 18a. See regulations section 1.46-4.

Line 11. Credit from Cooperative.—Section 1381(a) cooperative organizations may claim investment credit. If the cooperative cannot use any of the credit because of the tax liability limitation, the unused credit must be allocated to the patrons of the cooperative. The recapture provisions of section 47 apply as if the cooperative had kept the credit and not allocated it. Patrons should enter their regular investment credit from a cooperative on line 11.

Unused Credits.—If you cannot use part of the credit because of the tax liability limitations or the operation of the alternative minimum tax, you may carry it back 3 years, then forward 15 years.

Line 16c. Other filers.—Before you can claim the investment credit against your income tax liability, you must reduce this tax liability by the credits listed below:

- Personal credits
- Foreign tax credit
- Possessions corporation tax credit
- Orphan drug credit
- Nonconventional source fuel credit
- Research credit

Line 18. Limitation.—If the tax liability on line 17 is \$25,000 or less, your investment credit is limited to that tax liability. If the tax liability is more than \$25,000, your credit is limited to \$25,000 plus 85% of the excess.

If you and your spouse file separate returns, each must use \$12,500 instead of \$25,000. But if only one has any investment, that one may use the entire \$25,000.

Controlled corporate groups (see section 46(a)(6)) must divide the \$25,000 among all component members.

Estates and trusts must determine the percentage of total income allocable to the estate or trust itself, and apply the percentage to the \$25,000 limit on line 18a.

Line 2 Nonrecovery Property Worksheet	Line	(1) Life Years	(2) Basis or Cost	(3) Applicable Percentage	(4) Qualified Investment (Column 2 x column 3)
New	(a)	3 or more/less than 5		33%	
	(b)	5 or more/less than 7		66%	
	(c)	7 or more		100	
	(d)	3 or more/less than 5		33%	
Used	(e)	5 or more/less than 7		66%	
	(f)	7 or more		100	
Total—Add lines (a) through (f) and enter on line 2 of Form 3468.					2

Page 2

Form 3800		General Business Credit		OMB No. 1545-0895
Department of the Treasury Internal Revenue Service		▶ Attach to your tax return.		1985
Name(s) as shown on return		Identifying number 25		
Part I Tentative Credit				
1	Investment credit (Form 3468, line 14)	1		
2	Jobs credit (Form 5884, line 7)	2		
3	Credit for alcohol used as fuel (Form 6478, line 11)	3		
4	Employee stock ownership plan (ESOP) credit (Form 8007, line 3)	4		
5	Current year general business credit—Add lines 1 through 4	5		
6	Carryforward of general business credit (or investment, WIN, jobs, alcohol fuel, or ESOP credits)	6		
7	Carryback of general business credit to 1985	7		
8	Tentative general business credit—Add lines 5, 6, and 7	8		
Part II Tax Liability Limitations				
9	a Individuals—From Form 1040, enter amount from line 46 b Corporations—From Form 1120, Schedule J, enter tax from line 3 (or Form 1120-A, Part I, line 1) c Other filers—Enter income tax before credits from return	9		
10	a Individuals—From Form 1040, enter credit from line 47, plus any orphan drug, nonconventional source fuel, and research credits included on line 49 b Corporations—From Form 1120, Schedule J, enter credits from lines 4(a) through 4(e) (Form 1120-A filers, enter zero) c Other filers—See instructions for line 10c	10		
11	Income tax liability as adjusted—Subtract line 10 from line 9	11		
12	a Enter smaller of line 11 or \$25,000 (See instructions for line 12) b If line 11 is more than \$25,000—Enter 85% of the excess	12a		
		12b		
13	Credit limitation—Add lines 12a and 12b	13		
14	General business credit—Enter smaller of line 8 or line 13 here and on Form 1040, line 48; Form 1120, Schedule J, line 4(f); Form 1120-A, Part I, line 2; or the proper line on other returns	14		

General Instructions
(Section references are to the Internal Revenue Code.)

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Purpose of Form.—The general business credit consists of the investment credit (Form 3468), jobs credit (Form 5884), alcohol fuel credit (Form 6478), and employee stock ownership plan (ESOP) credit (Form 8007). If you have more than one of these credits, or a carryback or carryforward of any of these credits, you must summarize them here on Form 3800. If you have only one of these credits for 1985, you do not have to file Form 3800. Instead, use that particular form to claim the credit. For example, if you have only a 1985 investment credit, you may use Form 3468 to claim your credit for 1985. You do not have to file Form 3800 in this case.

Please note that you do not have to take the jobs, alcohol fuel, or ESOP credits if you do not wish to.

For more information on the investment credit, see Form 3468, Computation of Investment Credit, or Publication 572, Investment Credit.

For more information on the jobs credit, see Form 5884, Jobs Credit, or Publication 906, Jobs and Research Credits.

For more information on the alcohol fuel credit, see Form 6478, Credit for Alcohol Used as Fuel.

For more information on the ESOP credit, see Form 8007, Credit for Employee Stock Ownership Plan.

Carryback and Carryforward of Unused Credit.—If you cannot use part or all of the credit on line 5 because of the operation of the alternative minimum tax, you may carry any excess back to each of the three preceding tax years, beginning with the earliest. If you have an unused credit after carryback, it may be carried forward to each of the 15 years after the year of the credit. Credits unused after 15 years may be deducted at that time (or earlier if the taxpayer dies or goes out of business). (But see sections 196 and 404(f) for certain limitations.)

Although the investment, jobs, alcohol fuel, and ESOP credits are aggregated as the general business credit, you may want to keep separate records of these credits to ensure that no credits or deductions are lost.

Specific Instructions

Line 6.—All carryforwards of unused investment credit, jobs credit (and WIN credit carryover), alcohol fuel credit, and ESOP credit are added together and become a business credit carryforward to 1985.

Line 10c—Other filers.—Before you can claim the general business credit against your income tax liability, you must reduce this tax liability by the following credits:

- Personal credits
- Foreign tax credit
- Possessions corporation tax credit
- Orphan drug credit
- Nonconventional source fuel credit
- Research credit

Line 12.—If your adjusted tax liability (line 11) is \$25,000 or less, your general business credit is limited to that liability. If the tax liability is more than \$25,000, your credit is limited to \$25,000 plus 85% of the excess.

If you and your spouse file separate returns, each must use \$12,500 instead of \$25,000. However, if only one has any business credit, that one may use the entire \$25,000.

Controlled corporate groups must divide the \$25,000 among all component members. See section 38(c)(3)(B).

Estates and trusts must first determine what percentage of the total income is allocable to the estate or trust itself, then apply that same percentage to the \$25,000 amount on line 12a.

See section 38(c)(3)(C) for limitations on the credit for mutual savings institutions, regulated investment companies, and real estate investment trusts.

Form **4562**

Depreciation and Amortization

OMB No. 1545-0172

1985

67

Department of the Treasury
Internal Revenue Service

▶ See separate instructions.
▶ Attach this form to your return.

Name(s) as shown on return

Identifying number

Business or activity to which this form relates

Part I Depreciation

Use Part III, Specific Information Concerning Automobiles and other Listed Property, for certain transportation equipment (e.g. autos), amusement/recreation property, and computer/peripheral equipment.

Section A.—Election to Expense Recovery Property (Section 179)

(a) Class of property	(b) Cost	(c) Expense deduction
1		
2 Listed property—Enter total from Part III, Section A, column (h)		
3 Total (see instructions for limitations). (Partnerships or S corporations—see the Schedule K and Schedule K-1 instructions of Form 1065 or 1120S)		

Section B.—Depreciation of Recovery Property

(a) Class of property	(b) Date placed in service	(c) Cost or other basis	(d) Recovery period	(e) Method of figuring depreciation	(f) Deduction
4 Accelerated Cost Recovery System (ACRS) (see instructions): For assets other than automobiles and other listed property placed in service ONLY during tax year beginning in 1985					
a 3-year property					
b 5-year property					
c 10-year property					
d 15-year public utility property					
e Low-income housing					
f 15-year real property					
g 18-year real property (See "Items You Should Note")					
5 Listed property—Enter total from Part III, Section A, column (g)					
6 ACRS deduction for assets other than automobiles and other listed property placed in service prior to 1985 (see instructions)					

Section C.—Depreciation of Nonrecovery Property

7 Property subject to section 168(e)(2) election (see instructions)	
8 Other depreciation (see instructions)	

Section D.—Summary

9 Total (Add deductions on lines 3 through 8). Enter here and on the Depreciation line of your return (Partnerships and S corporations—Do NOT include any amounts entered on line 3.)	
---	--

Part II Amortization

(a) Description of property	(b) Date acquired	(c) Cost or other basis	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year

Total. Enter here and on Other Deductions or Other Expenses line of your return

See Paperwork Reduction Act Notice on page 1 of the separate instructions.

Form 4562 (1985)

Form 4562 (1985)

Page 2

Part III Specific Information Concerning Automobiles and Other Listed Property

For property used 50% or less in a trade or business, the section 179 expense deduction is not allowed. For listed property used 50% or less in a trade or business, depreciation MUST be computed under the straight-line method.

Section A.—Depreciation of Automobiles and Other Listed Property (see instructions for limitations)

Item No.	(a) Description (list vehicles first)	(b) Date placed in service	(c) Business use percentage (%)	(d) Cost or other basis	(e) Recovery period	(f) Method of figuring depreciation	(g) Deduction	(h) Section 179 expense
1								
2								
3								
4								
5								
6								
7								
8								
9								
Total (Enter here and on line 2, page 1.)								
Total (Enter here and on line 5, page 1.)								

Section B.—Questions Regarding Use of Automobiles and Other Listed Property

To Be Completed by All Filers:

- 1 Do you have evidence, for all the listed property above, to support the business use percentage claimed?
- 2 Is the evidence written?

To Be Completed by Employers Who Provide Vehicles for Use by Employees:

- 3 Do you maintain a written policy statement, meeting the conditions described in the instructions, that prohibits all personal use of vehicles, including commuting, by your employees?
If "Yes," do not complete items 6 through 12 for any of the vehicles furnished to employees that are covered by the written policy statement.
- 4 Do you maintain a written policy statement, meeting the conditions described in the instructions, that prohibits personal use of vehicles, except commuting, by your employees?
If "Yes," you must complete items 6 through 12: (a) only for those vehicles furnished to "disqualified persons" even if they are covered by the statement; and (b) for all vehicles not covered by the statement.
- 5 Do you provide more than five vehicles to your employees, or treat all use of vehicles by employees as personal use?
If "Yes," you do not have to answer questions 6 through 12: (a) for vehicles furnished to other than disqualified persons, or (b) if you treat all use of vehicles by employees as personal use. You must retain the information received from your employees regarding the use of the vehicles.

	Yes	No
1		
2		
3		
4		
5		

Section C.—Information Regarding Use of Vehicles

	Vehicle 1		Vehicle 2		Vehicle 3		Vehicle 4		Vehicle 5		Vehicle 6	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
6 Total miles driven during the year												
7 Total business miles driven during the year												
8 Total commuting miles driven during the year												
9 Total other personal (non-commuting) miles driven												
10 Was the vehicle available for personal use during off-duty hours?												
11 Is another vehicle available for personal use?												
12 Was the vehicle used primarily by a disqualified person?												

1985



Instructions for Form 4562

Depreciation and Amortization

(Section references are to the Internal Revenue Code, unless otherwise noted.)

Paperwork Reduction Act Notice

We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Items You Should Note

At the time these instructions went to print, Congress was considering legislation that would extend the recovery period for real property placed in service after May 9, 1985, to 19 years. IRS will publicize the new applicable percentages if this legislation is enacted. The entry space below line 4g will be used to claim the depreciation deduction attributable to such property.

• Any "listed property" that was used more than 50% in a trade or business in the year it was placed in service, but in the current tax year is used 50% or less, is subject to recapture of any excess depreciation. See Form 4797, Gains and Losses From Sales or Exchanges of Assets Used in a Trade or Business and Involuntary Conversions, and its instructions for details.

• All taxpayers claiming a deduction or credit for any "listed property" (e.g., automobiles, computers, and property used for purposes of entertainment, recreation and amusement) are required to complete Part III, Specific Information Concerning Automobiles and Other Listed Property, on page 2, regardless of when such property was placed in service.

• Certain taxpayers claiming a depreciation deduction for automobiles and similar vehicles must complete Section C, Part III.

• For automobiles placed in service after April 2, 1985, the depreciation deduction for each vehicle, including any section 179 expense deduction, is limited to \$3,200 in the first tax year, and \$4,800 in each succeeding tax year. These limitations are further reduced if your business and/or investment use is less than 100%.

• As an alternative to depreciation, you may elect to use the standard mileage allowance in the first year the automobile is placed in service. For more information, see Publication 463, Travel, Entertainment, and Gift Expenses.

• Taxpayers are required to provide in Part I information only on recovery property (other than automobiles and other listed property) acquired in the current tax year.

• A separate listing of non-recovery property, other than automobiles and other listed property, is not required to be filed with IRS.

• All details of depreciation should be retained as part of your permanent books and records.

Purpose of Form

Use Form 4562 to claim this year's deduction for depreciation and amortization, to make the election to expense recovery property, and to provide information concerning the business use of automobiles and other listed property.

In using this form, a taxpayer has the option of preparing and submitting either: a separate Form 4562 for each business or activity in the return, or a separate depreciation schedule for each business or activity along with one Form 4562 on which the taxpayer enters summary totals for each line on page 1 of the form. If the second option is used, each separate schedule must be readily identifiable with the business or activity to which it relates.

For more information about depreciation, the election to expense newly acquired recovery property, and leased listed property, see Publication 534, Depreciation. For more information about amortization (including depreciation/amortization of leasehold expenses), see Publication 535, Business Expenses. You may be eligible to take investment credit on newly acquired depreciable property. See the instructions for Form 3468, Computation of Investment Credit, for more information.

Specific Instructions

Part I.—Depreciation

Depreciation is an amount you can deduct each year for assets, except land, you acquire to use in your business or hold to produce income. (Land is never depreciable.) Depreciation starts when you place the property in service. It ends when you take the property out of service, deduct all of your depreciable cost, or no longer use the property in your trade or business.

Any depreciation taken for listed property in excess of the straight-line method, may be subject to recapture in any succeeding tax year in which the business use percentage does not exceed 50%. See section 280F.

Complete Section A of Part III on page 2 for depreciation of all listed property, regardless of when such property was placed in service.

Note: All taxpayers are required to provide all information requested, and answer the pertinent questions, for all listed property, regardless of date placed in service.

Generally, assets you place in service after December 31, 1980, are depreciated using the Accelerated Cost Recovery System (ACRS). These assets are called "recovery property." You may be able to elect to expense up to \$5,000 of certain recovery property in Section A. Show your depreciation for recovery property in Section B. If you have an asset that is nonrecovery property, show your depreciation in Section C.

Section A.—Election to Expense Recovery Property.—You may choose to expense part of the cost of recovery property that would qualify for the investment credit. To do so, you must have purchased (as defined in section 179(d)(2)) the property and placed it in service during the 1985 tax year for use in your trade or business. If you take this deduction, the amount on which you figure your depreciation or amortization deduction and your investment tax credit must be reduced by the amount you deduct as a section 179 expense. This is because you may not depreciate, amortize, or take the investment tax credit on any amount deducted as a section 179 expense.

Note: The following do not qualify as section 179 property: (1) automobiles and other listed property placed in service in 1985 that are used 50% or less in your trade or business; and (2) property held for the production of income (section 212 property).

An estate or trust may not elect to expense recovery property. A partnership or corporation may choose to expense and pass through to its partners or shareholders a maximum of \$5,000. Partners or shareholders add their share of the partnership or S corporation amount to any other section 179 expense they choose to take, and deduct the combined amount up to the \$5,000 (or \$2,500 for married taxpayers filing separately) limit for each taxpayer. See Publication 572, Investment Credit, and Publication 534 for more information.

Line 1.—Enter the class of recovery property (that is, 3-year, 5-year, etc.) for which you make the election and a brief description of the item.

Column (b).—Enter the property's cost. Include only what you paid, omit any un depreciated basis on assets you traded in. For information about basis, see Publication 551, Basis of Assets.

Column (c).—Enter the part of the cost you choose to expense. You can choose to expense part of the cost of an asset and depreciate the rest of it. (Generally, you may take the investment credit for the part of the cost you do not deduct as a section 179 expense.)

Line 2.—If you choose to claim a section 179 expense deduction for automobiles and other listed property, complete Section A, Part III. For passenger automobiles placed in service before April 3, 1985, depreciation, including the section 179 expense, is limited to \$4,000. For passenger automobiles placed in service after April 2, 1985, depreciation, including the section 179 expense, is limited to \$3,200.

Line 3.—Enter the column (c) total, up to \$5,000 (\$2,500 for married taxpayers filing separately). Partnerships should carry the line 3 amount to Schedule K-1 (Form 1065) and Schedule K (Form 1065) (if applicable). S corporations should carry the line 3 amount to Schedule K and Schedule K-1 of Form 1120S.

Section B.—Depreciation of Recovery Property.—

Note: Lines 4a through 4g should be completed for assets, other than automobiles and other listed property, placed in service only during the tax year beginning in 1985.

Column (a).—Two factors determine the class of property: whether the property is section 1245 or section 1250 class property; and what midpoint class life (if any) would have applied to it on January 1, 1981, if the asset depreciation range (ADR) system had been elected. The midpoint class lives are listed in the asset guideline period column of the table for depreciation in the back of Publication 534.

In each recovery class, except 15 or 18-year real property, list as one item all new and used property you placed in service in 1985. However, you must list separately:

- Property used mainly outside the United States.
- Retirement-replacement-betterment property.
- Property financed by tax-exempt obligations.
- Property not predominantly used in a qualified business use.
- All listed property (in Part III).

In the 15 and 18-year real property classes, group property by the depreciation method elected and the month and year you placed it in service.

Attach additional sheets, if necessary.

Column (b).—For lines 4e through 4g, enter the month and year you placed it in service.

Column (c).—Enter the unadjusted basis of the assets you placed in service in the same tax year. To find unadjusted basis, subtract the part of the basis you elected to amortize or expense (section 179) from the basis you use to determine gain. Do not deduct salvage value in figuring your ACRS deduction. If the basis of property has to be reduced by one-half of any investment credit taken on it, enter the reduced basis. See Instructions for Form 3468, and Publication 551.

Column (d).—Enter the recovery period you are using. This is usually the class of property itself (that is, 3-year, 5-year, etc.); but you may instead elect an alternate percentage figured by using the straight-line method over one of the following periods.

For—	You may choose:
3-year property	3, 5, or 12 years
5-year property	5, 12, or 25 years
10-year property	10, 25, or 35 years
15-year public utility property or 15-year real property	15, 35, or 45 years
18-year real property or low-income housing	18, 35, or 45 years

Also, for certain assets (described in column (e), below) you may be required to use a specified recovery period.

Column (e).—For property for which you are using the prescribed percentages (described in Section B, lines 4a through 4g below), enter "PRE." If you elect an alternate percentage, as described above in Line 4e, low-income housing.—

Line 4e. Low-income housing.—

Year	Use the column for the month of taxable year placed in service											
	1	2	3	4	5	6	7	8	9	10	11	12
1st	13%	12%	11%	10%	9%	8%	7%	6%	4%	3%	2%	1%
2nd	12%	12%	12%	12%	12%	12%	13%	13%	13%	13%	13%	13%
3rd	10%	10%	10%	10%	11%	11%	11%	11%	11%	11%	11%	11%
4th	9%	9%	9%	9%	9%	9%	9%	9%	10%	10%	10%	10%
5th	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	9%

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column (d) instructions, enter "SL." If the asset is used mainly outside the United States, enter "FP" and see section 168(f)(2). If the asset is retirement-replacement-betterment property, enter "RRB" and see section 168(f)(3). If the asset is property financed by tax-exempt obligations, enter "TEO" and see section 168(f)(12).

Column (f).—Unless you use an alternate percentage, or a special percentage required for certain types of property (as described above in column (e) instructions), multiply the amount in column (c) by the applicable percentage, from the line instructions below, and enter the result in column (f). For property that is not used 100% in a trade or business, or for the production of income, the recovery deduction should reflect the percentage allocated to personal use. If you use an alternate percentage, use the percentage based on the recovery period you chose. Except for 15 and 18-year real property and property requiring a special percentage (as described above), use the same alternate percentage for all property in the same class that you place in service in the same year.

If you elect an alternate percentage, do not figure depreciation by the number of months the property was in use; instead use the half-year convention. The half-year convention treats property as if it were placed in service, or retired, on the first day of the second half of the tax year. However, for 15 and 18-year real property, you can elect an alternate percentage on a property-by-property basis, and the half-year convention does not apply.

Section B, Line 4a—3-year property.—Includes section 1245 class property that:

- Has a midpoint class life of 4 years or less, or
- Is used for research and experimentation, or
- Is a race horse more than 2 years old when you place it in service, or any other horse that is more than 12 years old when you place it in service.

Some examples of 3-year property are: automobiles; light-duty trucks; and machinery and equipment used in connection with research and experiments.

The percentages prescribed for these assets are:

1st year	25%
2nd year	38%
3rd year	37%

Line 4b—5-year property.—Includes section 1245 class property that is not assigned to one of the other recovery classes.

Some examples of 5-year property are: computers and peripheral equipment; office furniture; and single purpose agricultural and horticultural structures (other than a building and its structural components.)

The percentages prescribed for these assets are:

1st year	15%
2nd year	22%
3rd through 5th year	21%

Line 4c—10-year property.—

Includes: public utility property (except 3-year property or section 1250 class property) that has a midpoint class life of more than 18 years and no more than 25 years; section 1250 class property that has a midpoint class life of 12.5 years or less; manufactured homes; railroad tank cars; and qualified coal utilization property which would otherwise be 15-year public utility property. However, under a special rule for theme parks, etc., a building and its structural components shall not be treated as having a class life of 12.5 years or less by reason of any use other than the use for which that building was originally placed in service.

The percentages prescribed for these assets are:

1st year	8%
2nd year	14%
3rd year	12%
4th through 6th year	10%
7th through 10th year	9%

Line 4d—15-year public utility property.—Includes public utility property (except 3-year property or 15 or 18-year real property) that has a midpoint class life of more than 25 years.

The percentages prescribed for these assets are:

1st year	5%
2nd year	10%
3rd year	9%
4th year	8%
5th and 6th year	7%
7th through 15th year	6%

Line 4e—Low-income housing.—Includes property described in clause (i), (ii), (iii), or (iv) of section 1250(a)(1)(B).

Different percentages apply to low-income housing than to 15 or 18-year real property. The percentage to use each year depends on the month you placed the property in service during the tax year. Publication 534 gives complete percentage tables for 15 and 18-year real property. The chart on this page shows for line 4e the percentages prescribed for the first five years.

For qualified rehabilitated buildings, see section 48(g) and Form 3468.

Line 4f—15-year real property.—Includes section 1250 property that does not have a midpoint class life of 12.5 years or less (see special rule for theme parks, etc.) and was under construction or subject to a binding contract on or before March 15, 1984.

Line 4g—18-year real property.—

Generally, real property that is placed in service after March 15, 1984, that is NOT low-income housing, will be treated as 18-year real property. This includes section 1250 class property that does not have a midpoint class life of 12.5 years or less. However, under a special rule for theme parks, etc., a building and its structural components shall not be treated as having a class life of 12.5 years or less by reason of any use other than the use for which that building was originally placed in service. Enter property grouped by the depreciation method elected and the month and year you placed it in service. The percentages to be

used depend on the month of your tax year in which the property was placed in service. The chart below shows the percentages prescribed for the first three years.

Capital improvements made to buildings placed in service prior to 1981 can qualify as recovery property. Capital improvements placed in service before March 16, 1984, will generally qualify as 15-year real property. Capital improvements placed in service after March 15, 1984, will generally qualify as 18-year real property. Such improvements are to be treated as though they were separate buildings.

Include in lines 4f or 4g only the amount of capital expenditures for improvements that were placed in service in your taxable year beginning in 1985. See section 168(f).

Section B, Line 5.—Enter the depreciation for listed property from Part III, Section A, column (g) on page 2.

Section B, Line 6.—Enter the amount of your ACRS deduction for recovery property, other than automobiles and other listed property, placed in service prior to January 1, 1985. This amount is obtained by multiplying the applicable percentage by the unadjusted basis for each of the prior years for each class of property. DO NOT include any amounts deducted in lines 4a through 5.

For assets, other than automobiles and other listed property, placed in service prior to 1985 and for which a recovery deduction was taken on a previous year's tax return, compute the current year's deduction separately, and enter the amount on line 6. The basis and amounts claimed for depreciation in prior years should be part of your permanent books and records. No attachment is necessary.

Section C.—Depreciation of Nonrecovery Property.—Use Section C for property, other than automobiles and other listed property, you do not amortize, expense, or use ACRS to depreciate. This includes:

- Property placed in service before January 1, 1981;
- Certain public utility property, which does not meet certain normalization requirements;
- Certain property acquired from related persons;
- Property acquired in certain nonrecognition transactions; and
- Certain sound recordings, movies, and videotapes.

Section C, Line 7.—Report property that you elect, under section 168(e)(2), to depreciate by the units-of-production method or any other method not based on a term of years. If you use the retirement-replacement-betterment method, see section 168(f)(3).

On a separate sheet, attach: (1) a description of the property and what depreciation method you elect that excludes the property from ACRS; and (2) the depreciable basis (cost or other basis

Line 4g. 18-year real property.—(mid-month convention)

Year	Use the column for the month of taxable year placed in service											
	1	2	3	4	5	6	7	8	9	10	11	12
1st	9%	9%	8%	7%	6%	5%	4%	4%	3%	2%	1%	0.4%
2nd	9%	9%	9%	9%	9%	9%	9%	9%	9%	10%	10%	10%
3rd	8%	8%	8%	8%	8%	8%	8%	8%	9%	9%	9%	9%

reduced, if applicable, by salvage value, half the investment credit, and the section 179 expense).

Enter the depreciation deduction for the property in column (f).

Section C, Line 8.—Enter the total amount of depreciation attributable to assets, other than automobiles and other listed property, acquired before January 1, 1981 (pre-ACRS), or property that cannot otherwise be depreciated under ACRS. This amount should be calculated from your permanent books and records. For a sample worksheet, see Publication 534.

Include any amounts attributable to the Class Life Asset Depreciation Range (CLADR) system. If you previously elected the CLADR system, you must continue to use it to depreciate assets left in your vintage accounts. You must continue to meet recordkeeping requirements.

If you elect CLADR for assets that do not qualify for ACRS (see sections 168(e)(1) and (4)), attach a statement that specifies the items that still apply to those listed in Regulations section 1.167(a)-11(f)(2).

Part II.—Amortization

Each year you may elect to deduct part of certain capital expenses over a fixed period. If you amortize property, the part you amortize does not qualify for the election to expense recovery property or depreciation.

Column (a).—Describe the property you are amortizing. Amortizable property includes:

- Pollution control facilities (section 169, limited by section 291 for corporations).
- Bond premiums (section 171).
- Expenses paid before January 1, 1982, for child-care facilities (section 188).
- Amounts paid for research or experiments (section 174), or for a trademark or trade name (section 177).
- Business start-up expenditures (section 195).
- Qualified reforestation and reforestation costs (section 194).
- Organizational expenses for a corporation (section 248) or partnership (section 709).
- Certain railroad property (section 185).
- Construction period interest and taxes on real property (for exceptions, see section 189).
- Certain rehabilitation expenses of historic structures made before January 1, 1982 (section 191 (as before repeal by Public Law 97-34) and the transitional rule in Public Law 97-34, section 212(e)(2)).
- Optional write-off of certain tax preferences over the period specified in section 58(f).

Column (b).—Enter the date you acquired or completed the property or spent the amount you are amortizing.

Column (c).—Enter the total amount you are amortizing. See the applicable Code section for limits on the amortizable amount.

Column (d).—Enter the Code section under which you amortize the property.

Attach any other information the Code and Regulations may require in order to make a valid election. For additional information, see Publication 535.

Part III.—Specific Information Concerning Automobiles and Other Listed Property

All taxpayers claiming either a depreciation or a lease payment deduction for automobiles and other listed property, regardless of the tax year such property was placed in service, are required to provide IRS with information with respect to the deduction. Listed property includes, but is not limited to:

- Passenger automobiles.
- Any other property used as a means of transportation if the nature of the property lends itself to personal use (e.g., motorcycles, pick-up trucks, etc.).
- Any property of a type generally used for purposes of entertainment, recreation, or amusement (e.g., photographic, phonographic, communication, and video recording equipment).
- Computers or peripheral equipment.

For more information, see Temp. Regs. 1.280F-3T.

Section A.—Depreciation of Automobiles and Other Listed Property

Column (a).—List on a property by property basis all of your listed property in the following order:

- (1) Automobiles and other vehicles;
- (2) 5-year property (computers and peripheral equipment);
- (3) 10-year property; and
- (4) 18-year real property.

If you have more than five vehicles used 100% in your trade or business, you may group them by tax year. Otherwise, list all vehicles separately.

Certain vehicles, by their nature, that are not likely to be used except for a de minimis amount of personal use, do not have to be listed separately. Any depreciation deduction claimed for such vehicles should be included in Part I.

If you are claiming a depreciation deduction for computers and peripheral equipment not used 100% at a principal place of business, you must list such items on a property by property basis. Otherwise, include depreciation in Part I.

Column (b).—Enter the date the property was placed in service. Generally, this is the date of purchase, or the date of lease.

Column (c).—Enter the percentage of business use. For automobiles and other "vehicles," this is determined by dividing the number of miles the vehicle is driven for purposes of a trade or business during the year by the total number of miles the vehicle is driven for any purpose. For vehicles used by employees, other than "disqualified persons," treat the vehicles as being used 100% in your trade or business, if the value of personal use is included in the employees' gross income. For more information see Publication 535. For other listed property (e.g., computers or video equipment), allocate the use on a basis of

the most appropriate unit of time the property is actually used. See Temp. Regs. 1.280F-6T.

If you have property that is used solely for personal use that is converted to business use during the tax year, see Publication 463.

Column (d).—Enter the property's actual cost. For leased property, enter "N/A."

Column (e).—Enter the recovery period you select. See the instructions for Part I, Section B, column (d), for property used more than 50% in your trade or business.

For any listed property used 50% or less in a qualified business use, the recovery deduction must be determined under the straight-line method using the half-year convention and the following recovery periods. The half-year convention does not apply to 18-year property.

In the case of:	The applicable recovery period is:
3-year property	5 years
5-year property	12 years
10-year property	25 years
18-year real property or low-income housing	40 years

For leased property, enter "N/A."

Column (f).—Enter the method of figuring your depreciation deduction. If you are using the prescribed percentages presented in Part I, Section B, enter "PRE."

If you elect an alternate percentage, or if the business percentage is 50% or less, enter "S/L." If you lease the property, and the lessor has not elected under section 48(d) to treat the lessee as having acquired the property, enter "L."

Column (g).—To calculate your allowable depreciation deduction for the current tax year, for property used more than 50% in a qualified trade or business, multiply the property's cost or other basis (column (d)), by the business use percentage (column (c)). Reduce the result by any section 179 expense deduction and one-half of any investment credit claimed. Then, multiply that result by the applicable percentage.

For property used 50% or less in a qualified trade or business, no section 179 expense deduction nor investment credit is allowed. Therefore, multiply the property's cost (column (d)) by the business use percentage (column (c)), then multiply that result by the applicable percentage below.

The following table shows the applicable percentages prescribed for listed property used 50% or less in a trade or business. For complete tables, see Publication 534.

If the recovery year is:	And the recovery period is (in yrs.):	5	12	25
1st		.10%	4%	2%
2nd		.20%	9%	4%
3rd		.20%	9%	4%

Limitations for automobiles.—When calculating your depreciation and/or section 179 expense deduction for automobiles for the first tax year in the recovery period, your deduction is limited to \$4,000 if placed in service after June 18, 1984, but before April 3, 1985, and \$3,200 if placed in service after April 2, 1985.

For succeeding tax years the deduction is limited to \$6,000 if placed in service after June 18, 1984, but before April 3, 1985, and \$4,800 if placed in service after April 2, 1985.

Note: These limitations are further reduced when the percentage of business use (column (c)) is less than 100%. For example, if an automobile is placed in service after April 2, 1985, and is used 60 percent for business, then the first year depreciation and/or section 179 expense deduction is limited to 60 percent of \$3,200, which is \$1,920.

For leased automobiles, see Publication 534 and Temporary Regulations 1.280F-5T, for amounts to be included in gross income.

Column (h).—Enter the amount you choose to expense for property used more than 50% in a qualified business use, (subject to limitations noted above).

Section B.—Questions Regarding Use of Automobiles and Other Listed Property.

All taxpayers are required to answer Questions 1 and 2. If they are claiming a deduction for an automobile or any other listed property, regardless of the tax year such property was placed in service, whether leased or owned.

For employers providing vehicles to their employees, a written policy statement regarding the use of such vehicles, if initiated and kept by the employer, will relieve the employee of keeping a separate set of records for substantiation requirements.

There are two types of written policy statements that will satisfy the employer's substantiation requirements under section 274(d). The first type which prohibits personal use, including commuting, must meet the following conditions:

- The vehicle is owned or leased by the employer and is provided to one or more employees for use in connection with the employer's trade or business;
- When the vehicle is not used in the employer's trade or business, it is kept on the employer's business premises, unless it is temporarily located elsewhere, for example, for maintenance or because of a mechanical failure;
- No employee using the vehicle lives at the employer's business premises;
- No employee may use the vehicle for personal purposes, other than de minimis personal use (such as a stop for lunch between two business deliveries); and

• The employer reasonably believes that, other than de minimis use, no employee uses the vehicle for any personal purpose.

The second type prohibits personal use, except for commuting. This is NOT available if the employee using the vehicle for commuting is a "disqualified person." For commuting done from January 1, 1985, through March 22, 1985, "disqualified persons" are officers and 5% or more owners of the employer. For commuting done after March 22, 1985, "disqualified persons" are officers and 1% or more owners of the employer. This type of written policy statement must meet the following conditions:

- The vehicle is owned or leased by the employer and is provided to one or more employees for use in connection with the employer's trade or business and is used in the employer's trade or business;
- For bona fide noncompensatory business reasons, the employer requires the employee to commute to and/or from work in the vehicle;
- The employer establishes a written policy under which the employee may not use the vehicle for personal purposes, other than commuting or de minimis personal use (such as a stop for a personal errand between a business delivery and the employee's home);
- The employer reasonably believes that, except for de minimis use, the employee does not use the vehicle for any personal purpose other than commuting;
- The employee required to use the vehicle for commuting is not a disqualified person; and
- The employer accounts for the commuting use by including an appropriate amount in the employee's gross income.

For both written policy statements there must be evidence that would enable the Commissioner to determine whether the use of the vehicle meets the conditions stated above.

Section C.—Information Regarding Use of Vehicles.

Employees are to provide their employers with the information requested in Questions 6 through 12 for each automobile or vehicle provided for his or her use.

Generally, employers providing more than five vehicles to their employees, other than disqualified persons, are not required to complete Questions 6 through 12. Instead, they are to obtain this information from their employees, check "Yes" to Question 5, and retain the information received as part of their permanent records. Generally, employers who provide five or fewer vehicles to their employees are to complete Questions 6 through 12 for each vehicle. However, there are exceptions. See Questions 3 and 4.

Form 6765		Credit for Increasing Research Activities (or for claiming the orphan drug credit)		OMB No. 1545-0619
Department of the Treasury Internal Revenue Service		Name(s) as shown on return		Identifying number
		▶ Attach to your tax return		1985 81
Part I Orphan Drug Credit				
1 Qualified clinical testing expenses (do not include any amounts claimed as current year research expenses in 14(a) below)				
2 Enter 50% of line 1 (see instructions)				2
3 Flow-through orphan drug credit(s) from a partnership, S corporation, estate or trust				3
4 Total—Add lines 2 and 3				4
Part II Tax Liability Limitation—For Figuring Orphan Drug and Research Credits				
5 a Individuals—From Form 1040, enter amount from line 46				
b Corporations (1120 filers)—From Form 1120, Schedule J, enter tax from line 3				
c Other filers—Enter tax before credits from return				
6 a Individuals—From Form 1040, enter any foreign tax credit from line 47				
b Corporations (1120 filers)—From Form 1120, Schedule J, enter any credits from lines 4(a) and 4(b)				
c Other filers—Enter any personal credits, foreign tax credit, and possessions tax credit				
7 Income tax liability as adjusted (subtract line 6 from line 5)				7
Part III Allowed Orphan Drug Credit				
8 Orphan drug credit—Enter here and on the appropriate line of your return the smaller of line 4 or line 7				
Part IV Research Credit (FY 1985-86 filers, see note at beginning of instructions)				
		(a)	(b)	
		Current tax year	Base period	
9 Wages for qualified services (do not include wages used in figuring the jobs credit)		9		
10 Cost of supplies used in conducting qualified research		10		
11 Rental or lease costs of personal property used in conducting qualified research		11		
12 65% of contract expenses for qualified research (but see line 13 below)		12		
13 Corporations—65% of amounts paid to qualified organizations for basic research		13		
14 Total qualified research expenses (add lines 9 through 13 in columns (a) and (b))		14		
15 Subtract line 14 column (b) from line 14 column (a)		15		
16 Limitation—Enter 50% of line 14 column (a)		16		
17 Enter the smaller of line 15 or line 16		17		
18 Tentative credit—Enter 25% of line 17		18		
19 Carryback and carryover of unused credit(s)		19		
20 Add lines 18 and 19		20		
21 Flow-through research credit(s) from a partnership, S corporation, estate or trust (including any related carryback or carryover of unused research credit(s))		21		
22 Total allowable research credit—Add lines 20 and 21		22		
23 Income tax liability as adjusted for the research credit (From line 7 above, subtract any orphan drug credit shown on line 8 and any nonconventional source fuel credit shown on your return)		23		
Part V Allowed Research Credit				
24 Corporations (1120 filers)—Enter here and on the appropriate line of your return the smaller of line 22 or line 23				
25 Individuals, estates and trusts—Enter here and on the appropriate line of your return the smaller of line 22 or the amount from the formula in the instructions for line 25 (but do not enter more than line 23)				
Fiscal-Year Filers				
The Parts IV and V research credit may be claimed only for incremental research expenses paid or incurred before January 1, 1986.				
At the time we printed this form, it was uncertain whether Congress would extend this deadline. We will use news media and other means available to provide you with information and instructions on any change.				
Instructions				
(Section references are to the Internal Revenue Code, unless otherwise noted.)				

Form 6765 (1985)

Form 6765 (1985)

If you incur qualified clinical testing expenses relating to drugs for certain rare diseases, you may elect to claim a 50% credit for these expenses instead of taking the research credit. These "orphan drug" expenses are not limited to 65% of contract expenses, as with the research credit, but there are no carryover provisions if you cannot make use of the orphan drug credit in the current year.

Even though you cannot use the same expenses to claim both the research credit and the orphan drug credit, any expenses used in computing the orphan drug credit must be included in any research credit "base period" computations in future years (if the credit is extended).

Who Must File.—Any individual, estate, trust, organization or corporation claiming a credit for increasing research activities or a credit for orphan drug expenses, or any S corporation, partnership, estate or trust that shares the credit(s) among its shareholders, partners, or beneficiaries should attach this form to its income tax return.

S corporations, partnerships, estates, and trusts that share the credit(s) on lines 4 and 22 among their shareholders, partners, or beneficiaries must show on Schedule K-1, or on an attachment to Schedule K-1, the credit for each shareholder, partner, or beneficiary.

For more details on allocation of the credit, see section 30(f)(2).

Carryback and Carryover of Unused Credit.—Any research credit that you cannot use because it is more than the adjusted tax liability figured on line 23 of Form 6765 or the tax liability computed in the formula in the instructions for line 25 of the form may be carried back to each of the 3 years before the year the unused credit originated (unused credit year), beginning with the earliest.

If you have an unused credit after carryback, it may be carried forward to each of the 15 years after the unused credit year. (There are no carryback or carryover provisions for the orphan drug credit.)

Special Rules

(1) Trades or Businesses that are Under Common Control.—For a group of trades or businesses under common control (whether or not incorporated), the credit for increasing research activities and the orphan drug credit are figured as if all the organizations are one trade or business. The credit figured for the group must then be shared among the members of the group on the basis of each member's proportionate share of clinical testing expenses or each member's proportionate contribution to the increase in research expenses (line 1 or line 15 of a separate Form 6765). See section 30(f)(1).

(2) Adjustments for Certain Acquisitions and Dispositions.—If a major portion of a trade or business is acquired or disposed of, adjustments must be made to research expenses for the period before or after the acquisition or disposition. See section 30(f)(3) for details.

(3) Short Tax Year.—For any short tax year, qualified research expenses are annualized as prescribed by regulations. Publication 906.—For more detailed information, please get Publication 906, Jobs and Research Credits.

Specific Instructions

Note: If you are a shareholder, partner, or beneficiary with a credit from two sources, such as from a sole proprietorship and a partnership, figure the credit of the proprietorship on lines 1 and 2 of Form 6765, or lines 9 through 18 if you are claiming the research credit. Then enter the flow-through credit from the partnership on line 3 or line 21 and complete the rest of the form to determine the credit to be entered on your tax return.

Qualified research does not include research conducted outside the United States, research in the social sciences or humanities, and research to the extent funded by any grant, contract, or otherwise by another person (or any governmental entity). See section 30 for other exceptions and special rules.

Part I.—Orphan Drug Credit

The definition of qualified clinical testing expenses closely parallels the definition of qualified research expenses, except that clinical testing expenses are not limited to 65% of any contract research expenses. Also, there are no carryback or carryover provisions for the orphan drug credit.

See section 28 for more details on claiming the orphan drug credit.

Caution: In order to claim the credit, the expenses must be for a drug that has been designated as an orphan drug under section 526 of the Federal Food, Drug, and Cosmetic Act, and related regulations.

Line 2.—You must reduce the deduction for qualified clinical testing expenses for any amount of your income tax otherwise allowable on your income tax return by the amount of the credit shown on line 2. See section 280C(b) for special rules on expenses you capitalize rather than deduct, and rules for controlled groups.

Line 8.—Include the orphan drug credit on the appropriate line of your 1985 tax return. If it is not listed separately on the return, include the credit on the "other credits" or "total credits" line; then write "ORPHAN DRUG CREDIT" and the amount on the dotted line to the left of the entry amount.

Part IV.—Research Credit

Lines 9 through 13, column b.—Base period research expenses are the average of the annual qualified research expenses for the 3 years immediately before the current tax year. Newly organized businesses are treated as having been in business with no qualified research expenses during the base period before the business began. Because the research credit is scheduled to expire December 31, 1985, if you are a fiscal-year 1985-86 taxpayer you may only claim research expenses paid or incurred through December 31, 1985. You must also adjust your base period research expenses (lines 9 through 13, column b) to make them comparable with the expenses paid in the less-than-12-month period that the law was in effect during your tax year. To do this, divide your base period research expenses by 12 and multiply the result by the number of months in your fiscal year that are in 1985.

Line 11.—See section 30(b)(2)(A) for special rules on leased property if you receive payments from anyone for the rental or lease of substantially identical property.

Page 2

Line 12.—You may include 65% of any amount paid or incurred for qualified research performed on your behalf. Prepaid contract research expenses are considered to be paid in the year the research is actually done.

Line 13.—Corporations.—Contract research expenses also include 65% of any amount paid or incurred by a corporation to any qualified organization for basic research. The amount must be paid or incurred pursuant to a written research agreement between the corporation and the organization. Prepaid basic research expenses are considered to be paid in the year the research is actually done. See section 30(e) for other details.

Line 16.—Base period research expenses cannot be less than 50% of current year research expenses. This rule applies both to existing businesses and newly organized businesses.

Lines 3 and 21.—The credit(s) figured on lines 1 through 4 and on lines 9 through 22 by an S corporation, partnership, estate, or trust are apportioned to the individual shareholders, partners, or beneficiaries, respectively. This apportioned credit (and any unused credit from these entities) is entered on line 3 or line 21 of a separate Form 6765 to determine the allowed credit(s) to be entered on their tax returns.

Line 22.—Estates or trusts.—An estate or trust completes lines 9 through 22 and apportions the current year credit on line 22 between the estate or trust and the beneficiaries on the basis of the income of the estate or trust allocable to each. The estate or trust then enters its share of the credit on line 18 of a separate Form 6765 and completes the rest of the form, as applicable, to determine its allowed credit to be claimed on Form 1041. Both forms are attached to Form 1041 for the tax year the credit is earned. The beneficiaries' share will be apportioned to the individual beneficiaries and each beneficiary determines his or her allowed credit as explained above.

Lines 24 and 25.—Claim the credit by including it in the appropriate line of your 1985 tax return. If the research credit is not listed separately on the return, include the credit on the "other credits" or "total credits" line; then write "RESEARCH CREDIT" and the amount on the dotted line to the left of the entry amount.

Line 25 Limits.—If you are an individual, estate, or trust, the credit(s) on lines 20 or 21 is limited to the current year tax liability on line 23 attributable to your interest in the proprietorship, partnership, S corporation, estate or trust generating the credit or carryover. This amount is figured separately for each business enterprise by using the following formula:

Taxable income attributable to your interest in the unincorporated business, 1065, 1041, or 1120S entity

Line 23 x Taxable income for the year (Form 1040, line 37)

When using the formula, the result is limited to 100% of the line 23 income tax liability.

If in the current tax year you had no taxable income attributable to a particular business interest, you cannot claim any research credit this year related to that business.

User Survey

Statistics of Income — 1985 — Corporation Income Tax Returns

Please take a few moments to answer the following questions concerning this *Statistics of Income* publication. Your responses will enable us to direct our efforts to meeting the needs of our users. After indicating your responses, please fold, tape, and mail. No postage is required. Thank you for your assistance.

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4. Rank in order of importance to you the following sections of the publication.

- | | |
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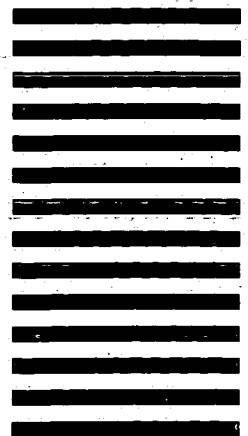
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Section	
1	Introduction
2	Changes in Law and Regulations
3	Sample and Limitations of the Data
4	Basic Tables
•	Index to Explanation of Terms
5	Explanation of Terms
6	Forms and Instructions
•	User Survey (Form 6839)