Foreign-Controlled Domestic Corporations, 2010

by James R. Hobbs

For Tax Year 2010, some 73,210 foreign-controlled domestic corporations (FCDCs) collectively reported $4.1 trillion of receipts and $11.2 trillion of assets.[1] While Federal income tax returns for FCDCs accounted for just 1.3 percent of all United States (U.S.) corporate returns, they made up 15.5 percent of total receipts and 14.1 percent of total assets.[2] Foreign business activity in the U.S. can take several forms, including corporations. A foreign investor may own stock in a U.S. (i.e., domestic) company or one that operates in the U.S. as a branch of a foreign corporation.[3,4] The focus of this article, FCDCs, is domestic corporations "controlled" by foreign persons. This control is ownership by one foreign "person," directly or indirectly, of 50 percent or more of a U.S. corporation's voting stock, or 50 percent or more of the value of all of the corporation's stock, at any time during the accounting period.[5,6] A person is an entity, including an individual, corporation, partnership, estate, or trust. (See "Foreign person" and "Constructive ownership rules" in the Explanation of Selected Terms section of this article.)

Total receipts for FCDCs rose substantially, by 15.3 percent, compared to 5.8 percent for all corporations between 2009 and 2010. FCDCs accounted for 15.5 percent of total receipts reported by corporations in 2010, up from 14.2 percent in 2009. Total receipts includes all income actually (as opposed to constructively) received by a corporation and reported to the Internal Revenue Service (IRS) for the tax year.

Total profits, or "net income (less deficit)," reported by FCDCs for tax purposes under the Internal Revenue Code rose significantly to $99.2 billion for 2010, compared to $36.4 billion for 2009. FCDC profits accounted for 7.3 percent of all profits reported by corporations for 2010, up from 4.0 percent from the previous year. Placed in context, profits for all corporations totaled $1.4 trillion, also a significant increase compared to $0.9 trillion for 2009.

About 43 percent (31,473) of FCDCs reported positive profits totaling $174.3 billion with taxable income (i.e., "income subject to tax") of $127.2 billion for 2010. The U.S. tax liability (i.e., "total income tax after credits") of FCDCs was $33.2 billion for 2010, up 17.4 percent from the prior year. In comparison, the U.S. tax liability reported on all corporate returns was $223.0 billion for 2010 or 8.8 percent more than that for 2009.

Tax Return Forms

Foreign-controlled domestic corporations report tax information on: (1) Form 1120, *U.S. Corporation Income Tax Return*; (2) Form 1120-L, *U.S. Life Insurance Company Income Tax Return*; (3) Form 1120-PC, *U.S. Property and Casualty Insurance Company Income Tax Return*; (4) Form 1120-REIT, *U.S. Income Tax Return for Real Estate Investment Trusts*; and (5) Form 1120-RIC, *U.S. Income Tax Return for Regulated Investment Companies*. The FCDC statistics include data from these tax returns, unless otherwise stated. Data for all corporations include (unless otherwise stated) these same five forms, and two types filed by domestic corporations: Form 1120-A, *U.S. Corporation Short-Form Income Tax Return*, and Form 1120S, *U.S. Income Tax Return for an S Corporation*. Also included in the corporate total is Form 1120-F, *U.S. Income Tax Return of a Foreign Corporation*, for foreign corporations with income effectively connected with a U.S. trade or business. All of these form types are included in the Statistics of Income Corporate Study, from

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[1] Data for Tax Year 2010 are based on FCDC income tax returns with accounting periods ending between July 2010 and June 2011. (See the Period Covered section of this article for additional information.) For additional Tax Year 2010 statistics covering foreign-controlled domestic corporations, see Tables 24 and 25 of *Statistics of Income—2010, Corporation Income Tax Returns*, IRS Publication 16, May 2013. Statistics for tax years prior to 2010 are available in earlier editions of Publication 16. For 2009 statistics covering FCDCs, see Hobbs, James R., "Foreign-Controlled Domestic Corporations, 2009," *Statistics of Income Bulletin*, Summer 2012, Volume 32, Number 1. FCDC data are included on the IRS Internet site at www.irs.gov, under Tax Stats/International/Foreign-Controlled Domestic Corporations.

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

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

[4] In addition to the foreign-controlled domestic corporations study discussed in this article, the Statistics of Income program conducts a separate study covering branches of foreign corporations operating in the United States. For the most recent statistics from that study, see Tables 10 and 11 that cover branch operations of foreign corporations with income "effectively connected" with a U.S. trade or business, in *Statistics of Income—2010, Corporation Income Tax Returns*, IRS Publication 16. Statistics for tax years prior to 2010 are available in earlier editions of Publication 16 and on the IRS Internet site at www.irs.gov, under Tax Stats/International/Foreign Corporations with U.S. Business Operations.

[5] This study excludes returns of domestic corporations with stock owned by a single foreign person of 49 percent or less. However, the tax forms filed by domestic corporations do indicate the presence of 25-percent to 49-percent foreign owners, and the Statistics of Income program does separately compile data on these domestic corporations. For 2010, some 5,152 returns indicated a level of foreign ownership between 25 percent and 49 percent. These companies reported $217.5 billion of assets, $150.0 billion of receipts, $5.7 billion of taxable income, and $1.5 billion of total income tax after credits. All of these amounts were small in comparison to data for the corporations with at least 50-percent foreign ownership. This study also excludes domestic corporations with only foreign "portfolio" investors. A foreign portfolio investor, having only a minimal interest in a domestic company, exerts no control over the management of a domestic corporation, except to the extent, for example, of the rights to vote in corporate stockholder meetings. A foreign portfolio investor primarily seeks dividend payments, an increase in the company's stock value, or both.

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

which FCDC statistics are derived.[7] However, FCDCs cannot file Forms 1120-A, 1120-F, or 1120S.

Growth of FCDCs, 1971–2010

The growth of FCDCs can be measured from the early 1970s, when a question concerning foreign ownership of corporations was first asked on the income tax return. For Tax Year 1971, the 5,154 FCDCs reported $36.7 billion of total assets and $39.2 billion of total receipts. They accounted for just 0.3 percent of returns, 1.3 percent of assets, and 2.1 percent of receipts reported by all corporations for that year (Table 1).

A 10-year period (most recent data for Tax Years 2001-2010) shows that FCDC returns have been a rather constant percentage of all corporate return filings—between 1.0 percent and 1.3 percent. Foreign-controlled domestic corporations filed 60,618 returns for 2001 and 73,210 for 2010, a 20.8-percent increase. During this period, the number of U.S. corporation income tax returns grew by 13.2 percent, from 5.1 million to 5.8 million. This increase in total filings of U.S. corporation income tax returns has largely been due to the growth in the number of Forms 1120S filed by S corporations. Form 1120S returns made up 58.2 percent of all corporation returns (3.0 million of the total 5.1 million returns) for 2001, compared to 71.0 percent of all returns (4.1 million of the total 5.8 million returns) in 2010. FCDCs are not eligible to elect to be treated as S corporations for Federal income tax purposes. (See “S corporations” in the Explanation of Selected Terms section of this article.)

The counts of corporation income tax returns include consolidated returns. These returns contain the combined financial data of two or more corporations in which a common parent corporation owns at least 80 percent of the stock of at least one member of the group, and at least 80 percent of the stock of each other member of the group is owned within the group. For the purposes of this study, a consolidated return filed by a common parent is treated as a single unit, with each statistical item representing the combined data of the affiliated group.

FCDCs, like most other corporations, could elect to file consolidated returns for affiliated groups of domestic corporations. For 2010, FCDCs filed 5,897 consolidated returns, accounting for 8.1 percent of all FCDC returns. These returns accounted for the majority of economic activity reported by all FCDCs. Specifically, they accounted for $10.0 trillion of assets (88.5 percent of the total for all FCDCs), $3.4 trillion of receipts (84.8 percent of the total), $89.7 billion of profits (90.4 percent of the total), $105.8 billion of taxable income (83.1 percent of the total), and $26.7 billion of total income tax after credits (80.4 percent of the total). To the extent that FCDCs filed consolidated income tax returns, the data included in this article actually represent more corporations than the stated number of returns.

The growth of foreign investment in the U.S. by foreign-controlled domestic corporations during the last 10 years was evident in most of the financial items.[8] In particular, the assets of FCDCs rose 73.0 percent between 2001 ($6.5 trillion) and 2010 ($11.2 trillion), compared to 62.6 percent for those reported on all U.S. corporation income tax returns ($49.2 trillion for 2001 to $79.9 trillion for 2010).[9] As a result of these changes, the percentage of total corporate assets accounted for by FCDCs increased from 13.2 percent for 2001 to 14.1 percent for 2010 (Figure A).

Total receipts of FCDCs increased by 63.4 percent between 2001 ($2.5 trillion) and 2010 ($4.1 trillion), compared to a 29.2-percent increase for all corporations ($20.3 trillion for 2001 to $26.2 trillion for 2010). As a result, the share of the receipts reported on all corporate returns attributed to FCDCs increased from 12.3 percent for 2001 to 15.5 percent for 2010, the highest share for any reported year.

Receipts, Deductions, and Profits

A corporation’s total receipts include all income “actually” received during the year. These receipts include business receipts, as well as investment and incidental income. Business receipts are gross receipts from sales

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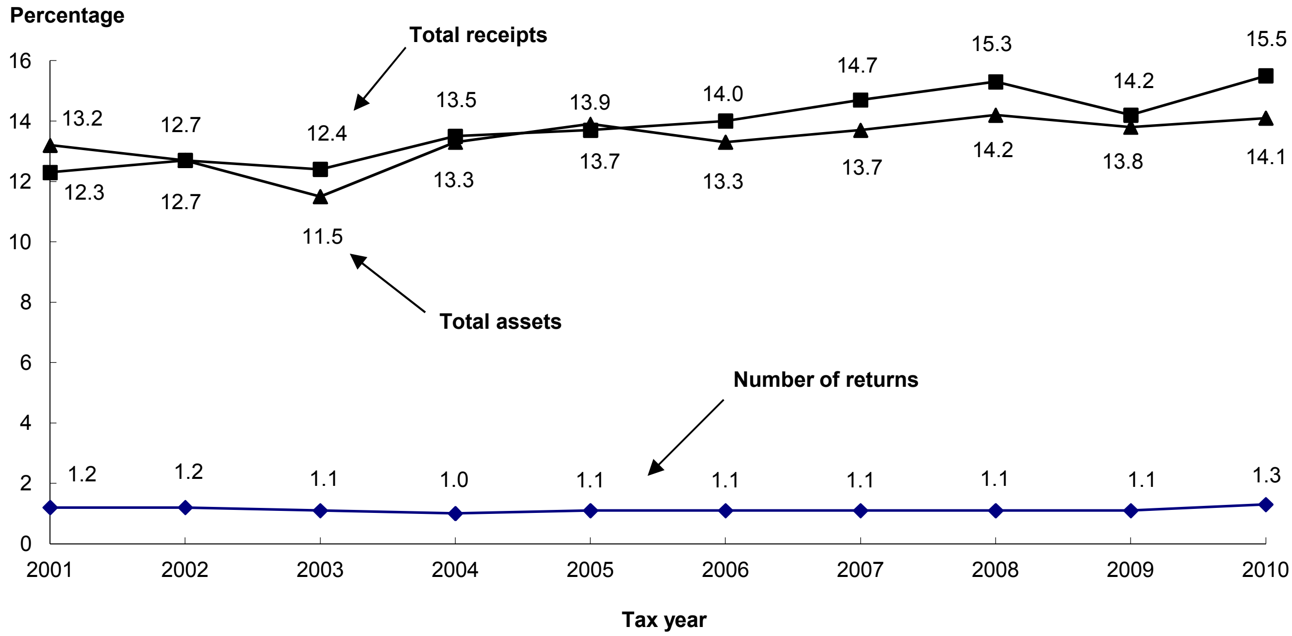
[7] As a result of the Statistics of Income (SOI) sampling process, data shown in this article for “all corporations” exclude certain out-of-scope returns, such as returns for homeowners’ associations (Form 1120-H), certain political organizations (Form 1120-POL), exempt farmers’ cooperatives (Form 1120-C), and nonprofit corporations. For a more complete listing of the returns excluded from the SOI corporation sample, see the Description of the Sample and Limitations of the Data section of *Statistics of Income—2010, Corporation Income Tax Returns*. On the other hand, in addition to legally defined corporations, the Internal Revenue Code recognizes many types of businesses as corporations, including joint stock companies and unincorporated associations (e.g., certain partnerships, savings and loan associations, mutual savings banks, cooperative banks, and business trusts). These organizations possess characteristics typical of the corporate form, such as continuity of life, limited liability of owners, and transferability of shares of capital ownership. They filed Forms 1120 and were included in the SOI corporation sample.

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

[9] The percentage changes in the assets between 2001 and 2010 of domestic corporations controlled by foreign persons, as well as those of all corporations, may overstate the actual “change in investment.” Assets are generally reported at book value on tax returns (i.e., the value at the time of acquisition). The book value of newly acquired assets is generally greater than the book value of similar assets they replaced.

Figure A

Foreign-Controlled Domestic Corporations as a Percentage of All Corporations, Tax Years 2001–2010



and operations and frequently make up most of a corporation's total receipts. Investment income includes interest, dividends, and gains on the sale or exchange of both capital and noncapital assets. Interest, in turn, includes both taxable interest from all sources and nontaxable interest on State and local government obligations.

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

In this article, receipts and deductions of FCDCs do not include amounts generated by their foreign parent or other related foreign companies. However, FCDCs could have had business transactions with their related foreign companies. FCDC receipts and deductions stemming from these transactions are included in the statistics.[10]

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

FCDCs produced substantially more total receipts during the year, rising 15.3 percent from $3.5 trillion in 2009 to $4.1 trillion in 2010 (Figure B). About 90 percent of the total receipts reported by domestic corporations controlled by a foreign person consisted of "business receipts" (i.e., receipts from sales and operations). While total receipts increased between 2009 and 2010, the

[10] For the most recent detailed information on transactions between "foreign-owned domestic corporations" and their related foreign persons, see Goodwin, Isaac J., "Transactions Between Large Foreign-Owned Domestic Corporations and Related Foreign Persons, 2008," *Statistics of Income Bulletin*, Fall 2012, Volume 32, Number 2. The data contained in that article are not completely comparable to the data contained in this article, since they cover different periods and are for U.S. corporations owned (25 percent or more) by a foreign person. By contrast, the foreign ownership level used for the FCDC statistics shown in this article was 50 percent or more. Additionally, returns included in the "foreign-owned" study showed total receipts of $500 million or more and reported transactions with related foreign persons on Form 5472, *Information Return of a 25-Percent Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business.* Neither of these conditions was a requirement for inclusion in the FCDC study.

Figure B

Selected Items of Foreign-Controlled Domestic Corporations, Tax Years 2009–2010

[Money amounts are in millions of dollars]

Selected item	Tax year 2009	Tax year 2010	Percentage change
	(1)	(2)	(3)
Number of returns, total	**66,197**	**73,210**	**10.6**
With net income	25,158	31,473	25.1
With total income tax after credits	18,745	23,088	23.2
Total assets	**10,461,430**	**11,245,199**	**7.5**
Net worth	2,219,651	2,317,910	4.4
Total receipts	**3,518,194**	**4,056,172**	**15.3**
Business receipts	3,147,948	3,671,712	16.6
Interest [1]	175,969	161,677	-8.1
Royalties	17,810	18,139	1.8
Dividends received from domestic corporations	3,807	4,758	25.0
Dividends received from foreign corporations	9,832	9,646	-1.9
Total deductions	**3,487,675**	**3,966,077**	**13.7**
Cost of goods sold	2,204,868	2,655,897	20.5
Compensation of officers	16,313	18,339	12.4
Salaries and wages [2]	262,260	279,307	6.5
Interest paid	151,639	136,187	-10.2
Depreciation	113,140	123,810	9.4
Total receipts less total deductions	**30,519**	**90,095**	**195.2**
Constructive taxable income from related foreign corporations, total	7,926	10,752	35.7
Includable income of controlled foreign corporations	3,127	5,218	66.9
Foreign dividend income resulting from foreign taxes deemed paid	4,799	5,534	15.3
Net income (less deficit)	**36,431**	**99,173**	**172.2**
Net income	152,727	174,256	14.1
Deficit	-116,296	-75,083	-35.4
Statutory special deductions, total	55,649	50,415	-9.4
Net operating loss deduction	43,072	41,611	-3.4
Income subject to tax	**105,152**	**127,237**	**21.0**
Total income tax before credits	**37,783**	**45,078**	**19.3**
Income tax	36,631	44,404	21.2
Alternative minimum tax	1,118	627	-43.9
Foreign tax credit	7,890	9,640	22.2
General business credit	1,433	1,896	32.3
Total income tax after credits	**28,271**	**33,192**	**17.4**

[1] Excludes nontaxable interest received on State and local government obligations.
[2] Excludes amounts included in cost of goods sold.
NOTE: Percentages are computed using rounded data.

amount for 2010 ($4.1 trillion) was still less than the prerecession totals for 2007 ($4.2 trillion) and 2008 ($4.4 trillion). To put this in perspective, total receipts reported on all U.S. corporate income tax returns increased by 5.8 percent between 2009 and 2010, but remained less than the 2007 and 2008 levels. (See “Total receipts” and “Business receipts” in the Explanation of Selected Terms section.)

Along with the increased receipts of FCDCs, these companies also substantially increased their costs as measured by total deductions, which rose by 13.7 percent, from $3.5 trillion in 2009 to $4.0 trillion in 2010. Cost of goods sold was about two-thirds of that total. The resulting difference between total receipts and total deductions markedly increased to $90.1 billion for 2010, up from $30.5 billion for 2009. (See “Total deductions” and "Cost of goods sold" in the Explanation of Selected Terms section.)

It is noteworthy to look at the "gross profit" of FCDCs. Gross profit is the difference between business receipts and cost of goods sold. Two important industrial sectors for FCDCs, manufacturing and wholesale trade, accounted for most of the reported amounts of business receipts and cost of goods sold. In manufacturing, FCDCs reported $.77 of cost of goods sold for every dollar of business receipts, while the amount was $.73 for all other corporations classified in this sector, excluding S corporations because of their passthrough nature of income or losses to their shareholders. Thus, FCDCs had smaller gross profits than other corporations, $.23 compared to $.27 for every dollar of business receipts. In wholesale trade, all FCDCs reported $.83 of cost of goods sold for every dollar of business receipts. The amount was slightly less ($.81) for all other corporations classified in this sector (again, excluding S corporations). As a result, FCDCs had smaller gross profits than other corporations, $.17 and $.19, respectively, for every dollar of business receipts.

Taxable interest received by FCDCs for Tax Year 2010 amounted to $162 billion, or 4.0 percent of their total receipts. Interest paid by FCDCs for the year amounted to $136 billion, or 3.4 percent of their total deductions. Complete income statement statistics of FCDCs are shown in Tables 24 and 25 of *Statistics of Income—2010, Corporation Income Tax Returns,* IRS Publication 16.

FCDCs total receipts less total deductions equaled $90.1 billion for 2010, while net income (less deficit) amounted to $99.2 billion. Total receipts less total deductions include all income actually received by corporations, while net income (less deficit) focuses on taxable sources of corporate income, including "constructive" taxable income, which is made up of includable income from foreign corporations owned by U.S. shareholders and foreign dividend gross-up. (See "Constructive taxable income from related foreign corporations" in the Explanation of Selected Terms section for discussions of these terms.) Also, unlike total receipts less total deductions, net income (less deficit) excludes nontaxable interest on State and local government obligations.[11] For 2010, FCDCs reported $10.8 billion of constructive taxable income, and received $1.7 billion of nontaxable interest on State and local government obligations.

Net income (less deficit) reported by FCDCs rose 172.2 percent to $99.2 billion for 2010, up from $36.4 billion for the previous year. In comparison, net income (less deficit) reported on all corporation income tax returns increased 47.6 percent to $1.4 trillion for 2010, up from $0.9 trillion reported for 2009.

The total FCDC net income (less deficit) reported for 2010 ($99.2 billion) resulted from 31,473 corporations collectively reporting $174.3 billion of positive net income and 41,737 companies reporting $75.1 billion of deficits.[12] Thus, more than four out of every ten (43.0 percent) domestic corporations with foreign owners reported a positive net income. In comparison, 56.2 percent of all corporations filing U.S. income tax returns reported a positive net income for the year.

The percentage of FCDCs reporting positive net income varied greatly among the different industrial groups. At the industrial sector level, the portion reporting positive net income ranged from a low of 3.1 percent for health care and social assistance to a high of 85.0 percent for educational services. For the more predominant sectors of FCDCs, the percentages of profitable companies were 50.4 percent for manufacturing and 55.2 percent for wholesale trade.

The $75.1 billion of deficits for 2010 could be carried back or forward to other tax years, under prescribed rules, to reduce the taxable income of those years (see "Net operating loss deduction" (NOL) in the Explanation of Selected Terms section). Net operating losses carried back to Tax Year 2010 from 2011 and beyond, and reported on Forms 1120X and 1139, are not included in the statistics shown in this article.[13] However, NOLs carried forward to Tax Year 2010 from prior years are included in the statistics and discussed in the next section.

Taxable Income and Taxes

For most corporations, taxable income (i.e., "income subject to tax") is generally equal to positive net income less

[11] In general, the computation of net income (less deficit) can be shown as follows:
Begin With: Total Receipts (includes Business Receipts)
Less: Total Deductions (includes Cost of Goods Sold)
Equals: Total Receipts Less Total Deductions
Plus: Constructive Taxable Income from Related Foreign Corporations (includes Includable Income from Controlled Foreign Corporations and Foreign Dividend Gross-Up)
Less: Nontaxable Interest on State and Local Government Obligations (included in Total Receipts, above)
Equals: Net Income (Less Deficit)

[12] The 41,737 companies reporting a deficit may include a small number of "break-even" companies, i.e., those whose receipts and deductions were equal.

[13] When a company carried back a deficit to a previous tax year, it could file Form 1120X, *Amended U.S. Corporation Income Tax Return*, or Form 1139, *Corporation Application for Tentative Refund*.

statutory special deductions.[14] Statutory special deductions include deductions for net operating loss (NOL) carryovers from prior years and special deductions for dividends and other corporate attributes allowed by the Internal Revenue Code. For 2010, the difference between the $174.3 billion of positive net income and $127.2 billion of taxable income was, for the most part, the result of statutory special deductions. The net operating loss deduction was $41.6 billion and accounted for 82.5 percent of the $50.4 billion of total statutory special deductions. In calculating taxable income for 2010, FCDCs reduced their positive net incomes by 23.9 percent using NOLs carried over from prior years. NOLs of taxable years prior to 2010 could first be carried back 2 years to reduce the taxable income of those years. Any remaining amounts of NOLs not used to decrease taxable income of those years, could be carried forward to offset taxable income for up to 20 years, including taxable income for 2010.

For 2010, foreign-controlled domestic corporations reported $127.2 billion of taxable income. This was the base on which $44.4 billion of income tax was computed. The $45.1 billion of total income tax before credits reported by FCDCs consisted primarily of the income tax, plus alternative minimum tax and certain other taxes. The alternative minimum tax was $0.6 billion. The remaining taxes comprised a very small part of the total.

Tax credits totaling $11.9 billion reduced the U.S. income tax liability of foreign-controlled domestic corporations from $45.1 billion to $33.2 billion for 2010. The largest credits claimed were $9.6 billion of foreign tax credits and $1.9 billion of general business credits. The $33.2 billion of total U.S. income tax after credits represent the tax liability as originally reported by taxpayers. However, this amount may differ from the actual income tax collected and the final income tax liability of corporations for the year. The originally reported tax liability does not take into account either: (1) amended or superseded returns filed by the corporations, or (2) IRS adjustments made as a result of tax examinations or enforcement activities. Among other reasons, corporations could file amended returns to use carryback provisions for net operating losses and unused foreign tax and general business credits earned in future tax years.

The percentage of FCDCs reporting U.S. tax liabilities (i.e., total income tax after credits) for 2010 was 31.5 percent, significantly higher than the 28.3 percent for 2009. The amount of tax liability reported by FCDCs also increased to $33.2 billion for 2010 from $28.3 billion for 2009, a 17.4-percent increase.[15]

Industry Characteristics

For 2010, foreign-controlled domestic corporations were involved in each of the 19 industrial sectors (treating wholesale trade and retail trade as separate sectors) listed in Figure C. However, 67 percent (49,122) of FCDCs reported primary business activities in one of the following industrial sectors: (1) wholesale trade (16,996); (2) real estate and rental and leasing (14,660); (3) professional, scientific, and technical services (9,563); and (4) manufacturing (7,903). By comparison, relatively few FCDCs were primarily involved in health care and social assistance (382), educational services (307), and utilities (139). The Data Sources and Limitations section discusses how returns were classified by industry.[16]

The financial characteristics of companies often differ across industries. For instance, the relative levels of assets and receipts of companies primarily engaged in wholesale trade differ significantly from those primarily engaged in credit intermediation (e.g., commercial banks, credit card issuers, credit unions, mortgage banks, and savings institutions). FCDC wholesalers produced large amounts of receipts with relatively small amounts of assets (valued as of the end of their accounting periods), resulting in $1.47 of receipts for each dollar of end-of-year assets for 2010. By comparison, credit intermediation companies reported large amounts of assets, but relatively small amounts of receipts. These FCDCs produced only $.06 of receipts for each dollar of end-of-year assets (Table 2).

[14] There were certain exceptions to the relationship of positive net income minus statutory special deductions equaling taxable income. The tax bases of S corporations and life insurance companies were not defined as net income less statutory special deductions. Rather, these types of corporations computed taxable income using special provisions of the Internal Revenue Code. S corporations were usually not taxable at the corporate level and, thus, did not have taxable income. Some, however, did have a limited tax liability on capital gains. The taxable income of life insurance companies was based on changes in reserve accounts. Also, regulated investment companies and real estate investment trusts generally passed their net incomes on to be taxed at the shareholder level; but any taxable amounts not distributed were included in income subject to tax.

[15] One focus of this article is U.S. total income tax after credits. The reader might choose to focus instead on total worldwide taxes, which may be approximated by adding the foreign tax credits claimed by corporations to the U.S. tax liabilities (i.e., total income tax after credits) of these corporations. There are limitations in using this procedure, and the foreign tax credit only approximates the foreign tax liabilities of the corporations. For the most recent statistics covering corporate foreign tax credits in depth, see McGrath, Nuria E., "Corporate Foreign Tax Credit, 2009," in this issue of the *Statistics of Income Bulletin* (Summer 2013, Volume 33, Number 1). In addition, foreign tax credit data are included on the IRS Internet site at www.irs.gov, under Tax Stats/International/Corporate Foreign Tax Credits.

[16] Statistics classified by industry do have certain limitations. For example, FCDCs accounted for 24.9 percent and 24.6 percent of the receipts of all companies classified as manufacturers and wholesalers, respectively. However, these percentages may overstate the FCDC portion of wholesaling and understate the FCDC portion of manufacturing. This is because certain U.S. companies (not foreign-controlled) and their subsidiaries may have been involved in both manufacturing and wholesaling of the same product(s) and reported tax information for these activities on a single (consolidated) income tax return, which was statistically classified under the industry of its principal business activity, that being manufacturing, rather than trade. Conversely, many FCDCs acted as wholesalers in the United States for products manufactured overseas by their parent, or other related, companies. These foreign-controlled domestic companies were classified in the wholesale trade industrial sector. See the Data Sources and Limitations section for additional information about industrial classification limitations.

Figure C

Foreign-Controlled Domestic Corporations: Selected Items, by Industrial Sector, Tax Year 2010

[Money amounts are in millions of dollars]

Industrial sector	Returns		Total assets		Total receipts	
	Number	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)
All industries	**73,210**	**100.0**	**11,245,199**	**100.0**	**4,056,172**	**100.0**
Agriculture, forestry, fishing, and hunting	695	0.9	9,235	0.1	9,479	0.2
Mining	997	1.4	234,154	2.1	96,576	2.4
Utilities	139	0.2	125,837	1.1	61,261	1.5
Construction	1,415	1.9	44,669	0.4	42,013	1.0
Manufacturing	7,903	10.8	2,634,340	23.4	1,841,444	45.4
Wholesale and retail trade	21,327	29.1	730,649	6.5	1,089,889	26.9
Wholesale trade	16,996	23.2	647,781	5.8	952,828	23.5
Retail trade	4,331	5.9	82,868	0.7	137,061	3.4
Transportation and warehousing	1,870	2.6	80,864	0.7	68,277	1.7
Information	2,637	3.6	295,694	2.6	108,398	2.7
Finance and insurance	3,074	4.2	5,278,447	46.9	406,997	10.0
Real estate and rental and leasing	14,660	20.0	184,846	1.6	25,968	0.6
Professional, scientific, and technical services	9,563	13.1	193,190	1.7	124,338	3.1
Management of companies (holding companies)	3,391	4.6	1,264,710	11.2	73,507	1.8
Administrative and support and waste management and remediation services	1,833	2.5	64,239	0.6	47,279	1.2
Educational services	307	0.4	4,541	[1]	1,992	[1]
Health care and social assistance	382	0.5	33,464	0.3	13,590	0.3
Arts, entertainment, and recreation	1,479	2.0	11,170	0.1	5,345	0.1
Accommodation and food services	708	1.0	47,900	0.4	31,041	0.8
Other services	830	1.1	7,250	0.1	8,777	0.2

[1] Less than 0.05 percent.

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

Corporations classified as wholesalers accounted for a significant percentage of the total receipts (23.5 percent) and returns (23.2 percent) for all FCDCs. However, these companies reported only 5.8 percent of the total FCDC assets.

Corporations classified in the real estate and rental and leasing industrial sector reported only 1.6 percent of the assets and 0.6 percent of the receipts of all FCDCs. These percentages were substantially less than the 20.0 percent of the FCDC returns that they filed.

For the professional, scientific, and technical services industrial sector, corporations reported only 1.7 percent of the assets and 3.1 percent of the receipts of all FCDCs. Both percentages are significantly lower than the portion (13.1 percent) of total FCDC returns this service sector represented. These service corporations were often small, with reported average amounts of assets and receipts of $20.2 million and $13.0 million, respectively.

Manufacturing corporations filed 10.8 percent of the FCDC returns for 2010. These capital-intensive, goods-producing companies accounted for far greater percentages of the total FCDC assets (23.4 percent) and receipts (45.4 percent). These corporations were often large, with reported average amounts of assets and receipts of $333.3 million and $233.0 million, respectively.

While corporations in the finance and insurance industrial sector composed only 4.2 percent of total returns filed by FCDCs for 2010, they accounted for the largest share (46.9 percent) of total assets reported for any of the industrial sectors. Additionally, finance and insurance companies accounted for 10.0 percent of total FCDC receipts for the year.

Management (or holding) companies contributed a significant portion (11.2 percent) of the FCDC total assets. However, this sector accounted for just 4.6 percent of returns filed by FCDCs and 1.8 percent of receipts.

Figure D

Total Receipts of All Corporations and Foreign-Controlled Domestic Corporations, by Industrial Sector, Tax Year 2010
[Money amounts are in millions of dollars]

Industrial sector	Total receipts		
	All corporations	Foreign-controlled domestic corporations	Percentage
	(1)	(2)	(3)
All industries [1]	**26,198,523**	**4,056,172**	**15.5**
Agriculture, forestry, fishing, and hunting	167,965	9,479	5.6
Mining	425,067	96,576	22.7
Utilities	619,791	61,261	9.9
Construction	1,084,007	42,013	3.9
Manufacturing	7,380,556	1,841,444	24.9
Wholesale and retail trade [2]	7,285,484	1,089,889	15.0
Wholesale trade	3,876,417	952,828	24.6
Retail trade	3,409,045	137,061	4.0
Transportation and warehousing	737,267	68,277	9.3
Information	1,057,570	108,398	10.2
Finance and insurance	3,216,738	406,997	12.7
Real estate and rental and leasing	332,497	25,968	7.8
Professional, scientific, and technical services	1,082,645	124,338	11.5
Management of companies (holding companies)	823,011	73,507	8.9
Administrative and support and waste management and remediation services	476,883	47,279	9.9
Educational services	64,926	1,992	3.1
Health care and social assistance	691,057	13,590	2.0
Arts, entertainment, and recreation	97,646	5,345	5.5
Accommodation and food services	455,202	31,041	6.8
Other services	200,204	8,777	4.4

[1] Includes small amounts for "Nature of business not allocable," which is not shown separately.
[2] Includes small amounts for "Wholesale and retail trade not allocable," which is not shown separately.
NOTES: Detail may not add to totals because of rounding. Percentages are computed using rounded data.

Foreign-controlled domestic corporations accounted for 15.5 percent of the total receipts reported by all corporations ($26.2 trillion) for 2010, but played disproportionately larger roles in certain industrial sectors. For instance, FCDCs produced substantial portions of the total receipts reported for manufacturing (24.9 percent), wholesale trade (24.6 percent), and mining (22.7 percent). Conversely, FCDC involvement in a number of other business activities was relatively low and accounted for a small percentage of the receipts for all companies classified in construction (3.9 percent), educational services (3.1 percent), and health care and social assistance (2.0 percent) (see Figure D).

FCDC industrial data at the sector level can be broken down into more specific industrial classifications for analysis purposes. In general, sectors are composed of major groups, which in turn are composed of minor industries. For 2010, FCDCs in 10 minor industries accounted for 50 percent or more of the total receipts of each of those industries. Manufacturers (4) made up the largest portion of these minor industries, followed by wholesalers and finance (2 each), and mining and information (1 each) (see Figure E). The minor industry in which FCDCs accounted for the largest portion of receipts was breweries with 79.8 percent of the industry total receipts ($22.2 billion). FCDCs in commodity contracts dealing and brokerage followed with 73.2 percent of the industry receipts ($6.0 billion), and FCDCs in securities brokerage had 65.0 percent of the industry receipts ($97.9 billion).

Country Characteristics

Persons (including individuals, corporations, and other entities) resident in any country throughout the world can control U.S. corporations. As reported on the U.S. income tax returns of the FCDC's, a country represents

Figure E

Foreign-Controlled Domestic Corporations as a Percentage of All Corporations: Selected Items for Selected Minor Industries, Tax Year 2010

[Money amounts are in millions of dollars]

Minor industry [1]	Number of returns	Total assets	Net worth	Total receipts	Net income (less deficit)	Net income	Income subject to tax	Total income tax after credits
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Breweries (manufacturing), total	**759**	**91,582**	**23,674**	**22,231**	**2,779**	**2,789**	**2,325**	**656**
Foreign-controlled domestic corporations (FCDCs)	27	79,306	17,826	17,749	1,858	1,859	1,744	608
FCDCs as a percentage of the total	3.6	86.6	75.3	79.8	66.9	66.7	75.0	92.7
Commodity contracts dealing and brokerage, total	**2,609**	**124,828**	**7,423**	**6,031**	**93**	**595**	**230**	**78**
Foreign-controlled domestic corporations (FCDCs)	138	109,615	6,011	4,414	119	308	192	65
FCDCs as a percentage of the total	5.3	87.8	81.0	73.2	128.0	51.8	83.5	83.3
Securities brokerage, total	**6,883**	**1,740,779**	**110,592**	**97,864**	**9,629**	**11,443**	**5,044**	**1,699**
Foreign-controlled domestic corporations (FCDCs)	165	1,495,695	77,355	63,573	6,275	7,159	1,676	543
FCDCs as a percentage of the total	2.4	85.9	69.9	65.0	65.2	62.6	33.2	32.0
Audio and video equipment manufacturing and reproducing magnetic and optical media, total	**837**	**43,500**	**15,583**	**24,318**	**371**	**964**	**557**	**143**
Foreign-controlled domestic corporations (FCDCs)	301	33,602	11,128	15,296	110	246	107	31
FCDCs as a percentage of the total	36.0	77.2	71.4	62.9	29.6	25.5	19.2	21.7
Sound recording industries, total	**6,572**	**28,299**	**12,143**	**9,434**	**61**	**376**	**55**	**17**
Foreign-controlled domestic corporations (FCDCs)	44	19,860	12,255	5,375	-43	131	12	4
FCDCs as a percentage of the total	0.7	70.2	100.9	57.0	-70.5	34.8	21.8	23.5
Rubber products (manufacturing), total	**864**	**45,411**	**9,259**	**53,843**	**1,044**	**1,465**	**745**	**197**
Foreign-controlled domestic corporations (FCDCs)	80	24,829	5,205	29,523	644	727	430	105
FCDCs as a percentage of the total	9.3	54.7	56.2	54.8	61.7	49.6	57.7	53.3
Metal ore mining, total	**1,501**	**151,878**	**84,054**	**60,581**	**17,109**	**18,015**	**15,112**	**1,573**
Foreign-controlled domestic corporations (FCDCs)	229	83,330	44,124	32,412	10,267	10,602	7,870	1,051
FCDCs as a percentage of the total	15.3	54.9	52.5	53.5	60.0	58.9	52.1	66.8
Electrical and electronic goods (wholesale trade), total	**27,608**	**196,400**	**73,499**	**368,385**	**6,530**	**8,739**	**4,319**	**1,143**
Foreign-controlled domestic corporations (FCDCs)	2,021	107,368	33,007	194,518	1,732	2,773	1,956	501
FCDCs as a percentage of the total	7.3	54.7	44.9	52.8	26.5	31.7	45.3	43.8
Cement, concrete, lime and gypsum products (manufacturing), total	**4,734**	**106,427**	**44,342**	**54,196**	**-3,095**	**1,131**	**384**	**119**
Foreign-controlled domestic corporations (FCDCs)	57	80,126	32,539	28,470	-2,328	257	96	46
FCDCs as a percentage of the total	1.2	75.3	73.4	52.5	75.2	22.7	25.0	38.7
Motor vehicle and motor vehicle parts and supplies (wholesale trade), total	**19,186**	**146,797**	**29,789**	**210,105**	**2,520**	**4,526**	**1,919**	**613**
Foreign-controlled domestic corporations (FCDCs)	956	94,950	12,176	105,562	-562	1,087	594	196
FCDCs as a percentage of the total	5.0	64.7	40.9	50.2	-22.3	24.0	31.0	32.0

[1] This figure includes minor industries in which foreign-controlled domestic corporations accounted for at least 50 percent of the total receipts (Column 4). The minor industries are listed by decreasing percentage of FCDC total receipts to total receipts of all corporations.
NOTE: Percentages are computed using rounded data.

the geographic location of the foreign owner's place of residence in the case of individuals, and place of incorporation, organization, creation, or administration in the case of corporations or other entities. A foreign corporation, or a chain of related foreign corporations, is frequently the owner of a U.S. subsidiary corporation. Because a foreign corporation in the chain of related companies, which directly owns the stock of a U.S. subsidiary, may be located in a country different from that of the ultimate owner, the country reported on the tax return may not necessarily reflect the country of the ultimate owner (see the Data Sources and Limitations section of this article for a brief discussion of the possible limitations of the data classified on a country basis).

For 2010, residents of 43 countries made up 90.0 percent of the domestic corporations classified as 50-percent-or-more controlled by a foreign person. The 65,890 corporations controlled by persons resident in the 43 countries accounted for nearly all of the total FCDC financial items, including 99.5 percent of total assets, 99.2 percent of total receipts, 99.2 percent of taxable income, and 99.1 percent of total income tax after credits (Table 3).

From among these 43 countries, domestic corporations controlled by persons from just 7 countries accounted for 75.4 percent of the total receipts of all FCDCs. These top seven countries, in decreasing size of receipts, are the United Kingdom, Japan, Germany, Canada, Switzerland, the Netherlands, and France.

Domestic corporations controlled by persons resident in the United Kingdom reported total receipts of $0.9 trillion for 2010. These receipts represented 21.8 percent of the total for all FCDCs for the year, and were substantially larger than the United Kingdom's share for 2001 (13.8 percent) (see Figure F).

For 2010, domestic corporations with owners resident in Japan ($611 billion), Germany ($404 billion), Canada ($345 billion), Switzerland ($287 billion), the Netherlands ($268 billion), and France ($256 billion) also accounted for significant amounts of receipts. Of these six countries, Japan's portion of total receipts decreased significantly from 19.5 percent for 2001 to 15.1 percent for 2010, followed by Germany (13.1 percent down to 10.0 percent) and the Netherlands (11.8 percent down to 6.6 percent). In contrast, Switzerland's portion of FCDC total receipts increased from 5.1 percent for 2001 to 7.1 percent for 2010.

The portion of FCDC total receipts accounted for by countries other than the largest seven also increased in size over the 10-year period, from 20.9 percent to 24.6 percent. For 2010, these countries included South Korea ($105 billion), Australia ($58 billion), Sweden ($57 billion), Luxembourg ($53 billion), Ireland ($49 billion), Italy ($46 billion), and Belgium, Bermuda, Mexico, and Spain ($41 billion each).

Domestic corporations controlled by persons resident in the United Kingdom (U.K.) accounted for $2.7 trillion of assets, the largest portion held by any country, followed by Canada ($1.3 trillion), Switzerland ($1.2 trillion), Germany ($1.2 trillion), France ($1.2 trillion), the Netherlands ($1.0 trillion), and Japan ($1.0 trillion).

Although U.K.-controlled domestic corporations made up the largest share of total FCDC receipts and assets for 2010, Canadian-controlled domestic corporations filed the most tax returns (10,284), followed by Japanese-controlled domestic corporations (6,204), U.K.-controlled domestic corporations (5,952), and German-controlled domestic corporations (4,498).

For 2010, the U.S. tax liability of all FCDCs was $33.2 billion, representing 0.8 percent of total receipts reported by all FCDCs ($4.1 trillion) for the year. U.K.-controlled domestic corporations reported the largest amount of U.S. tax liability ($6.2 billion), followed by Japanese-controlled corporations ($4.5 billion), and Swiss-controlled corporations ($4.0 billion). For U.K.-controlled corporations, tax liabilities were 0.7 percent of their $885 billion of receipts. Tax liabilities as a percent of receipts were also 0.7 percent for Japanese-controlled corporations, while Swiss-controlled corporations paid 1.4 percent of their receipts in U.S. income taxes. Many factors, including differences in industrial apportionments and age apportionments (discussed later in this article), may have caused the resulting differences between countries in calculating tax as a percentage of receipts.

Combined Country and Industry Characteristics

There were some similarities but also important differences among the primary industrial activities of the corporations with owners from the top seven countries. Figure G shows the industries that accounted for at least 10 percent of the total receipts of corporations with owners in each of these countries.

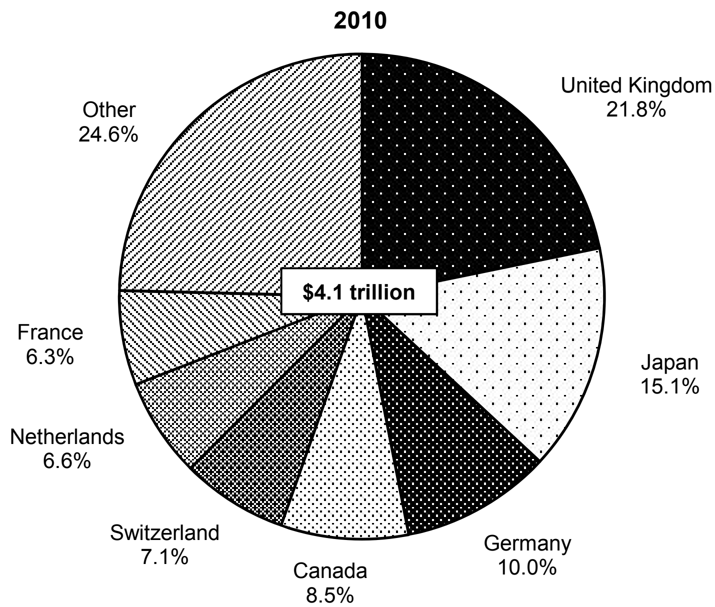
For the United Kingdom, manufacturing was the predominant industrial sector, accounting for 65.8 percent of its total $885 billion of receipts. More specifically, manufacturers of petroleum and coal products produced the most receipts of any major industrial group, accounting for $469 billion, or 53.0 percent of the country's total receipts for 2010.

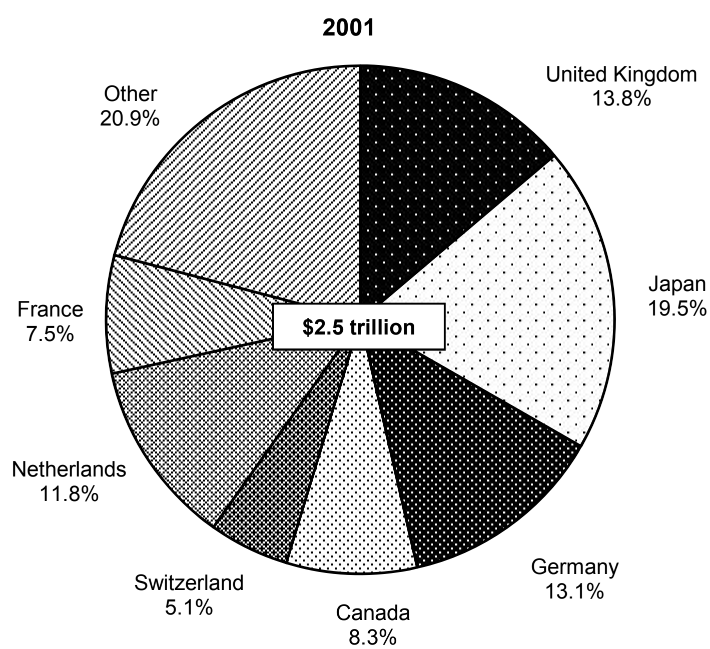
Japanese-controlled corporations were concentrated in two industrial sectors, which produced most of the $611 billion of receipts: manufacturing (46.4 percent of the total) and wholesale trade (42.5 percent). More specifically, wholesale trade of durable goods was the leading major industrial group, producing 31.0 percent of the total receipts for this country. Following closely was transportation equipment manufacturing with 30.8 percent of the receipts.

Like those companies controlled by residents of the United Kingdom and Japan, German-controlled corporations were primarily concentrated in manufacturing, with 50.0 percent of the $404 billion of receipts for that country coming from corporations in this industrial sector. Within this sector, chemical manufacturers (16.3

Figure F

Foreign-Controlled Domestic Corporations: Distribution of Total Receipts by Country of Foreign Owner, Tax Years 2001 and 2010





NOTE: All amounts are in current dollars.

Figure G

Foreign-Controlled Domestic Corporations: Selected Items for Selected Countries and Selected Industries, Tax Year 2010

[Money amounts are in millions of dollars]

Country and industry	Number of returns	Total assets	Total receipts	Net income (less deficit)	Net income	Income subject to tax	Total income tax after credits	
							Amount	As a percentage of total receipts
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
United Kingdom, total	**5,952**	**2,730,597**	**885,455**	**29,965**	**35,010**	**30,353**	**6,182**	**0.7**
Manufacturing	369	929,412	582,851	16,020	16,992	15,951	2,208	0.4
Petroleum and coal products manufacturing	3	740,475	469,441	9,958	9,958	9,861	344	0.1
Japan, total	**6,204**	**984,276**	**610,660**	**11,661**	**19,268**	**15,677**	**4,516**	**0.7**
Manufacturing	1,236	255,190	283,067	3,285	5,445	3,878	1,165	0.4
Transportation equipment manufacturing	243	162,232	188,142	337	1,514	881	250	0.1
Wholesale trade	1,437	175,875	259,303	6,339	8,361	7,459	2,224	0.9
Wholesale trade, durable goods	1,192	117,103	189,035	1,546	3,384	3,043	858	0.5
Wholesale trade, nondurable goods	244	58,721	70,262	4,789	4,974	4,414	1,365	1.9
Germany, total	**4,498**	**1,189,157**	**403,873**	**17,883**	**22,513**	**12,375**	**3,653**	**0.9**
Manufacturing	1,084	399,570	201,898	8,894	11,275	5,189	1,483	0.7
Chemical manufacturing	51	79,108	65,894	2,651	2,960	1,618	395	0.6
Transportation equipment manufacturing	63	187,802	54,582	3,808	4,147	95	90	0.2
Wholesale trade	1,265	84,793	73,510	526	1,414	1,077	341	0.5
Wholesale trade, durable goods	781	73,922	59,029	245	996	705	222	0.4
Finance and insurance	80	575,850	46,539	5,502	5,636	3,109	994	2.1
Canada, total	**10,284**	**1,267,869**	**344,753**	**-982**	**10,806**	**7,808**	**2,507**	**0.7**
Manufacturing	1,165	91,749	93,820	1,196	3,245	2,732	896	1.0
Wholesale trade	1,727	66,604	61,490	-1,238	828	694	230	0.4
Finance and insurance	230	652,341	74,229	-694	1,413	861	297	0.4
Insurance carriers and related activities	30	497,929	67,835	-1,639	176	105	50	0.1
Switzerland, total	**1,772**	**1,230,363**	**286,841**	**16,544**	**18,612**	**13,127**	**3,994**	**1.4**
Manufacturing	191	141,763	100,377	7,595	8,005	7,585	2,473	2.5
Chemical manufacturing	20	62,773	45,699	5,697	5,852	5,694	1,832	4.0
Wholesale trade	560	31,741	103,751	1,166	1,398	1,307	403	0.4
Wholesale trade, nondurable goods	75	22,776	89,675	968	1,029	1,013	310	0.3
Finance and insurance	63	1,000,692	56,940	6,772	7,575	2,826	868	1.5
Insurance carriers and related activities	16	238,081	29,510	2,997	3,289	2,678	813	2.8
Netherlands, total	**1,507**	**1,044,821**	**267,614**	**4,966**	**10,573**	**8,043**	**2,000**	**0.7**
Manufacturing	249	198,228	94,820	3,838	4,872	4,480	970	1.0
Chemical manufacturing	48	58,501	37,799	1,941	2,101	1,972	154	0.4
Wholesale trade	532	18,331	30,417	151	482	424	132	0.4
Retail trade	11	17,126	32,102	345	362	227	74	0.2
Finance and insurance	109	696,239	61,641	1,479	2,648	1,117	296	0.5
Insurance carriers and related activities	10	453,049	55,542	14	1,049	526	106	0.2
France, total	**2,352**	**1,174,137**	**256,356**	**9,544**	**15,360**	**11,682**	**3,168**	**1.2**
Manufacturing	482	169,225	116,405	3,463	5,328	4,798	1,012	0.9
Petroleum and coal products manufacturing	3	15,932	33,230	-353	0	0	0	0.0
Wholesale trade	340	34,600	35,872	-535	720	671	223	0.6
Finance and insurance	147	770,376	41,673	2,422	3,514	1,101	375	0.9

NOTES: This figure includes the seven countries with the largest amounts of total receipts. For each of these countries, this table also includes industries that accounted for at least 10 percent of the total receipts of the country. Percentages are computed using rounded data.

percent of the country total) and transportation equipment manufacturers (13.5 percent) produced the most receipts. Wholesale trade (18.2 percent of the country total) and finance and insurance (11.5 percent) were the other predominant industrial sectors.

Canadian-controlled corporations were primarily concentrated in manufacturing, which accounted for 27.2 percent of the $345 billion of receipts for the country. Other key sectors, in order of importance, were finance and insurance (21.5 percent) and wholesale trade (17.8 percent). More specifically, insurance carriers reported 19.7 percent of the total receipts.

For Switzerland, the wholesale trade sector accounted for 36.2 percent of the country's total receipts ($287 billion), followed by manufacturing (35.0 percent), and finance and insurance (19.9 percent). Switzerland was the only country of the top seven in which wholesale trade (not manufacturing) was the leading sector in producing receipts. More specifically, wholesale trade of nondurable goods (31.3 percent of the total) was the leading major industry. Other important major industries were chemical manufacturers (15.9 percent) and insurance carriers (10.3 percent).

For the Netherlands, manufacturing was the largest industrial sector with 35.4 percent of the total receipts ($268 billion), followed by finance and insurance (23.0 percent), retail trade (12.0 percent), and wholesale trade (11.4 percent). Insurance carriers reported 20.8 percent of the total receipts for the country, the largest portion for any major industrial group.

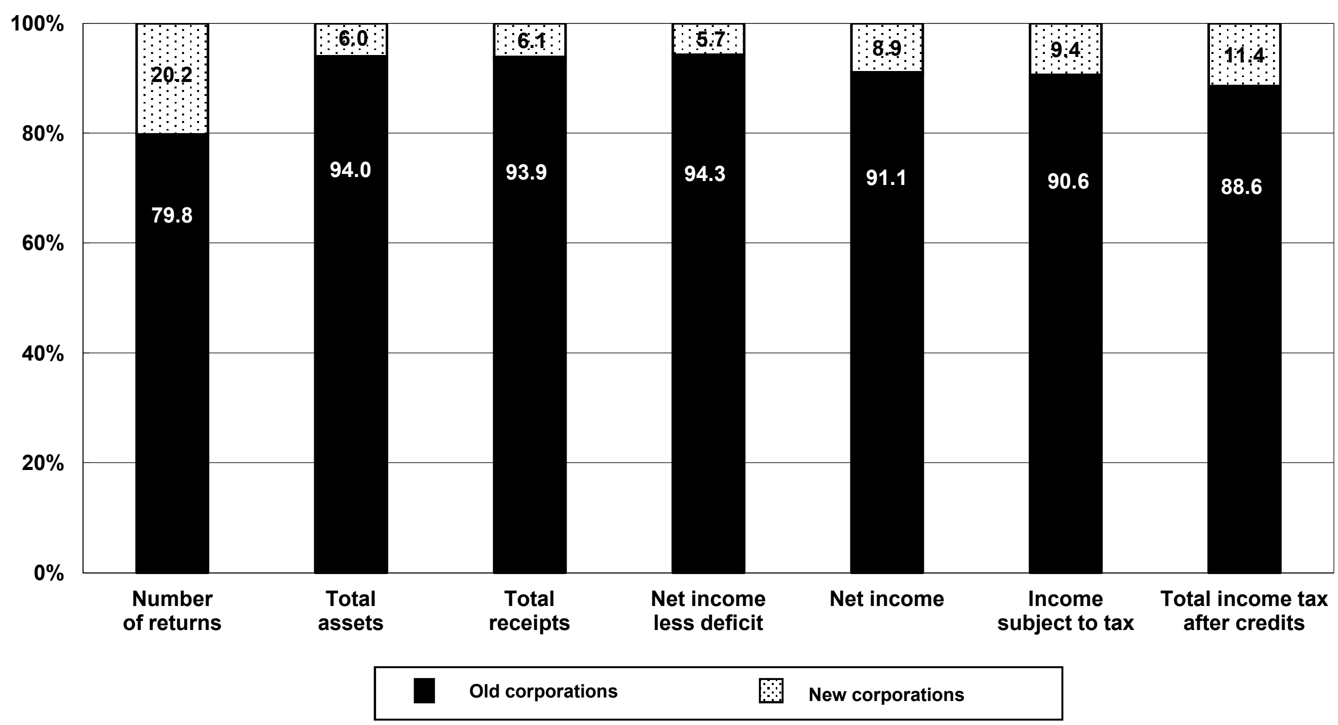
For France, manufacturers produced the largest percentage (45.4 percent) of the $256 billion of the country's receipts, followed by finance and insurance (16.3 percent) and wholesale trade (14.0 percent). More specifically, petroleum and coal products manufacturers produced 13.0 percent of the receipts for the country.

Age Characteristics

Figure H presents data for two groups of FCDCs based on the age of each corporation. A "new" corporation is defined as having been incorporated in 2008 or after, as reported on the FCDCs income tax return. An "old"

Figure H

Foreign-Controlled Domestic Corporations: Distribution of Selected Items by Age of Corporations, Tax Year 2010



Note: "New" corporations were those with dates of incorporation between 2008 and 2011; "old" corporations were those with dates of incorporation prior to 2008 or with unknown dates of incorporation.

corporation is defined as having been incorporated in or prior to 2007, or with an unknown (i.e., unreported) date of incorporation.[17]

The year of incorporation may be somewhat unreliable as an indicator of the true age of corporations. For example, a consolidated return may include companies that fall into both the new and old categories. However, the return (including all of the financial information contained in it) was classified based on the year of incorporation of the parent company. Another example is the reorganization of an existing corporation into a new corporation, which results in a recent year of incorporation, even though it is an "old" business. An additional limitation is that the year of incorporation is difficult to verify during statistical processing because there are no other items to which it can be compared on a tax return, and recourse to other sources is not always practical. Thus, it is subject to higher levels of taxpayer reporting and data entry errors, as compared to statistical items that can be evaluated against other reported items.

For 2010, there were 14,782 returns of FCDCs incorporated in 2008 or later (Table 3). Six industrial sectors accounted for most of these "new" corporations, as follows: real estate and rental and leasing (3,047 returns); wholesale trade (2,547); professional, scientific, and technical services (2,141); manufacturing (1,178); management of companies (1,172); and retail trade (1,022). The major industries that accounted for the largest number of new FCDCs were real estate (2,949) and wholesale trade of durable goods (1,571).

Nearly four out of every five (79.8 percent) FCDCs were incorporated prior to 2008 and were, therefore, considered "old" corporations. These corporations accounted for 94.0 percent of the FCDC assets and 93.9 percent of the receipts and, thus, tended to be larger than the new corporations.

In past years, older corporations were often more profitable than newer corporations, as measured by net profits (i.e., net income less deficit) as a percentage of total receipts. Among other factors, newer companies may have had more expenses (including startup costs) relative to receipts than the older companies. For 2010, however, the "profits percentages" were rather similar for the two FCDC groups. Old corporations reported $93.5 billion of net profits on $3.8 trillion of receipts, while new corporations reported $5.6 billion of net profits on $0.2 trillion of receipts. Thus, net profits as a percentage of total receipts were 2.5 percent for old corporations and 2.3 percent for new corporations.

Old corporations accounted for 91.1 percent of the positive profits (i.e., net income) of all FCDCs. As a result, old corporations also accounted for most of the U.S. taxable income (90.6 percent) and U.S. tax liabilities after credits (88.6 percent) of all FCDCs. The old corporations had $29.4 billion of tax liabilities after credits, equaling 0.8 percent of their total receipts. The new corporations had $3.8 billion of tax liabilities after credits, equaling 1.5 percent of their total receipts. Deductions for net operating losses (93.0 percent of the total $41.6 billion reported by all FCDCs) and tax credits (95.9 percent of the total $11.9 billion) were claimed mostly by old corporations. NOLs and tax credits affected the amounts of U.S. tax liabilities after credits reported by FCDCs.

Summary

FCDCs accounted for only 1.3 percent of all corporation income tax returns filed for Tax Year 2010. This percentage is much smaller than the percentages of assets (14.1 percent) and receipts (15.5 percent) that those FCDCs produced.

The value of FCDC assets increased for 2010, as did the value of assets for all corporations. FCDC assets totaled $11.2 trillion for 2010, a 7.5-percent increase from the previous year. By comparison, all corporations reported a total of $79.9 trillion of assets for 2010, a 5.2-percent increase over the previous year. FCDCs accounted for 14.1 percent of total corporate assets for 2010, up from 13.8 percent for 2009.

Foreign business activity in the United States through FCDCs increased for Tax Year 2010. FCDCs reported $4.1 trillion of total receipts for the year, a 15.3-percent increase over the 2009 level. Total receipts reported on all U.S. corporation income tax returns also increased, by a smaller percentage (5.8 percent). As a result, the share of total corporate receipts accounted for by FCDCs increased from 14.2 percent for 2009 to 15.5 percent for 2010.

Two of the 19 industrial sectors, manufacturing and wholesale trade, generated nearly 70 percent of the $4.1 trillion of total FCDC receipts. Manufacturers produced $1.8 trillion of receipts, while wholesalers accounted for an additional $1.0 trillion.

Domestic corporations controlled by persons in the United Kingdom reported total receipts of $885 billion, or 21.8 percent of the total FCDC receipts. In addition, FCDCs owned by persons in Japan (15.1 percent), Germany (10.0 percent), Canada (8.5 percent), Switzerland (7.1 percent), the Netherlands (6.6 percent),

[17] Dates of incorporation are reported on Form 1120, page 1, question C. This information is also reported on Forms 1120L, 1120-PC, 1120-REIT, and 1120-RIC, in different locations.

and France (6.3 percent) accounted for significant portions of receipts.

Between 2009 and 2010, FCDCs increased their receipts by a greater amount than that of their deductions, thereby increasing the net difference between total receipts and total deductions. The collective net income (less deficit) reported by foreign-controlled domestic corporations increased from $36.4 billion for 2009 to $99.2 billion for 2010, a 172.2-percent increase. To place the performance of FCDCs in context, total corporate net profits increased 47.6 percent, from $919.0 billion for 2009 to $1.4 trillion for 2010. FCDCs accounted for 7.3 percent of the net profits of all U.S. corporations for 2010, up from 4.0 percent for the previous year.

The FCDC aggregate profits (i.e., net income) increased between 2009 and 2010, while aggregate deficits decreased during this period. Net income increased by 14.1 percent, from $152.7 billion to $174.3 billion. Deficits decreased by 35.4 percent, from $116.3 billion to $75.1 billion.

The U.S. tax liability of FCDCs (i.e., total income tax after credits) moved in the same direction as did net income, increasing 17.4 percent, from $28.3 billion for 2009 to $33.2 billion for 2010. To place this in perspective, the U.S. tax liabilities of all corporations were 8.8 percent higher for 2010 compared to the previous year. Thus, the FCDCs share of total corporate post-credit U.S. tax liabilities increased from 13.8 percent for 2009 to 14.9 percent for 2010.

Explanation of Selected Terms

The following are brief explanations of some of the terms used in this article. For more extensive definitions, see *Statistics of Income—2010, Corporation Income Tax Returns*, IRS Publication 16.

Alternative minimum tax—This tax was designed to ensure that a taxpayer with substantial economic income would have at least a minimum amount of income tax liability in spite of the legitimate use of exclusions, deductions, and credits. In effect, it provided a second tax system that curtailed or eliminated many of the means of reducing taxes allowed in the regular tax system and taxed the resulting alternative taxable income at a reduced rate. The AMT is included in the amounts reported for both total income tax before (and after) credits.

Balance sheets—The balance sheet data presented in this article were the amounts reported by the taxpayer as of the end of the taxpayer's accounting year. Taxpayers were instructed to provide data that agreed with their books of account, but were given very few other guidelines. Thus, the statistics for balance sheets contained more reporting variability than those for income statement and tax computation items. Since balance sheet data were from the taxpayer's books, they were normally governed by generally accepted accounting principles rather than the special rules of tax accounting. A number of steps were taken during statistical processing to reduce the variability due to taxpayer reporting practices. Misreported amounts were transferred to their proper accounts. Missing balance sheets were either supplied from reference books or statistically imputed based on other data and the company's characteristics. Some balance sheets were suppressed during statistical processing, including those for final returns of corporations going out of existence because they should have had either zero assets (if liquidating) or assets included in another corporation's return (if merging). Additionally, balance sheets of part-year returns (for the most part, by continuing corporations changing their accounting periods) were not included in the statistics because the same corporations' data could have been subject to inclusion from their full-year returns. Corporations with less than $250,000 of receipts and less than $250,000 of assets were not required to file balance sheets.

Business receipts—These receipts are, in general, the gross operating receipts of the corporation reduced by the cost of returned goods and allowances. They represent all of a corporation's receipts except investment and incidental income. Some corporations report sales and excise taxes as part of their gross receipts from sales (and deduct these taxes as part of "cost of goods sold" or as "taxes paid"); others report their receipts after adjustment for these taxes. Business receipts include rents reported by real estate operators and other corporations for which rent made up a significant portion of income. The latter corporations included manufacturers that rented their products, lessors of public utility facilities, and companies engaged in rental services, such as lodging places and the rental of automobiles and clothing. Business receipts include such banking items as fees, commissions, credit card income, and profits from Federal funds transactions. Interest, the principal operating income of banking and other financial institutions, is excluded from business receipts; rather, it is included in the separate statistics for interest received. Also, premium income of most insurance companies is included in business receipts. Security dealers include profits from security trades in business receipts. Regulated investment companies and real estate investment trusts do not report business receipts; rather they report types of investment income. Business receipts also exclude gains from the sale of assets.

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

Constructive taxable income from related foreign corporations—This item is the sum of includable income from Controlled Foreign Corporations (CFCs) and foreign dividend gross-up. IRC sections 951-964 ("Subpart F") created an exception to the general rule that the earnings and profits of CFCs were subject to U.S. taxation only when the income was actually distributed to U.S. shareholders.[18] Under Subpart F, some types of foreign income are required to be included in the income of the U.S. shareholders, even if not actually distributed. This includable income comprises passive investment income, income from sources thought especially easy to shift between tax jurisdictions, and income from sources contrary to public policy. Foreign dividend gross-up is constructive taxable income to corporations that claim a foreign tax credit. A U.S. corporation could claim a foreign tax credit for a share of the foreign taxes actually paid by its related foreign corporations. The share of foreign taxes was treated as deemed paid by the U.S. corporation. To receive credit against U.S. tax, the foreign taxes deemed paid need to be included in the corporation's worldwide income. The dividend gross-up, which is the equivalent amount of the foreign taxes deemed paid by the U.S. corporation, is included as income of the U.S. corporation. Constructive taxable income from related foreign corporations is not included in the statistics for total receipts.

Cost of goods sold—This item generally consisted of the costs incurred by corporations in producing the goods or providing the services that generated the business receipts. Included were costs of materials used in manufacturing; costs of goods purchased for resale; direct labor; and a share of overhead expenses, such as rent, utilities, supplies, maintenance, and repairs. For statistical processing purposes, however, certain items (such as advertising, amortization, bad debts, compensation of officers, depletion, depreciation, interest paid, taxes, and contributions to charitable organizations, employee benefit programs, and pension plans) reported by taxpayers in cost of goods sold schedules were transferred to their respective and separate deduction categories. Companies who produced goods or acquired goods for resale were subject to the "uniform capitalization rules" of Internal Revenue Code section 263A. Under these rules, corporations were required to capitalize direct costs and an allocable portion of most indirect costs that relate to the goods produced or acquired for resale. Costs attributable to property that is inventory are included in inventory costs, while costs attributable to other property are included in capital accounts. For insurance companies, benefits paid (e.g., the death benefits paid by life insurance companies) were included in the cost of goods sold. In general, finance corporations did not have any cost of goods sold.

Dividends received from domestic corporations—These dividends are included in total receipts and represent most distributions from the earnings and profits of companies incorporated in the United States. Dividend distributions among member corporations electing to file a consolidated return are eliminated from the statistics as part of the consolidated reporting of tax accounts. Thus, dividends shown for consolidated returns represent amounts received from domestic corporations that are outside the affiliated group. In general, dividends received from domestic corporations are part of the computation of the statutory special deductions from net income. See, also, "Statutory special deductions," discussed below.

Dividends received from foreign corporations—These dividends are included in total receipts and are paid from the earnings and profits of companies incorporated in foreign countries. Dividends received from foreign corporations out of U.S. source earnings and profits were usually eligible for the dividends received deduction, a part of statutory special deductions. Not eligible were dividends out of foreign-source earnings and profits. This item does not include constructive taxable income from related foreign corporations (discussed above) because it was not an actual receipt.

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

Foreign tax credit—Although the United States taxes the worldwide income of U.S. persons (including corporations), foreign source income is often taxed as

[18] For the most recent statistics covering CFCs, see Mahony, Lee, and Miller, Randy, "Controlled Foreign Corporations, 2008," *Statistics of Income Bulletin*, Winter 2013, Volume 32, Number 3. In addition, CFC data are included on the IRS Internet site at www.irs.gov, under Tax Stats/International/Controlled Foreign Corporations.

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

Income subject to tax—For most corporations, income subject to tax, i.e., taxable income, consisted of (positive) net income minus statutory special deductions. However, there were special provisions in the Internal Revenue Code for determining the taxable income of insurance companies, based on changes in their reserve accounts. Also, S corporations, regulated investment companies, and real estate investment trusts generally passed their net income on so it was taxed at the shareholder level. They had limited tax liabilities (based on capital gains for S corporations and undistributed income for RICs and REITs) and, thus, small amounts of taxable income.

Income tax—This item was the amount of a corporation's tax liability calculated at the regular corporate tax rates. The rates of tax on taxable incomes were graduated (with some exceptions) under Internal Revenue Code section 11. This item is included in the amounts reported for both total income tax before (and after) credits. A small number of corporations without net income had an income tax liability under special life insurance rules. Personal service corporations were taxed at a flat 35 percent on their taxable incomes. Members of controlled groups were required to apportion their tax liabilities.

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

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

Net operating loss deduction (NOLD)—A statutory "net operating loss" (NOL) for a given tax year could be carried back 2 years, in general, to reduce the taxable income of those years. Similarly, any amount of the NOL not offset against income during that time could be carried forward to offset income for a period not to exceed 20 years. A "net operating loss" is calculated using the laws and IRS regulations in effect for a given tax year, and is the excess of allowable deductions over taxable income, with certain adjustments. The amount of the deduction included in the statistics of this article, however, consists only of losses from prior years carried forward and actually used to reduce taxable income for the current (2010) tax year. Losses incurred after Tax Year 2010 and carried back to that year at a later date were not reported on the tax returns used for this article. Net operating losses on which the 2010 deduction was based include the: (1) excess of ordinary and necessary business expenses over income for previous loss years, and (2) statutory special deductions claimed in a loss year for dividends received and dividends paid on certain preferred stock of public utilities (or any excess of such deductions over net income).

Net worth—This item represents the shareholders' equity in the corporation, i.e., total assets less the claims of creditors. It is the net sum of capital stock, additional paid-in capital, appropriated retained earnings, and unappropriated retained earnings (including adjustments to shareholders' equity), minus the cost of treasury stock. Capital stock includes amounts of outstanding shares of both common and preferred stock. Additional paid-in capital comprises additions to the corporation's capital from sources other than earnings, including receipts from the sale of capital stock in excess of the stated value and stock redemptions or conversions. Retained earnings and profits of corporations can be appropriated (i.e., set aside for specific purposes such as for plant expansions, bond retirements, and loss reserves) or unappropriated (dividends and distributions to shareholders are paid from these funds). Adjustments to shareholders' equity can be either positive or negative, and includes unrealized gains and losses on securities held "available for sale." Treasury stock is common or preferred stock originally issued by the corporation that has been reacquired and held at the end of the accounting period by the issuing corporation.

Number of returns—The data contained in this article include the number of returns filed by "active" corporations (i.e., those reporting at least one item of income or deductions) for Tax Year 2010. For simplicity, the number of returns is sometimes referred to as the number of corporations. However, the actual number of corporations may be larger than the number of returns because most domestic corporations could elect to file consolidated income tax returns. These returns were filed by common parent corporations and contained combined financial data of two or more affiliated domestic corporations meeting certain stock ownership requirements. Each consolidated return was treated for statistical purposes as a single unit.

Real estate investment trusts—Domestic corporations, trusts, and associations that meet certain ownership, purpose, income, and diversification requirements may elect to be taxed as real estate investment trusts (REITs). Foreign-controlled domestic corporations can be REITs. However, REITs played a much smaller role for FCDCs than for other domestic corporations (ODCs).[19] REITs generally invest in real estate and mortgages. A beneficial ownership of the trust is established through transferable shares or transferable certificates of beneficial interest. Among the income requirements, at least 95 percent of the total gross income of a REIT must come from dividends; interest; rents from real property; and gains from the sale of stock, securities, and real property; etc. Additionally, at least 75 percent of total gross income must be derived from rents from real property; interest on mortgages on real property; gains from sales of real property and mortgages; and dividends and gains from the sale of transferable shares in other REITs; etc. The tax liability of REITs is generally very low. This is because, through a statutory special deduction for dividends paid, REITs are not taxed on amounts distributed to shareholders. In general, REITs must distribute to their shareholders at least 90 percent of their taxable incomes. Such distributions are taxed to the shareholders (i.e., beneficiaries). Internal Revenue Code section 856 defines REITs.

Regulated investment companies—A regulated investment company (RIC) is a domestic corporation registered as a management company or unit investment trust under the Investment Company Act of 1940 (ICA), or elected to be treated as a business development company under the ICA, or (with exceptions) a common trust fund or similar fund. Typically, it is a mutual fund. Foreign-controlled domestic corporations can be RICs. However, RICs played a much smaller role for FCDCs than for ODCs.[19] A RIC must meet certain Internal Revenue Code requirements. This includes deriving at least 90 percent of its gross income from dividends, interest, payments related to securities loans, and gains from the sale of stock or securities, foreign currencies, or other income related to its business of investing in such stock, securities, or currencies. The tax liability of RICs is generally very low. This is because, through a statutory special deduction for dividends paid, RICs are not taxed on amounts distributed to shareholders. In general, RICs must distribute to their shareholders at least 90 percent of their taxable incomes. Such distributions are taxed at the shareholder level. Internal Revenue Code section 851 defines RICs.

S corporations—An S corporation has elected to be taxed through its shareholders under Internal Revenue Code section 1362. The IRC contains restrictive criteria that a company must meet in order to qualify as an S corporation, which include: (1) 100 shareholders or less; (2) only individuals, estates, or trusts as shareholders; and (3) no nonresident alien shareholders. These companies are involved in numerous industrial activities. They report corporate income and deductions from their conduct of trades and businesses, but generally allocate any income or loss to their shareholders to be taxed only at the individual level. Some S corporations are subject to certain special taxes at the corporate level. S corporations comprise a very large part of the corporate population. However, foreign-controlled domestic corporations cannot elect to be treated as S corporations.[19] Banks and life insurance companies were also ineligible to be treated as S corporations.

Statutory special deductions—This item is the sum of: (1) deductions for net operating loss carryovers from prior years, and (2) special deductions for dividends

[19] Shown in Appendix A of this article are Tax Year 2010 data for all REITs, RICs, and S corporations filed by foreign-controlled domestic corporations (FCDCs) and by other domestic corporations (ODCs).

and other corporate attributes allowed by the Internal Revenue Code, which includes: (a) dividends received deductions, (b) deductions for dividends paid on certain stock of public utilities, (c) deductions for dividends paid by regulated investment companies and real estate investment trusts, (d) Internal Revenue Code section 857(b)(2)(E) deductions reported by real estate investment trusts, and (e) Code section 806(a) small life insurance company deductions. As part of the consolidated reporting of tax accounts, dividends received deductions exclude deductions related to dividends distributed among member corporations that elected to file a consolidated tax return. Statutory special deductions were in addition to ordinary and necessary business deductions. In general, net income less statutory special deductions equals income subject to tax.

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

Total deductions—This item includes the cost of goods sold, the ordinary and necessary business deductions from gross income, and the net loss from sales of noncapital assets.

Total income tax before and after credits—For 2010, total income tax of FCDCs was primarily comprised of the income tax imposed on corporate income subject to tax (98.5 percent of the total tax). The alternative minimum tax accounted for 1.4 percent of the total. A small number of corporation income tax returns without net income reported amounts of income tax. In these cases, income tax resulted from special provisions of the Internal Revenue Code applicable to life insurance operations. Additionally, some taxes included in total income tax were not imposed directly on a corporation's income subject to tax, such as the recapture taxes. Thus, a small number of corporations without net income and income tax may have reported such taxes on their tax returns. These taxes were included in the statistics for total income tax. Also included in total income tax were personal holding company taxes and the taxes on undistributed net capital gains of regulated investment companies. Total income tax included an adjustment that could be either positive or negative. This adjustment was used for write-in amounts on the tax computation schedule (e.g., Schedule J of Form 1120), as well as for differences in total tax reported on the tax computation schedule and reported on the tax and payments section of the tax return (e.g., Page 1 of Form 1120). For 2010, the credits used to reduce the total income tax of FCDCs primarily included the foreign tax credit (81.0 percent of the $11.9 billion of total credits), the general business credit (15.9 percent), and the prior-year minimum tax credit (3.0 percent), as well as small amounts of other credits.

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

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

Data Sources and Limitations

Period Covered

Data for Tax Year 2010 are based on returns with accounting periods ending between July 2010 and June 2011. These accounting periods were 12 months in length, or less for part-year accounting periods. Because of the 12-month span for ending accounting periods, the statistics include accounting periods that began and ended within a 23-month span. For Tax Year 2010, that span was from August 2009 through June 2011. Nevertheless, most of the income and expense data are, in fact, associated with Calendar Year 2010. Of the 73,210 FCDC returns filed for Tax Year 2010, some 53,302 had accounting periods that ended in December 2010, nearly 73 percent of the total. These returns accounted for over 76 percent of both the receipts and deductions reported by all FCDCs, as well as over 82 percent of the FCDC assets.

The sampling frame for the 2010 statistics consisted, in general, of tax returns with accounting periods that ended between July 2010 and June 2011, and that posted to the IRS Business Master File between July 2010 and June 2012. A 24-month sampling period was needed for several reasons. First, some corporations had noncalendar year accounting periods ending as late as June 2011. Second, while corporation returns must be filed within 2 1/2 months after the close of the accounting period, many corporations requested and received filing extensions of 6 months. Third, normal administrative processing time lags required that the sampling process remained open until June 2012.

Returns Covered

The number of corporate income tax returns represent returns of "active" corporations, i.e., those that reported any income or deduction items. While any corporation in existence during any portion of the taxable year was required to file an income tax return (even though it may have been inactive, not having any income or deductions), the great majority of returns filed with the Internal Revenue Service were for active corporations. Part-year returns, those filed for accounting periods of less than 12 months, were included in the number of returns and other data shown in this article. Continuing corporations changing their accounting periods, new corporations in existence less than 12 months, merging corporations, and liquidating corporations filed such returns. To avoid double counting, data from the balance sheets of part-year returns were not included in the statistics, except for those from initial returns of newly incorporated businesses.

Sample

This article presents statistical estimates based on a stratified sample of nearly 9,600 unaudited tax returns selected from over 73,200 returns of active domestic corporations controlled by a foreign person filed for Tax Year 2010. The statistics for FCDCs are based on samples of corporation income tax returns filed primarily on Form 1120 (*U.S. Corporation Income Tax Return*). In addition, the statistics for all FCDCs include data from the small numbers of other domestic corporation income tax returns filed on Forms 1120L (*U.S. Life Insurance Company Income Tax Return*), 1120-PC (*U.S. Property and Casualty Insurance Company Income Tax Return*), 1120-REIT (*U.S. Income Tax Return for Real Estate Investment Trusts*), and 1120-RIC (*U.S. Income Tax Return for Regulated Investment Companies*). For Tax Year 2010, the population estimates of FCDCs by form type are 72,592 Forms 1120, 245 Forms 1120-RIC, 142 Forms 1120-REIT, 48 Forms 1120-PC, and 33 Forms 1120L.[20]

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

For 2010, the sampling rates for Forms 1120 alone (the majority of returns included in the sample) ranged from less than 1 percent to 100 percent. In general, Form 1120 returns with assets of $50 million or more, or with "proceeds" of $10 million or more, were selected for the Statistics of Income study at the 100-percent rate. For additional information on the sampling rates, see *Statistics of Income—2010, Corporation Income Tax Returns*.

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

Nonsampling Limitations

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

[20] The count of 33 Forms 1120L does not include returns of life insurance companies that were filed as part of consolidated returns under IRC section 1504(c). Under this section, a nonlife insurance parent company could include a domestic life insurance subsidiary in a consolidated return. For 2010, there were 151 section 1504(c) returns included in the FCDCs collective total of 73,210. Of this number, 73 returns had a property/casualty insurance company as the largest subsidiary (based on income), another 66 returns had a noninsurance company as the largest subsidiary, and 12 returns had a life insurance company as the largest subsidiary.

Figure I

Foreign-Controlled Domestic Corporations: Coefficients of Variation for Selected Items, by Selected Industrial Sectors and Selected Countries of Foreign Owners, Tax Year 2010

Selected industrial sector or country	Coefficients of variation (percentages)						
	Number of returns	Total assets	Total receipts	Net income	Deficit	Income subject to tax	Total income tax after credits
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total	**3.07**	**0.01**	**0.14**	**0.17**	**0.36**	**0.16**	**0.20**
Selected industrial sectors:							
Construction	27.21	0.82	1.20	3.56	2.19	3.65	3.67
Finance and insurance	12.78	0.01	0.16	0.18	0.69	0.33	0.34
Information	19.07	0.15	2.17	0.79	2.72	0.88	0.93
Management of companies (holding companies)	13.77	0.05	0.14	0.71	1.38	0.64	0.89
Manufacturing	9.58	0.03	0.09	0.16	0.60	0.20	0.27
Professional, scientific, and technical services	10.72	0.34	1.03	0.87	3.34	0.92	1.00
Real estate and rental and leasing	6.47	0.44	2.01	7.60	1.82	3.47	3.45
Retail trade	18.91	0.46	0.57	1.25	4.33	1.29	1.32
Wholesale trade	5.84	0.15	0.39	0.55	1.26	0.63	0.68
Selected countries of foreign owners:							
Bermuda	40.30	0.25	0.95	0.93	1.67	1.00	2.23
Canada	7.78	0.07	0.64	0.89	0.84	0.94	0.94
France	17.30	0.04	0.38	0.39	0.92	0.38	0.46
Germany	11.18	0.06	0.37	0.43	1.69	0.72	0.81
Japan	10.22	0.10	0.40	0.44	1.02	0.47	0.52
Netherlands	18.98	0.06	0.75	0.63	1.26	0.66	0.90
South Korea, Republic of	23.66	0.85	1.03	2.09	4.88	2.81	2.83
Sweden	21.15	0.42	0.89	1.96	7.97	2.60	2.59
Switzerland	16.03	0.04	0.35	0.25	2.57	0.30	0.32
United Kingdom	10.80	0.03	0.18	0.22	1.61	0.23	0.37
Venezuela	28.95	1.11	1.20	33.42	5.72	35.24	35.72

Returns were selected for this study based on taxpayers' responses to two questions on Forms 1120. The first question asked whether one "foreign person" owned, directly or indirectly, 25 percent or more of the filing corporation's voting stock or the total value of all the corporation's stock, at any time during the tax year. If this question was answered "Yes," then a second question asked for the percentage owned.[21] If the percentage owned fell between 50 percent and 100 percent, then the return was included in the FCDC statistics. Taxpayers sometimes incorrectly answered these questions or did not answer them at all.[22] However, prior to tabulation, corporations with large amounts of assets or receipts, and changes in foreign ownership status between 2009 and 2010, were researched and their answers to questions verified. These large corporations had a dominating effect on the estimates for balance sheet, income statement, and tax items.

Each return used for the statistics had an industry code reported, or was assigned one during administrative or statistical processing, and was classified according to the North American Industry Classification System (NAICS). The industry code represented the principal business activity (i.e., the activity which accounted for the largest portion of the total receipts) of the corporation filing the return. However, a given return may summarize the activity of a company engaged in several businesses or may have been a consolidated return filed for an

[21] On Form 1120, Page 4, Schedule K, the actual questions were: "(7) At any time during the tax year, did one foreign person own, directly or indirectly, at least 25 percent of: (a) the total voting power of all classes of the corporation's stock entitled to vote, or (b) the total value of all classes of the corporation's stock?" and "(7i) If 'Yes,' enter percentage owned." There was an additional question used for the country distribution of these statistics, which was: "(7ii) If 'Yes,' enter owner's country."

[22] The FCDC statistics include data from returns in which the first question (see footnote 21) was answered "Yes," and the second question covering percentage owned was not answered. There were 1,468 returns for Tax Year 2010 included in the FCDC data, although the exact foreign ownership percentage was not specified. These returns reported $2.6 billion of assets and $3.4 billion of receipts.

affiliated group of corporations that conducted different business activities. To the extent that some consolidated (and nonconsolidated) returns covered corporations that were engaged in many types of business activities, the data in this article are not entirely related to the industrial activity under which they are shown.

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

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

Appendix A

REITs, RICs, and S Corporations Filed by Foreign-Controlled Domestic Corporations (FCDCs) and Other Domestic Corporations (ODCs), Tax Year 2010

[Money amounts are in millions of dollars]

Type of corporation and item	FCDCs	ODCs
Real Estate Investment Trusts (REITs):		
Number of returns	142	1,624
Total assets	62,971	1,238,442
Total receipts	4,343	104,701
Net income (less deficit)	603	41,058
Income subject to tax	0	56
Total income tax after credits	3	28
Regulated Investment Companies (RICs):		
Number of returns	245	13,011
Total assets	180,819	14,314,899
Total receipts	4,881	347,836
Net income (less deficit)	3,764	241,222
Income subject to tax	0	78
Total income tax after credits	0	3
S Corporations:		
Number of returns	0	4,127,554
Total assets	0	3,324,883
Total receipts	0	5.684,431
Total net income (less deficit)	0	334,094
Net income (less deficit) from a trade or business	0	269,012
Total income tax before credits	0	260

Table 1. Foreign-Controlled Domestic Corporations as a Percentage of All Corporations: Selected Items for Selected Tax Years 1971–2010

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

Item	1971	1990	2000	2001	2007	2008	2009	2010
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ALL CORPORATIONS								
Number of returns, total	1,733,332	3,716,650	5,045,274	5,135,591	5,868,849	5,847,221	5,824,545	5,813,725
Number with net income	1,063,940	1,910,670	2,819,153	2,822,302	3,367,720	3,183,821	3,148,768	3,264,726
Total assets	2,889,221	18,190,058	47,026,872	49,154,424	81,486,346	76,799,144	75,965,019	79,904,747
Total receipts	1,906,008	11,409,520	20,605,808	20,272,958	28,762,924	28,589,771	24,772,531	26,198,523
Business receipts	1,763,760	9,860,442	17,636,551	17,504,289	24,217,396	24,718,122	21,584,886	23,058,235
Interest received [1]	65,596	942,238	1,576,101	1,499,683	2,569,844	2,108,790	1,478,717	1,306,237
Total deductions	1,824,063	11,032,575	19,691,592	19,682,983	26,974,257	27,686,727	23,943,765	24,944,311
Cost of goods sold	1,241,282	6,610,770	11,135,288	11,041,533	15,513,227	16,080,387	13,286,300	14,501,547
Interest paid	64,697	825,372	1,271,679	1,203,046	2,085,113	1,658,636	1,069,664	888,206
Total receipts less total deductions	81,945	376,945	914,216	589,975	1,788,667	903,044	828,766	1,254,212
Net income (less deficit)	79,700	370,633	927,526	603,623	1,836,783	984,342	918,953	1,356,496
Net income	96,688	552,527	1,336,620	1,112,481	2,252,874	1,806,890	1,614,867	1,836,377
Deficit	-16,988	-181,894	-409,094	-508,858	-416,091	-822,548	-695,913	-479,881
Income subject to tax	83,165	366,353	760,404	635,257	1,248,285	978,153	894,850	1,022,175
Total income tax before credits	37,510	128,186	266,282	220,874	437,076	342,381	313,464	358,414
Income tax	37,143	119,434	262,233	218,676	433,493	339,726	310,112	354,922
Total income tax after credits	30,220	96,403	204,044	166,712	331,374	228,523	204,996	222,969
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS								
Number of returns, total	5,154	44,113	60,609	60,618	64,026	66,797	66,197	73,210
Number with net income	2,575	17,360	26,519	24,898	30,929	28,399	25,158	31,473
Total assets	36,674	1,652,255	6,071,994	6,499,997	11,161,430	10,887,289	10,461,430	11,245,199
Total receipts	39,181	1,060,295	2,612,072	2,482,900	4,217,409	4,367,410	3,518,194	4,056,172
Business receipts	38,043	950,083	2,253,215	2,144,066	3,597,435	3,855,657	3,147,948	3,671,712
Interest received [1]	420	67,315	180,006	172,093	387,460	288,390	175,969	161,677
Total deductions	38,050	1,056,921	2,549,986	2,478,642	4,071,891	4,351,886	3,487,675	3,966,077
Cost of goods sold	28,804	709,052	1,584,513	1,501,678	2,638,722	2,849,635	2,204,868	2,655,897
Interest paid	733	77,562	186,835	177,677	360,439	252,292	151,639	136,187
Total receipts less total deductions	1,132	3,374	62,085	4,258	145,518	15,524	30,519	90,095
Net income (less deficit)	1,111	3,966	66,312	8,303	152,261	21,769	36,431	99,173
Net income	1,496	29,410	118,598	94,331	226,419	172,866	152,727	174,256
Deficit	-384	-25,444	-52,287	-86,028	-74,158	-151,097	-116,296	-75,083
Income subject to tax	1,344	23,704	97,515	76,069	183,840	140,227	105,152	127,237
Total income tax before credits	650	8,719	34,650	26,827	65,071	49,407	37,783	45,078
Income tax	631	8,008	33,950	26,390	64,192	48,846	36,631	44,404
Total income tax after credits	610	7,438	28,073	21,774	52,845	38,234	28,271	33,192

Footnotes at end of table.

Table 1. Foreign-Controlled Domestic Corporations as a Percentage of All Corporations: Selected Items for Selected Tax Years 1971–2010—Continued

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

Item	1971	1990	2000	2001	2007	2008	2009	2010
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS AS A PERCENTAGE OF ALL CORPORATIONS								
Number of returns, total	0.30	1.19	1.20	1.18	1.09	1.14	1.14	1.26
Number with net income	0.24	0.91	0.94	0.88	0.92	0.89	0.80	0.96
Total assets	1.27	9.08	12.91	13.22	13.70	14.18	13.77	14.07
Total receipts	2.06	9.29	12.68	12.25	14.66	15.28	14.20	15.48
Business receipts	2.16	9.64	12.78	12.25	14.85	15.60	14.58	15.92
Interest received [1]	0.64	7.14	11.42	11.48	15.08	13.68	11.90	12.38
Total deductions	2.09	9.58	12.95	12.59	15.10	15.72	14.57	15.90
Cost of goods sold	2.32	10.73	14.23	13.60	17.01	17.72	16.60	18.31
Interest paid	1.13	9.40	14.69	14.77	17.29	15.21	14.18	15.33
Total receipts less total deductions	1.38	0.90	6.79	0.72	8.14	1.72	3.68	7.18
Net income (less deficit)	1.39	1.07	7.15	1.38	8.29	2.21	3.96	7.31
Net income	1.55	5.32	8.87	8.48	10.05	9.57	9.46	9.49
Deficit	2.26	13.99	12.78	16.91	17.82	18.37	16.71	15.65
Income subject to tax	1.62	6.47	12.82	11.97	14.73	14.34	11.75	12.45
Total income tax before credits	1.73	6.80	13.01	12.15	14.89	14.43	12.05	12.58
Income tax	1.70	6.70	12.95	12.07	14.81	14.38	11.81	12.51
Total income tax after credits	2.02	7.72	13.76	13.06	15.95	16.73	13.79	14.89

[1] Excludes nontaxable interest received on State and local government obligations.
NOTES: Detail may not add to totals because of rounding. All amounts are in current dollars. Tax law and tax form changes affect the year-to-year comparability of the data. See *Statistics of Income--Corporation Income Tax Returns,* selected years, for discussions of changes affecting the comparability of the data over time.
Source: IRS, Statistics of Income Division, February 2013.

Table 2. Foreign-Controlled Domestic Corporations: Selected Items, by Major Industry, Tax Year 2010

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

Major industry	Number of returns: Total	Number of returns: With net income	Number of returns: With total income tax after credits	Total assets	Net worth	Total receipts	Business receipts	Total deductions
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All industries	**73,210**	**31,473**	**23,088**	**11,245,199**	**2,317,910**	**4,056,172**	**3,671,712**	**3,966,077**
Agriculture, forestry, fishing, and hunting	695	217	158	9,235	4,350	9,479	9,108	9,335
Agricultural production	650	210	151	8,519	4,079	8,838	8,568	8,699
Forestry and logging	* 8	d	d	* 468	* 239	* 453	* 441	* 447
Support activities and fishing, hunting, and trapping	* 37	d	d	* 248	* 32	* 188	* 99	* 189
Mining	997	371	296	234,154	92,968	96,576	88,254	88,763
Utilities	139	56	59	125,837	33,739	61,261	57,443	64,622
Construction	1,415	386	235	44,669	9,493	42,013	40,506	43,333
Construction of buildings	154	49	37	20,995	4,516	25,758	24,997	26,928
Heavy and civil engineering construction	586	96	83	16,792	3,563	10,348	9,819	10,479
Specialty trade contractors	675	242	115	6,882	1,414	5,908	5,690	5,926
Manufacturing	7,903	3,983	2,724	2,634,340	724,684	1,841,444	1,768,402	1,798,589
Food manufacturing	834	450	148	82,784	23,417	91,996	90,759	89,330
Beverage and tobacco product manufacturing	339	280	21	98,729	20,926	34,736	33,065	32,414
Textile mills and textile product mills	136	105	94	5,763	2,056	7,076	7,004	6,869
Apparel manufacturing	311	11	10	1,045	517	1,234	1,211	1,261
Leather and allied product manufacturing	d	d	d	d	d	d	d	d
Wood product manufacturing	155	83	83	6,021	2,216	7,332	7,271	7,462
Paper manufacturing	97	52	49	29,421	8,824	18,017	17,660	17,603
Printing and related support activities	54	37	34	2,831	873	4,339	3,992	4,368
Petroleum and coal products manufacturing	61	15	14	794,132	148,094	568,996	555,103	561,636
Chemical manufacturing	479	309	294	405,355	110,547	270,228	249,770	252,021
Plastics and rubber products manufacturing	420	287	156	55,444	17,546	52,673	51,382	51,653
Nonmetallic mineral product manufacturing	131	88	76	105,086	41,634	43,754	41,681	45,690
Primary metal manufacturing	214	89	80	66,696	12,040	76,015	74,396	76,492
Fabricated metal product manufacturing	723	236	170	56,995	16,331	43,408	42,393	42,361
Machinery manufacturing	1,146	580	412	145,615	51,253	98,143	94,140	96,432
Computer and electronic product manufacturing	1,105	618	488	203,345	83,298	107,860	103,534	107,513
Electrical equipment, appliance, and component manufacturing	328	177	146	61,944	26,481	33,346	32,659	32,718
Transportation equipment manufacturing	569	366	274	421,848	145,488	314,882	301,319	309,444
Furniture and related product manufacturing	157	12	4	1,489	210	2,407	2,395	2,434
Miscellaneous manufacturing	d	d	d	d	d	d	d	d
Wholesale and retail trade	21,327	10,911	7,655	730,649	214,506	1,089,889	1,064,805	1,075,706
Wholesale trade	16,996	9,374	6,805	647,781	190,521	952,828	931,054	940,590
Wholesale trade, durable goods	12,310	6,267	4,651	349,115	92,856	555,675	542,837	551,612
Wholesale trade, nondurable goods	4,531	3,032	2,079	298,467	97,677	397,128	388,198	388,917
Wholesale electronic markets and agents and brokers	* 155	* 75	* 75	* 200	* -12	* 24	* 20	* 60
Retail trade	4,331	1,536	850	82,868	23,986	137,061	133,751	135,116
Motor vehicle dealers and parts dealers	344	40	33	2,445	771	5,878	5,652	5,878
Furniture and home furnishings stores	414	91	58	6,796	428	6,028	6,011	5,957
Electronics and appliance stores	514	410	107	1,368	-536	3,519	3,447	3,420
Building material and garden equipment and supplies dealers	* 49	* 18	* 18	* 457	* 107	* 671	* 668	* 678
Food, beverage and liquor stores	182	100	95	35,953	12,662	72,641	71,797	71,978
Health and personal care stores	300	14	14	952	258	1,069	990	1,070
Gasoline stations	93	d	d	3,522	923	16,066	15,905	15,981
Clothing and clothing accessories stores	782	110	105	19,445	6,008	17,661	16,824	17,071
Sporting goods, hobby, book, and music stores	161	30	0	854	160	922	846	961
General merchandise stores	* 231	d	d	* 465	* 94	* 787	* 773	* 778
Miscellaneous store retailers	587	287	253	2,628	567	1,763	1,296	1,692
Nonstore retailers	673	343	73	7,983	2,543	10,057	9,544	9,652

Footnotes at end of table.

Table 2. Foreign-Controlled Domestic Corporations: Selected Items, by Major Industry, Tax Year 2010—Continued

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

Major industry	Number of returns: Total	Number of returns: With net income	Number of returns: With total income tax after credits	Total assets	Net worth	Total receipts	Business receipts	Total deductions
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Transportation and warehousing	1,870	1,296	883	80,864	24,504	68,277	65,635	68,275
Air, rail, and water transportation	175	31	29	22,766	6,799	14,450	14,313	14,162
Truck transportation	93	44	39	1,527	427	3,511	3,435	3,480
Transit and ground passenger transportation	* 300	* 295	* 292	* 7,777	* 1,406	* 6,133	* 5,810	* 6,039
Pipeline transportation	6	6	5	3,261	1,655	5,110	4,949	4,938
Other transportation and support activities	955	603	219	36,490	9,604	35,849	34,044	36,428
Warehousing and storage	342	316	297	9,043	4,613	3,224	3,083	3,228
Information	2,637	1,047	833	295,694	119,320	108,398	94,271	104,790
Publishing industries	821	367	208	74,247	15,985	34,794	29,991	32,890
Motion picture and sound recording industries	600	131	127	29,439	13,254	11,375	8,545	11,880
Broadcasting (except Internet)	34	6	d	3,938	1,093	930	772	815
Telecommunications (including paging, cellular, satellite, cable and internet service providers)	328	188	168	156,825	77,234	45,668	40,335	43,800
Data processing, hosting, and related services	77	7	d	8,908	3,130	3,213	2,955	3,097
Other information services (including news syndicates, libraries, and internet publishing and broadcasting)	777	348	324	22,337	8,623	12,418	11,672	12,309
Finance and insurance	3,074	1,428	1,030	5,278,447	715,476	406,997	241,307	386,896
Credit intermediation	169	95	88	422,771	42,044	23,360	11,268	22,929
Depository credit intermediation	34	22	19	217,297	22,343	11,118	1,364	9,686
Nondepository credit intermediation	135	73	69	205,474	19,702	12,242	9,904	13,244
Securities, commodity contracts, and other financial investments and related activities	1,457	739	623	2,748,519	130,967	103,612	37,684	96,015
Insurance carriers and related activities	332	218	212	1,873,248	345,638	272,772	192,354	264,793
Funds, trusts, and other financial vehicles	1,116	377	107	233,909	196,827	7,252	1	3,159
Real estate and rental and leasing	14,660	4,199	2,732	184,846	64,352	25,968	16,902	27,974
Real estate	14,181	3,951	2,524	141,147	52,615	15,575	8,030	16,693
Rental and leasing services	460	245	205	35,485	6,464	9,764	8,271	10,669
Lessors of nonfinancial intangible assets (except copyrighted works)	* 19	3	3	* 8,214	* 5,272	* 628	* 601	* 612
Professional, scientific, and technical services	9,563	3,723	3,241	193,190	64,780	124,338	116,436	119,341
Management of companies (holding companies)	3,391	1,032	850	1,264,710	206,691	73,507	10,502	72,632
Administrative and support and waste management and remediation services	1,833	1,209	1,074	64,239	17,076	47,279	44,802	46,330
Administrative and support services	1,823	1,205	d	56,613	12,986	42,570	40,261	41,888
Waste management and remediation services	10	4	d	7,626	4,090	4,709	4,542	4,442
Educational services	307	261	11	4,541	1,755	1,992	1,898	1,903
Health care and social assistance	382	12	8	33,464	6,372	13,590	12,626	12,780
Offices of health practitioners and outpatient care centers	* 261	d	d	* 24,013	* 5,079	* 7,705	* 7,163	* 6,937
Miscellaneous health care and social assistance	117	8	5	7,467	949	3,979	3,930	4,004
Hospitals, nursing, and residential care facilities	* 4	d	d	* 1,984	* 344	* 1,906	* 1,533	* 1,839
Arts, entertainment, and recreation	1,479	420	415	11,170	3,181	5,345	4,800	5,870
Amusement, gambling, and recreation industries	360	35	30	9,101	2,959	3,506	3,349	3,972
Other arts, entertainment, and recreation	1,118	385	385	2,069	222	1,839	1,451	1,899
Accommodation and food services	708	232	203	47,900	13,528	31,041	25,521	30,501
Accommodation	213	95	73	26,748	10,577	6,935	4,579	7,117
Food services and drinking places	494	137	130	21,152	2,951	24,106	20,942	23,384
Other services	830	690	680	7,250	1,132	8,777	8,496	8,436
Repair and maintenance	635	612	611	4,658	1,054	6,941	6,818	6,824
Personal and laundry services	195	78	69	2,592	77	1,837	1,677	1,611

Footnotes at end of table.

Table 2. Foreign-Controlled Domestic Corporations: Selected Items, by Major Industry, Tax Year 2010—Continued

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

Major industry	Cost of goods sold	Total receipts less total deductions	Net income (less deficit)	Net income	Deficit	Income subject to tax	Total income tax: Before credits	Total income tax: After credits
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
All industries	**2,655,897**	**90,095**	**99,173**	**174,256**	**-75,083**	**127,237**	**45,078**	**33,192**
Agriculture, forestry, fishing, and hunting	7,305	145	149	354	-205	268	93	81
Agricultural production	6,834	139	143	332	-188	248	86	74
Forestry and logging	* 393	* 7	* 7	d	d	d	d	d
Support activities and fishing, hunting, and trapping	* 77	* -1	* -1	d	d	d	d	d
Mining	46,857	7,812	8,329	15,549	-7,221	11,291	4,122	1,809
Utilities	40,118	-3,361	-3,364	707	-4,071	450	163	151
Construction	34,740	-1,320	-1,307	1,103	-2,410	762	279	257
Construction of buildings	22,913	-1,170	-1,156	448	-1,605	282	107	105
Heavy and civil engineering construction	7,541	-131	-132	385	-517	307	111	94
Specialty trade contractors	4,286	-19	-19	270	-288	172	60	58
Manufacturing	1,363,232	42,856	47,089	65,683	-18,594	51,900	18,305	12,424
Food manufacturing	60,787	2,666	2,676	3,456	-780	2,680	941	898
Beverage and tobacco product manufacturing	14,373	2,322	2,349	2,414	-65	2,272	795	780
Textile mills and textile product mills	5,401	206	215	287	-72	242	84	78
Apparel manufacturing	898	-27	-27	27	-54	20	7	7
Leather and allied product manufacturing	d	d	d	d	d	d	d	d
Wood product manufacturing	5,901	-130	-130	84	-214	65	22	22
Paper manufacturing	13,590	413	416	600	-183	246	92	86
Printing and related support activities	2,939	-29	-29	86	-115	76	26	25
Petroleum and coal products manufacturing	503,258	7,360	9,048	10,406	-1,358	10,300	3,611	494
Chemical manufacturing	153,326	18,207	19,297	21,498	-2,201	18,609	6,520	4,931
Plastics and rubber products manufacturing	37,169	1,020	1,099	1,489	-390	994	359	280
Nonmetallic mineral product manufacturing	29,666	-1,936	-1,890	992	-2,883	727	267	237
Primary metal manufacturing	65,157	-477	-473	1,525	-1,998	1,158	410	382
Fabricated metal product manufacturing	30,356	1,047	1,122	1,610	-488	1,360	476	378
Machinery manufacturing	67,331	1,711	1,978	3,580	-1,602	3,038	1,061	837
Computer and electronic product manufacturing	68,597	346	842	3,804	-2,962	2,743	971	780
Electrical equipment, appliance, and component manufacturing	22,486	628	811	1,185	-374	942	330	214
Transportation equipment manufacturing	243,015	5,438	5,541	7,839	-2,298	2,407	916	756
Furniture and related product manufacturing	1,723	-27	-27	30	-57	22	8	6
Miscellaneous manufacturing	d	d	d	d	d	d	d	d
Wholesale and retail trade	872,673	14,183	14,677	26,016	-11,339	21,374	7,414	6,523
Wholesale trade	776,288	12,238	12,724	22,464	-9,740	18,691	6,479	5,654
Wholesale trade, durable goods	455,874	4,063	4,384	9,554	-5,170	7,318	2,524	2,227
Wholesale trade, nondurable goods	320,414	8,211	8,376	12,906	-4,530	11,371	3,954	3,427
Wholesale electronic markets and agents and brokers	* 0	* -36	* -36	* 4	* -40	* 2	* 1	* 1
Retail trade	96,385	1,946	1,953	3,552	-1,598	2,683	936	869
Motor vehicle dealers and parts dealers	5,010	0	0	40	-40	39	13	12
Furniture and home furnishings stores	3,433	71	71	192	-121	191	66	66
Electronics and appliance stores	2,395	99	99	192	-93	102	35	34
Building material and garden equipment and supplies dealers	* 582	* -7	* -7	* 3	* -10	* 3	* 1	* 1
Food, beverage and liquor stores	52,488	663	663	1,277	-614	1,234	432	419
Health and personal care stores	522	-1	0	51	-52	14	5	5
Gasoline stations	13,966	85	85	d	d	d	d	d
Clothing and clothing accessories stores	8,281	589	591	1,113	-522	821	287	241
Sporting goods, hobby, book, and music stores	523	-38	-38	9	-48	0	0	0
General merchandise stores	* 490	* 9	* 9	d	d	d	d	d
Miscellaneous store retailers	683	70	70	117	-47	99	34	34
Nonstore retailers	8,012	405	409	441	-32	68	23	23

Footnotes at end of table.

Table 2. Foreign-Controlled Domestic Corporations: Selected Items, by Major Industry, Tax Year 2010—Continued

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

Major industry	Cost of goods sold	Total receipts less total deductions	Net income (less deficit)	Net income	Deficit	Income subject to tax	Total income tax	
							Before credits	After credits
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Transportation and warehousing	30,221	2	64	1,509	-1,445	919	319	268
Air, rail, and water transportation	5,727	288	342	402	-59	312	111	69
Truck transportation	2,059	31	31	78	-47	68	23	23
Transit and ground passenger transportation	* 1,338	* 94	* 94	* 125	* -31	* 7	* 3	* 2
Pipeline transportation	4,645	172	172	172	0	35	15	15
Other transportation and support activities	15,799	-579	-571	577	-1,148	374	127	120
Warehousing and storage	653	-4	-4	156	-160	124	40	40
Information	36,164	3,607	3,774	6,839	-3,065	4,838	1,700	1,507
Publishing industries	8,931	1,904	1,999	3,355	-1,356	2,418	849	754
Motion picture and sound recording industries	4,100	-505	-458	282	-740	148	48	44
Broadcasting (except Internet)	157	115	115	154	-39	89	32	d
Telecommunications (including paging, cellular, satellite, cable and internet service providers)	17,299	1,868	1,885	2,317	-431	1,602	567	503
Data processing, hosting, and related services	670	116	117	303	-186	276	97	d
Other information services (including news syndicates, libraries, and internet publishing and broadcasting)	5,007	109	115	428	-313	305	107	80
Finance and insurance	141,262	20,101	19,359	30,146	-10,788	14,677	5,284	4,730
Credit intermediation	246	431	290	2,067	-1,776	982	415	377
Depository credit intermediation	0	1,433	1,389	1,492	-103	545	261	254
Nondepository credit intermediation	246	-1,002	-1,099	575	-1,674	437	155	123
Securities, commodity contracts, and other financial investments and related activities	105	7,597	7,603	11,644	-4,041	4,988	1,774	1,605
Insurance carriers and related activities	140,910	7,980	7,372	11,782	-4,410	8,345	2,964	2,621
Funds, trusts, and other financial vehicles	0	4,094	4,094	4,654	-560	363	129	128
Real estate and rental and leasing	2,407	-2,006	-2,023	2,752	-4,776	1,328	470	448
Real estate	241	-1,117	-1,117	2,429	-3,546	1,109	394	386
Rental and leasing services	2,143	-905	-923	293	-1,216	198	69	54
Lessors of nonfinancial intangible assets (except copyrighted works)	* 23	* 16	* 17	30	-14	21	8	8
Professional, scientific, and technical services	36,650	4,996	5,319	8,884	-3,566	6,875	2,406	2,021
Management of companies (holding companies)	1,924	875	4,605	9,880	-5,275	8,715	3,180	1,974
Administrative and support and waste management and remediation services	19,029	950	1,013	1,535	-521	916	323	260
Administrative and support services	18,506	682	745	1,238	-493	912	317	d
Waste management and remediation services	523	267	268	297	-28	3	6	d
Educational services	579	89	94	132	-38	111	39	29
Health care and social assistance	4,224	810	812	929	-117	856	300	294
Offices of health practitioners and outpatient care centers	* 3,461	* 768	* 768	d	d	d	d	d
Miscellaneous health care and social assistance	757	-25	-22	53	-76	4	2	1
Hospitals, nursing, and residential care facilities	* 6	* 66	* 66	d	d	d	d	d
Arts, entertainment, and recreation	1,236	-525	-512	168	-680	148	50	49
Amusement, gambling, and recreation industries	938	-466	-452	61	-513	57	19	19
Other arts, entertainment, and recreation	298	-59	-59	107	-166	91	30	30
Accommodation and food services	11,791	540	705	1,630	-925	1,412	496	263
Accommodation	492	-182	-172	295	-467	255	88	59
Food services and drinking places	11,299	722	878	1,335	-458	1,157	407	204
Other services	5,484	342	390	439	-49	396	138	104
Repair and maintenance	5,166	116	116	141	-25	113	39	30
Personal and laundry services	318	225	274	298	-24	283	99	75

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

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

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

Source: IRS, Statistics of Income Division, February 2013.

Table 3. Foreign-Controlled Domestic Corporations: Selected Items, by Age of Corporation and Selected Country of Foreign Owner, Tax Year 2010

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

Age of corporation and selected country of foreign owner	Number of returns: Total	Number of returns: With net income	Number of returns: With total income tax after credits	Total assets	Net worth	Total receipts	Business receipts	Total deductions
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All foreign-controlled domestic corporations	**73,210**	**31,473**	**23,088**	**11,245,199**	**2,317,910**	**4,056,172**	**3,671,712**	**3,966,077**
AGE OF CORPORATION								
Old corporations:								
Number or amount	58,429	26,682	18,923	10,567,295	2,052,318	3,807,609	3,443,775	3,722,665
Percentage of all corporations	79.8	84.8	82.0	94.0	88.5	93.9	93.8	93.9
New corporations:								
Number or amount	14,782	4,792	4,165	677,904	265,591	248,563	227,937	243,413
Percentage of all corporations	20.2	15.2	18.0	6.0	11.5	6.1	6.2	6.1
SELECTED COUNTRY OF FOREIGN OWNER								
Selected countries, total	65,890	29,160	21,901	11,184,191	2,302,984	4,024,506	3,642,229	3,932,153
Percentage of all countries	90.0	92.7	94.9	99.5	99.4	99.2	99.2	99.1
Selected countries:								
Argentina	1,096	830	802	939	299	817	807	866
Australia	1,785	593	490	164,402	42,701	58,265	52,485	54,630
Austria	904	320	229	11,962	3,852	17,636	17,323	17,275
Belgium	385	151	125	39,629	10,068	40,663	39,327	40,530
Bermuda	660	135	116	114,516	35,111	41,094	36,964	41,533
Brazil	1,512	1,203	1,143	29,744	11,546	35,404	34,449	34,928
British Virgin Islands [1]	2,965	739	473	29,994	5,970	25,200	23,267	24,849
Canada	10,284	4,425	3,494	1,267,869	265,982	344,753	302,717	345,634
Cayman Islands	2,243	651	517	90,759	42,450	34,875	29,780	35,576
China	1,822	845	436	14,256	2,770	16,865	16,391	16,989
China (Taiwan)	961	399	219	16,998	4,831	34,278	33,982	33,824
Cyprus	126	20	20	6,060	939	11,649	11,364	11,676
Denmark	309	117	113	21,825	7,463	24,523	23,538	24,298
Finland	51	35	34	21,146	11,108	16,385	14,945	16,055
Former Soviet Union [2]	751	387	17	14,534	5,232	13,246	12,771	14,194
France	2,352	1,092	615	1,174,137	296,319	256,356	214,033	247,777
Germany	4,498	2,456	1,655	1,189,157	264,165	403,873	365,187	386,431
Hong Kong	697	327	259	18,655	2,616	14,035	13,699	14,251
Hungary	86	21	20	14,242	1,502	12,240	11,817	11,598
India	1,706	846	716	19,741	3,976	25,358	25,040	25,487
Ireland	548	247	228	133,894	41,667	49,071	43,325	47,859
Isles of Man, Jersey, and Guernsey	271	72	66	24,363	8,608	6,904	6,031	6,416
Israel	1,258	430	324	54,236	15,698	32,096	30,814	32,016
Italy	2,446	687	377	61,517	25,215	45,577	43,919	44,771
Japan	6,204	2,905	2,455	984,276	241,013	610,660	583,527	599,534
Liechtenstein	271	75	50	4,625	1,592	6,288	6,168	6,117
Luxembourg	415	209	164	105,643	28,857	52,500	47,091	52,224
Mexico	2,666	1,626	1,150	48,915	23,961	41,174	38,086	38,057
Netherlands	1,507	947	769	1,044,821	148,556	267,614	232,252	263,230
Netherlands Antilles	405	109	108	23,153	11,851	14,775	13,810	14,350
New Zealand	62	48	38	17,760	3,829	5,750	5,513	5,692
Norway	565	131	93	26,318	7,002	16,688	16,333	18,179
Panama	1,258	350	262	13,385	5,144	4,830	4,606	4,696
Puerto Rico	31	d	d	10,601	1,410	747	237	1,222
Saudi Arabia	57	d	d	9,357	4,932	9,949	9,634	9,754
Singapore	234	97	76	32,124	19,250	16,669	16,483	16,667
South Africa, Republic of	69	37	10	3,898	1,232	5,129	4,881	4,849
South Korea, Republic of	1,754	577	297	55,318	12,460	105,351	103,148	104,952
Spain	1,247	691	412	224,927	51,766	40,604	29,559	40,208
Sweden	610	407	347	63,141	10,208	57,003	54,993	55,795
Switzerland	1,772	626	472	1,230,363	123,604	286,841	247,347	270,539
United Kingdom	5,952	2,678	2,140	2,730,597	493,421	885,455	789,715	861,011
Venezuela	1,095	567	563	20,394	2,808	35,316	34,871	35,614

Footnotes at end of table.

Table 3. Foreign-Controlled Domestic Corporations: Selected Items, by Age of Corporation and Selected Country of Foreign Owner, Tax Year 2010—Continued

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

Age of corporation and selected country of foreign owner	Cost of goods sold	Total receipts less total deductions	Net income (less deficit)	Net income	Deficit	Income subject to tax	Total income tax	
							Before credits	After credits
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
All foreign-controlled domestic corporations	**2,655,897**	**90,095**	**99,173**	**174,256**	**-75,083**	**127,237**	**45,078**	**33,192**
AGE OF CORPORATION								
Old corporations:								
Number or amount	2,504,114	84,944	93,530	158,792	-65,262	115,247	40,826	29,417
Percentage of all corporations	94.3	94.3	94.3	91.1	86.9	90.6	90.6	88.6
New corporations:								
Number or amount	151,783	5,151	5,643	15,464	-9,821	11,989	4,253	3,775
Percentage of all corporations	5.7	5.7	5.7	8.9	13.1	9.4	9.4	11.4
SELECTED COUNTRY OF FOREIGN OWNER								
Selected countries, total	2,635,212	92,354	101,358	172,995	-71,636	126,179	44,712	32,895
Percentage of all countries	99.2	102.5	102.2	99.3	95.4	99.2	99.2	99.1
Selected countries:								
Argentina	640	-49	-49	39	-88	39	11	11
Australia	28,962	3,635	3,650	5,700	-2,050	3,732	1,392	311
Austria	13,134	361	360	548	-187	473	163	159
Belgium	27,531	133	162	945	-783	685	254	220
Bermuda	20,185	-439	-623	2,211	-2,835	1,724	613	254
Brazil	30,754	476	481	1,184	-703	911	287	275
British Virgin Islands [1]	17,189	351	355	1,215	-860	682	238	225
Canada	220,574	-880	-982	10,806	-11,787	7,808	2,919	2,507
Cayman Islands	17,557	-701	-641	3,424	-4,065	2,008	708	576
China	14,642	-124	-118	301	-419	201	70	56
China (Taiwan)	30,979	454	453	699	-246	506	177	142
Cyprus	10,648	-27	-27	197	-223	108	39	38
Denmark	16,672	225	251	743	-492	608	212	200
Finland	11,463	330	337	432	-95	364	128	116
Former Soviet Union [2]	11,558	-948	-783	559	-1,342	450	158	95
France	146,138	8,578	9,544	15,360	-5,816	11,682	4,108	3,168
Germany	239,449	17,442	17,883	22,513	-4,630	12,375	4,403	3,653
Hong Kong	11,932	-215	-215	150	-365	66	23	23
Hungary	8,534	642	798	891	-93	870	304	218
India	16,065	-128	-124	823	-947	458	160	156
Ireland	25,514	1,212	1,292	2,381	-1,089	1,660	586	478
Isles of Man, Jersey, and Guernsey	1,818	489	523	1,019	-496	983	344	234
Israel	23,543	80	66	969	-903	732	256	247
Italy	28,207	806	856	2,066	-1,209	1,561	551	479
Japan	449,042	11,126	11,661	19,268	-7,607	15,677	5,502	4,516
Liechtenstein	4,633	171	170	227	-57	194	69	69
Luxembourg	33,245	276	370	1,840	-1,470	1,101	392	320
Mexico	26,781	3,116	3,360	4,461	-1,101	1,906	674	319
Netherlands	159,333	4,383	4,966	10,573	-5,607	8,043	2,822	2,000
Netherlands Antilles	7,484	425	479	697	-218	672	234	165
New Zealand	4,253	57	61	135	-74	72	27	24
Norway	11,934	-1,491	-1,491	367	-1,858	290	102	99
Panama	3,288	134	187	279	-92	237	81	26
Puerto Rico	89	-476	-478	d	d	d	d	d
Saudi Arabia	8,516	195	194	d	d	d	d	d
Singapore	11,013	3	4	310	-306	214	74	64
South Africa, Republic of	3,937	280	282	335	-53	57	26	26
South Korea, Republic of	92,222	399	400	1,401	-1,002	759	274	256
Spain	17,728	396	284	2,418	-2,134	1,419	566	546
Sweden	41,210	1,208	1,249	1,620	-371	1,128	399	367
Switzerland	154,342	16,303	16,544	18,612	-2,068	13,127	4,616	3,994
United Kingdom	598,901	24,444	29,965	35,010	-5,045	30,353	10,662	6,182
Venezuela	33,573	-298	-298	60	-358	55	15	15

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

[1] Includes domestic corporations with owners from Tortola, Anegada, Jost Van Dykes, and Virgin Gorda.

[2] Includes domestic corporations with owners from Russia, Armenia, Uzbekistan, Ukraine, Turkmenistan, Tajikistan, Sakhalin Island, Moldova, Kyrgyzstan, Azerbaijan, Kazakhstan, Kurile Islands, Georgia, Belarus, and Estonia.

NOTES: "New" corporations were those with dates of incorporation between 2008 and 2011; "old" corporations were those with dates of incorporation prior to 2008 or with unknown dates of incorporation. Countries shown in this table are those in which one or more of the following were present: (a) at least 1,000 returns, (b) at least $10 billion of total assets, or (c) at least $5 billion of total receipts. Detail may not add to totals because of rounding.

Source: IRS, Statistics of Income Division, February 2013.