Reconciling Corporation Book and Tax Net Income, Tax Years 1996-1998

by George A. Plesko

Income measurement for tax reporting follows a separate set of rules than that used for financial reporting. The goal of financial reporting, as outlined by the Financial Accounting Standards Board (FASB) in its 1978 *Statement of Financial Accounting Concepts No. 1*, is to provide external users with "information that is useful in investment and credit decisions [1]." In contrast, tax reporting is intended to facilitate the collection of revenues in an equitable and efficient manner, and tax authorities, while identified by the FASB as potential users, have the authority to require companies to supply the information necessary to administer the tax code. Further, while companies can exercise substantial discretion in applying the financial accounting rules to their businesses, the tax code generally proscribes a fixed set of rules with little room for managerial judgment.

Schedule M-1 of the Form 1120 series of corporation income tax returns requires corporations to reconcile financial reporting of book net income with tax net income. While the sources and magnitudes of the differences between financial and tax measures of income may be useful as part of the Internal Revenue Service (IRS) audit process, the differences between the two measures has also been of interest to those making tax policy. The corporate "alternative minimum tax," enacted as part of the Tax Reform Act of 1986, included as a "tax preference" item subject to that tax one-half of the difference between the amounts of income reported under each system [2]. Recently, increases in the difference between the amount of income reported under each system have raised concern that the corporate tax base may be eroding, and that corporations may have become more aggressive in reducing their tax liabilities [3]. Further, the extent and sources of differences between tax and financial reporting measures of income have been the focus of numerous academic studies evaluating the corporate tax system and corporations' responses to changes in tax rules [4].

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This article presents a summary of information tabulated from Schedule M-1 and provides information on the magnitude of the various components of the differences by industrial division. These data, for active corporations other than those filing Forms 1120S, 1120-REIT, and 1120-RIC, supplement annual return data published in the *Statistics of Income Bulletin* and the *Source Book of Statistics of Income--Corporation Income Tax Returns*. Specifically, the tabulations presented here match the same group of returns published annually in *Statistics of Income--Corporation Income Tax Returns*. Tables are provided for 3 return years, 1996 to 1998 [5].

Sources of Book-Tax Differences

The sources of book-tax differences in the amount of income reported as earned by a corporation are based on the differences in the concepts and rules underlying each reporting system. The target audience of financial statements are investors and others who need information in order to make decisions about a company, including whether to invest in the company's equity or debt. Companies that issue publicly-traded equity or debt securities are required by the Securities and Exchange Commission to file audited financial statements. Such statements must follow Generally Accepted Accounting Principles (GAAP), which include an adherence to pronouncements of the Financial Accounting Standards Board (FASB) and other accounting standards.

Tax accounting is designed to administer the U.S. tax laws, with the IRS as the primary audience for tax filings. In contrast to GAAP in a particular area, tax rules can change frequently, depending on legislative initiatives. Further, tax rules are not necessarily designed to present as consistent a definition of income over time as financial accounting rules are, as periodic changes in the tax rules are intended to both change the level of taxes collected and encourage or discourage certain types of activities.

An important element of financial accounting is the amount of discretion left to the corporation in implementing GAAP within its business. For example, in determining the useful life and depreciation pattern of a capital asset, depreciation schedules of the same asset can vary by company, and by usage, and usually follow a straight-line pattern. Tax depreciation is dictated by the Internal Revenue Code and leaves less discretion to the company. The lack of discretion in the tax code is intended to lead to more uniform application of the tax system.

Figure A provides a copy of the Schedule M-1 reconciliation table, the specific sources of differences that are reported, and the steps needed to calculate tax net income from book net income. Differences between tax and financial measures of income can arise from two types of measurement differences in the accounting systems: temporary and permanent [6]. Temporary (timing) differences occur when tax and financial reporting each recognize the same total amount of income or expense, but do so either over different time periods or in different patterns over the same period. These timing differences can arise from the different reporting rules under each system, but also because GAAP allows managers greater discretion in determining the amounts of income and expense in each period than does the tax system.

The second source of differences in the measures of income is permanent, and arises when a particular item of income or expense is recognized under one system but not the other. An example is tax-exempt interest on municipal bonds, which is included in book income but not in the determination of tax net income.

Both temporary and permanent differences are reported in corporations' financial statements. Under FASB's *Statement of Financial Accounting Standards Number 109*, corporations report a total amount of tax liability based on current year financial reporting income, delineating the portion currently owed to the Government from that which is deferred due to differences in income and expense recognition

Figure A

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return, Tax Years 1996-1998

1 Net income (loss) per books (after-tax)
Additions:
2 Federal income tax
3 Excess of capital losses over capital gains
4 Income subject to tax not recorded on books this year
5 Expenses recorded on books this year not deducted on this return:
Depreciation
Travel and entertainment
Contributions carryover
6 Equals: Book income after additions

Subtractions:
7 Income recorded on books this year not included on this return:
Tax- exempt interest
8 Deductions on this return not charged against book income this year:
Depreciation
Contributions carryover
9 Equals: Total subtractions

10 Book income after additions and subtractions, equal to tax net income before net operating loss deduction and special deductions (line 6 less line 9)

NOTE: The schedule M-1 line numbers are included for reference.

between the two methods. If the deferred portion is positive a deferred tax liability is created, representing the amount of taxes not paid on financial statement income this period because of temporary differences reducing tax net income below book income. Such is usually the case in the short term with depreciation, as more deductions are taken for tax purposes during the early years of an asset's life than are recognized as expenses for book purposes. The deferred tax liability associated with the asset on a corporation's financial statements represents the amount of tax to be paid in the future relative to future book earnings when the tax depreciation deductions fall below the book depreciation expense. In contrast to deferred tax liabilities, deferred tax assets are created when more taxes are paid than would be paid if financial reporting income were used to base tax liability, and represent a financial claim on the Government for taxes paid ahead of time relative to financial reporting.

Permanent differences, such as the effect of tax-exempt interest, never reverse and therefore do not create deferred tax assets or liabilities. Corporations account for permanent differences in a separate financial disclosure in the tax footnote of their financial statements. Figure B provides some examples of the types of transactions with different accounting treatments under each system.

Schedule M-1 Reconciliation

Schedule M-1 begins with a company's "net income (loss) per books," which represents the after-tax amount of income reported to shareholders, and the company's Federal income tax, which must be added back to the company's book net income to obtain the

Figure B

Examples of Book-Tax Accounting Differences

Income subject to tax not recorded on books in the current year
- Prepaid rent received
- Prepaid interest received
- Prepaid subscriptions
- Realized capital gains on previously accrued trading security gains

Expenses recorded on books not deducted on the return
- Travel and entertainment expenses in excess of deductible amounts
- Reserves for warranty expenses
- Book depreciation in excess of tax depreciation
- Bad debt expense when tax reporting uses specific charge-off method
- Allowances for returns not recognized for tax purposes until occurrance
- Differences in amortization of intangible assets

Income recorded on books not included on the return
- Unrepatriated income from foreign subsidiaries
- Rent prepaid in a prior period
- Tax -exempt interest (permanent difference)
- Accrued capital gains on trading securities not yet realized

Deductions not charged against book income in the current year
- Tax depreciation in excess of book depreciation
- Compensation related to the exercise of non-qualified stock options
- Realized capital losses on previously accrued trading security losses

amount of pre-tax book income. Additions are then made for items included in tax net income but not included in book net income, and for book expenses that do not reduce tax net income. The first of these income items is the "excess of capital losses over capital gains," and represents losses on the sale of capital assets (such as securities) that are not permitted to be deducted in the current year for tax purposes, but which are fully reflected as a loss in a company's book income.

For "income subject to tax not recorded on books this year," corporations report income which is currently recognized for tax purposes but not for financial accounting. For tax purposes, income is usually recognized by a corporation when payment is received, while financial reporting will require payments made in advance to be recognized as income during the future periods when the service or goods are provided by the company. An example of this type of transaction is rental payments received in advance by a company. Financial accounting rules require such payments to be recognized as income pro-rata over the time period of the lease, while tax rules would classify the entire amount as income in the current period. If the rental period spanned more than one accounting period, a temporary difference would arise and reverse in a later year, leading to a difference that would be reported elsewhere in Schedule M-1 as "income recorded on books this year not included on this return," at that time.

As part of "expenses recorded on books not deducted on the return," corporations report differences in the accounting treatment of expenses that increase tax net income relative to financial reporting income by being recognized for book, but not tax, reporting. An example of such a transaction would be any expense for travel and entertainment in excess of deductible limits. Also reported here, and separately identified, are any differences in depreciation to the extent book depreciation exceeds tax depreciation. Such differences in depreciation are usually due to the reversal of previous excess tax depreciation, and will be discussed in more detail below.

While the first set of items of Schedule M-1 capture accounting differences that lead to higher levels of tax net income than book income, at least in the near term, other aspects of tax and financial reporting will decrease tax net income. "Income recorded on books this year not included on this return" records items of book income that are not recognized as tax net income in the current year. Examples of such income include tax-exempt interest (which by definition is excluded from the calculation of tax net income, though fully recognized as income for financial accounting purposes) and income recognized as taxable in a prior period that was not considered income under GAAP, such as prepaid rent.

The final set of accounting differences reported on Schedule M-1 is the amount by which tax deductions exceed their respective charges against book income. An important element of these types of expenses is depreciation, which is itemized on Schedule M-1. For financial reporting purposes, property, plant, and equipment are generally depreciated using the straight-line method over an estimate of each asset's expected useful life, to some residual value. In calculating tax net income, corporations can use accelerated methods of depreciation following procedures given by the tax code, typically over a shorter life, and to no residual value [7]. In the near term, other things equal, such differences will lead to taxable income being less than financial accounting income as the tax deduction for depreciation will be greater than the depreciation expense charged against earnings. However, at some point, the amount of depreciation allowed for tax purposes on these assets will fall below that reported for financial accounting purposes, reversing the relation between the two measures of income. Such reversals will be reported as an "expense recorded on books this year not deducted on this return," and included in the itemization for depreciation.

Also included as a deduction not charged as an expense are the effects of the differential treatment of stock-based compensation [8]. When employees exercise non-qualified stock options, the difference between the exercise price and the market price is treated as compensation and is deductible for tax purposes. However, under GAAP, such compensation is treated as a contribution of capital to the corporation, and is not recognized as an expense.

Schedule M-1 reconciliation does not include the net operating loss deduction or other special deductions such as the deduction for dividends received as these two items are subtracted from tax net income in order to determine "income subject to tax," the actual tax base. Unlike pre-tax book income or tax net income, income subject to tax cannot be negative. The effect of these deductions will be to create a larger difference between book income and income subject to tax for companies with positive tax net income. A company's ultimate tax liability is calculated by applying the rate schedule to income subject to tax, with additional taxes potentially levied (for example by the alternative minimum tax) and offset by the use of credits (such as the foreign tax credit).

The Magnitude of Book Tax Adjustments, 1996-1998

Figure C provides annual totals for each line item in Schedule M-1 for all active corporation returns (other than Forms 1120S, 1120-REIT, and 1120-RIC) and for the subset of returns with net income, as well as additional information on total assets, net operating loss deductions, special deductions, and income tax before and after credits [9]. Figure D provides a plot of two data series of interest: pre-tax book income and tax net income.

Figure C

Returns of Active Corporations, Other than Forms 1120S, 1120-REIT, and 1120-RIC: Selected Schedule M-1 and Tax Return Items, Tax Years 1996 - 1998

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

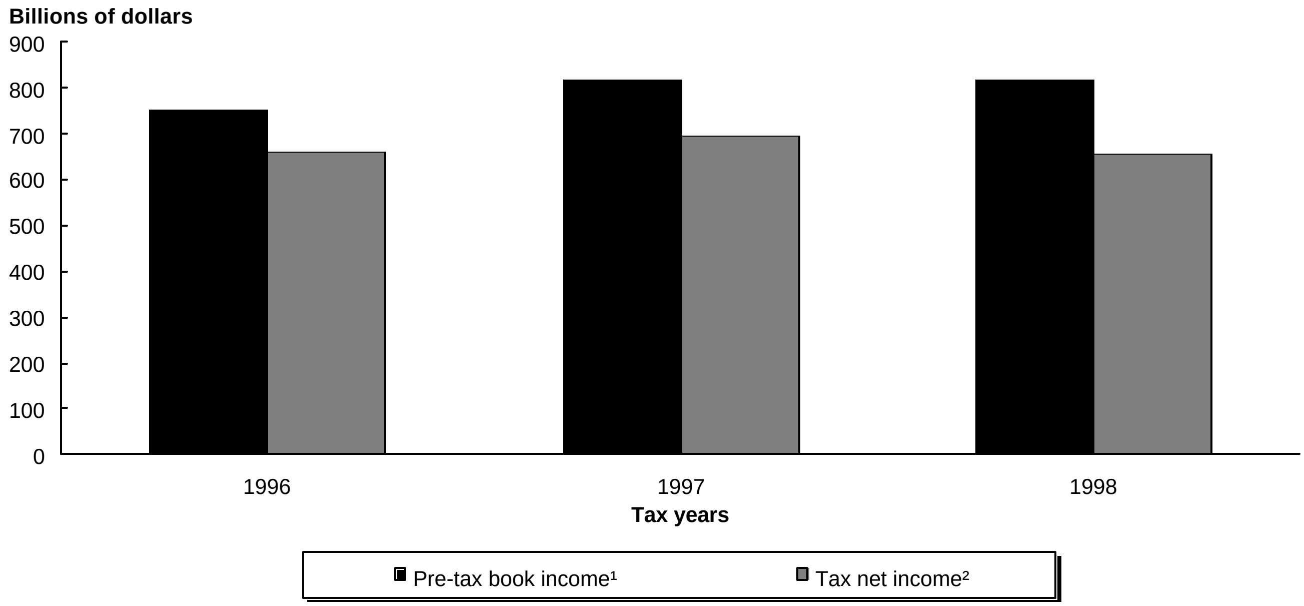
All returns	1996	1997	1998
	(1)	(2)	(3)
Number of returns	2,317,886	2,248,065	2,249,970
Total assets	23,511,428,533	26,398,629,274	29,539,700,618
Net income (loss) per books	553,496,834	599,869,698	600,318,898
Federal income tax	199,196,586	219,712,107	216,419,319
Excess of capital losses over capital gains	8,646,029	14,203,705	15,403,856
Income subject to tax not recorded on books this year	298,655,555	348,625,966	372,891,938
Expenses recorded on books this year not deducted on this return, total	525,582,556	590,909,855	697,517,834
Depreciation	97,708,684	111,705,424	125,234,911
Travel and entertainment	8,771,250	9,127,373	9,913,506
Income recorded on books this year not included on this return, total	320,283,590	384,591,785	472,270,251
Tax-exempt interest	20,492,172	20,123,154	22,455,327
Deductions on this return not charged against book income this year, total	574,240,285	656,745,192	743,898,879
Depreciation	154,489,283	177,231,906	205,270,043
Tax net income [1]	660,154,361	693,626,552	657,708,494
Net operating loss deduction	55,018,652	60,288,965	52,638,186
Special deductions	20,749,759	24,257,616	24,109,396
Total income tax before credits	223,454,063	239,133,922	230,912,537
Total income tax after credits	170,362,149	183,915,844	181,058,075
Returns with net income	**1996**	**1997**	**1998**
	(1)	(2)	(3)
Number of returns	1,284,278	1,239,047	1,239,493
Total assets	21,143,256,354	23,547,358,865	24,862,403,685
Net income (loss) per books	658,000,683	709,870,164	721,440,481
Federal income tax	203,014,906	222,707,340	218,735,106
Excess of capital losses over capital gains	5,700,809	10,176,054	7,322,157
Income subject to tax not recorded on books this year	272,189,600	314,767,607	330,462,553
Expenses recorded on books this year not deducted on this return, total	420,308,785	458,480,433	509,785,516
Depreciation	85,147,285	94,310,645	98,228,573
Travel and entertainment	7,077,851	7,286,355	7,722,139
Income recorded on books this year not included on this return, total	272,121,002	333,587,277	361,581,496
Tax-exempt interest	19,430,423	19,050,145	20,428,192
Deductions on this return not charged against book income this year, total	464,393,121	510,575,262	546,365,735
Depreciation	130,760,747	144,746,060	149,908,209
Tax net income [1]	791,880,921	835,340,636	848,194,555
Net operating loss deduction	55,015,028	59,718,165	52,635,887
Special deductions	19,914,957	23,210,638	22,143,556
Total income tax before credits	223,159,353	238,608,509	230,073,409
Total income tax after credits	170,076,043	183,459,827	180,277,343

[1] Schedule M-1 tax net income (after additions and subtractions to pre-tax book income).

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

Figure D

Returns of Active Corporations, Other than Forms 1120S, 1120-REIT, and 1120-RIC: Book and Tax Measures of Income, Tax Years 1996-1998



[1] Net income (loss) per books plus Schedule M-1 Federal income tax
[2] Schedule M-1 tax net income (after additions and subtractions to pre-tax book income)

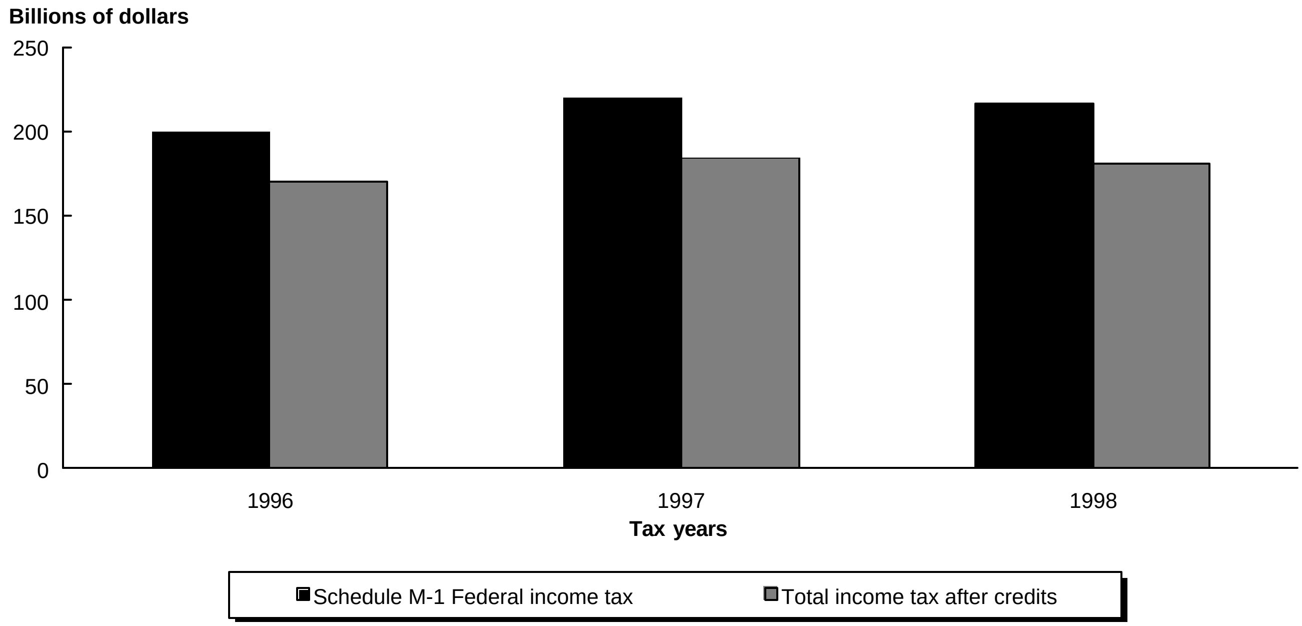
In Figure E, the amount of tax reported for book purposes is compared to total income tax after credits from the tax return. Consistent with Figure D, book measures of tax liability exceed income tax after credits in each year. For 1996, financial measures of tax liability exceeded tax after credits by $28.8 billion, increasing to more than $35.0 billion in both 1997 and 1998.

Pre-tax book income of active corporations (the sum of net income (loss) per books and Federal income tax) grew from $752.7 billion for 1996 to $819.6 billion for 1997, and fell slightly for 1998 to $816.7 billion. Similarly, tax net income grew from $660.2 billion for 1996 to $693.6 billion for 1997, and also fell for 1998 to $657.7 billion. Over these 3 years, these figures represent an 8.5-percent growth in pre-tax book income, while tax net income remained essentially flat (falling less than one-half of 1 percent). The net effect of these differential growth patterns was to increase the difference between pre-tax book income and tax net income from $92.5 billion for 1996 to more than $159.0 billion for 1998, an increase of 71.9 percent. This book-tax difference represented 24.2 percent of the total amount of net income reported for tax purposes for 1998.

The sources of these differences in the levels of income can be examined in two ways: first, by the changes in income by the income status of company, and second, by the components of the reconciling items. For returns with net income (the bottom panel of Figure C), pre-tax book income rose 9.2 percent from 1996 to 1998, and tax net income rose 7.1 percent. Among these companies, the difference between book net income and tax net income rose from $69.1 billion for 1996 to $92.0 billion for 1998, or by 10.8 percent of the 1998 level of tax net income. In contrast, the book-tax differences of loss corporations, which in the aggregate reported both negative pre-tax book income and negative tax net income, nearly tripled, from $23.4 billion for 1996 to $67.0 billion for 1998. Thus, of the $66.5-billion increase in book-tax income differences, $43.6 billion, or 65.6 percent, was attributable to corporations without net income for tax purposes.

Figure E

Returns of Active Corporations, Other than Forms 1120S, 1120-REIT, and 1120-RIC: Book and Tax Measures of Tax, Tax Years 1996-1998



As for the components of Schedule M-1, the "excess of capital losses over capital gains," grew by the greatest percentage over the period (78.2 percent) from $8.6 billion to $15.4 billion. Of the differences in the amount of income reported under each system, the net difference in "income recorded on books not included on this return" and "income subject to tax not recorded on books" increased from $21.6 billion in 1996 to $99.4 billion for 1998. Most of this increase was due to loss companies. Companies with net income in each year reported $68.6 million more income for tax than book purposes (net) for 1996, reversing to an excess of income reported for book purposes of $31.1 billion. However, loss companies reported $21.7 billion more in pre-tax book income than tax net income in 1996, rising to $68.3 billion in 1998.

The amount of tax deductions in excess of book expenses rose from $48.7 billion for 1996 to $65.8 billion for 1997, falling to $46.4 billion for 1998. Of those totals, net excess depreciation for tax purposes rose from $56.8 billion for 1996 to $65.5 billion for 1997, and $80.0 billion for 1998.

Book-Tax Differences by Size, 1996 - 1998

Figure F provides totals for Schedule M-1 items for active corporations by the size of assets for 1996. Although firms in the largest asset category of $250 million or more represented only two-tenths of 1 percent of the returns filed for 1996, they held 88.1 percent of total assets and reported 96.0 percent of net income (loss) per books and 92.0 percent of tax net income. Of the total amount of book-tax differences for 1996, about 98.6 percent was reported by these companies. Although not reported in tabular form, the concentration of assets, income, and book-tax adjustments was similar for 1997 and 1998, with corporations with assets of $250 million or more reporting 96.6 percent of the total book-tax difference for 1997, and 96.9 percent for 1998.

Differences in Income Status, 1996 - 1998

Apart from the magnitude of the differences in the amount of income reported under each accounting system is the question of whether firms report the same "*sign*" of income under each system. Figure G provides a cross-tabulation of the number of returns

Figure F

Returns of Active Corporations, Other than Forms 1120S, 1120-REIT, and 1120-RIC: Selected Schedule M-1 and Tax Return Items, by Size of Total Assets, Tax Year 1996

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

Item	Total returns of active corporations	Size of total assets						
		Zero	$1 under $10,000	$10,000 under $25,000	$25,000 under $50,000	$50,000 under $100,000	$100,000 under $250,000	$250,000 under $500,000
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Number of returns	2,317,886	118,862	321,674	241,128	259,634	301,545	399,481	245,932
Total assets	23,511,428,533	--	1,213,958	4,154,676	9,450,685	21,799,202	65,312,880	86,840,648
Net income (loss) per books	553,496,834	1,320,170	-538,071	-361,932	-287,665	-625,724	-351,480	703,607
Federal income tax	199,196,586	2,105,215	30,969	51,838	92,119	149,871	564,381	778,592
Excess of capital losses over capital gains	8,646,029	1,573,512	-884	11,434	393	31,509	209,813	190,330
Income subject to tax not recorded on books this year	298,655,555	6,125,831	225,569	25,902	25,753	152,848	320,257	412,050
Expenses recorded on books this year not deducted on this return, total	525,582,556	36,217,182	275,632	257,122	454,719	710,256	1,942,255	1,640,892
Depreciation	97,708,684	1,267,326	20,672	16,702	34,601	70,240	154,558	156,741
Travel and entertainment	8,771,250	120,321	87,500	90,780	116,467	162,935	303,969	274,347
Income recorded on books this year not included on this return, total	320,283,590	25,448,246	93,829	158,360	97,845	168,923	1,434,775	1,121,040
Tax-exempt interest	20,492,172	179,606	*1,081	--	*(1)	4,998	17,827	19,543
Deductions on this return not charged against book income this year, total	574,240,285	21,006,961	607,961	114,654	126,828	247,713	921,640	871,283
Depreciation	154,489,282	1,959,015	25,411	59,702	60,153	86,993	225,844	244,029
Tax net income 2	660,154,361	400,958	-745,578	-288,131	63,917	-2,903	329,503	1,727,282
Net operating loss deduction	55,018,652	3,000,336	485,296	481,667	651,622	915,594	1,568,156	1,517,168
Special deductions	20,749,759	192,780	*1,086	*2,632	2,188	9,646	33,653	77,624

Item	Size of total assets--continued							
	$500,000 under $1,000,000	$1,000,000 under $5,000,000	$5,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 under $250,000,000	$250,000,000 or more
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Number of returns	176,096	181,783	26,431	18,665	9,103	6,417	5,545	5,589
Total assets	124,378,012	378,102,278	184,013,935	291,770,785	321,697,490	455,135,232	860,982,201	20,706,576,550
Net income (loss) per books	648,130	1,583,515	-214,096	1,535,616	1,399,602	4,400,903	12,808,170	531,476,090
Federal income tax	1,100,693	4,763,740	2,831,924	4,189,954	3,798,097	5,046,423	9,457,624	164,235,146
Excess of capital losses over capital gains	31,042	191,322	82,631	406,757	164,566	485,291	437,574	4,830,739
Income subject to tax not recorded on books this year	725,798	4,034,060	2,055,856	3,487,765	3,580,925	4,727,693	9,907,981	262,847,266
Expenses recorded on books this year not deducted on this return, total	2,218,248	9,191,375	5,307,808	9,647,120	10,664,471	13,678,146	24,959,983	408,417,348
Depreciation	286,385	1,321,412	827,174	1,467,746	1,560,412	1,891,611	3,071,173	85,561,930
Travel and entertainment	301,163	786,739	299,893	367,906	301,703	309,093	499,042	4,749,390
Income recorded on books this year not included on this return, total	1,456,698	5,563,154	2,345,973	4,292,654	4,418,114	4,960,088	9,505,046	259,218,847
Tax-exempt interest	28,323	132,793	73,921	199,646	324,021	599,213	1,115,349	17,795,852
Deductions on this return not charged against book income this year, total	1,144,979	6,984,320	4,459,748	9,599,279	10,412,418	13,133,878	25,461,779	479,146,844
Depreciation	446,574	2,013,742	1,293,001	2,298,450	2,379,587	2,899,394	5,356,419	135,140,967
Tax net income 2	2,068,251	6,840,736	3,191,900	5,264,331	4,559,062	10,149,428	22,407,916	604,187,691
Net operating loss deduction	1,548,911	3,888,206	1,677,841	2,514,615	1,892,699	2,506,016	4,145,709	28,224,815
Special deductions	85,005	393,305	143,767	288,787	364,944	399,739	854,139	17,900,464

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

1 Less than $500.

2 Schedule M-1 tax net income (after additions and subtractions to pre-tax book income).

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

Figure G

Returns of Active Corporations, Other than Forms 1120S, 1120-REIT, and 1120-RIC: Number of Returns, Pre-Tax Book Income by Net Income (Loss), and Income Subject to Tax, Tax Years 1996-1998

[All figures are estimates based on samples]

Pre-Tax Book Income [1]	Number of Returns					
	1996		1997		1998	
	Net Income (Loss) [2]		Net Income (Loss) [2]		Net Income (Loss) [2]	
	zero or less	greater than zero	zero or less	greater than zero	zero or less	greater than zero
Zero or less	995,163	203,478	969,793	190,603	968,538	190,901
Greater than zero	38,444	1,080,800	39,224	1,048,444	41,938	1,048,593
	Income Subject to Tax		Income Subject to Tax		Income Subject to Tax	
	zero	greater than zero	zero	greater than zero	zero	greater than zero
Zero or less	1,064,630	134,012	1,037,856	122,540	1,033,750	125,689
Greater than zero	330,002	789,243	324,128	763,540	328,486	762,045
	Number of Returns with Assets of $250 Million or More					
	Net Income (Loss) [2]		Net Income (Loss) [2]		Net Income (Loss) [2]	
	zero or less	greater than zero	zero or less	greater than zero	zero or less	greater than zero
Zero or less	705	237	719	255	950	296
Greater than zero	372	4,275	395	4,471	406	4,443
	Income Subject to Tax		Income Subject to Tax		Income Subject to Tax	
	zero	greater than zero	zero	greater than zero	zero	greater than zero
Zero or less	779	163	799	175	1,033	213
Greater than zero	744	3,903	760	4,106	710	4,139

[1] Net income (loss) per books plus Schedule M-1 Federal income tax.

[2] Taxable income before net operating loss deduction and special deductions.

for each year based on whether they reported positive or negative pre-tax book income and whether net income (loss) was positive or negative and income subject to tax was positive or zero [10]. For these tabulations, net income refers to the amount of income reported by corporations before the net operating loss deduction and special deductions, as reported on the first page of Form 1120, and not the amount reported in Schedule M-1 (referred to as “tax net income”). Differences in these amounts will be due to omissions in Schedule M-1, and not due to errors in the calculation of the company’s income subject to tax. For further details, see the *Data Sources and Limitations* section at the end of this article.

The first panel of Figure G provides tabulations of the returns based on the signs of their pre-tax book income and net income (loss). For 1996, there were 995,163 returns showing zero or negative pre-tax book income and zero net income or loss, with 1,080,800 returns showing positive amounts of each. While these two amounts represent nearly 90 percent of the total number of returns, it is important to note that the other two table cells show that 10.4 percent of companies report income with opposite signs under the two accounting systems, with the bulk of those reporting positive tax net income but zero or negative pre-tax book income. This pattern remains constant throughout 1997 and 1998, with 10.2 percent and 10.3 percent of the returns, respectively, showing differences in the signs of income reported for tax and book purposes.

The second set of tabulations in the top panel compares pre-tax book income to income subject to tax. Income subject to tax cannot be negative, and will be less than net income (loss) if the corporation has a dividends-received deduction or certain other statutory special deductions, such as a net operating loss carryforward. Predictably, the share of returns with differing signs increases to approximately 20 percent for each of the 3 years, with the largest increase occurring in the combination of companies reporting positive pre-tax book income, but zero income subject to tax. That this combination increases is not surprising, as the dividends received deduction and statutory special deductions will only reduce tax accounting measures of income, without affecting the amount of pre-tax book income reported to shareholders.

The second panel of Figure G repeats the tabulation of the first, but is limited to companies in the largest size category, those with assets of $250 million or more. For the 3 years, the overall percentage of returns showing different signs is only slightly higher, at 10.9 percent for 1996, 11.1 percent for 1997, and 11.5 percent for 1998. Strikingly different, however, is that for each of these years, the majority of returns reporting different "signs" of income are those with positive pre-tax book income and zero or negative net income.

For the largest corporations, the percentage reporting different signs of income is somewhat smaller than for the population as a whole: 16.2 percent for 1996, about 16.0 percent for 1997, and 15.1 percent for 1998. What is different in this panel, however, is that of those returns with different "signs" of income, the relative number reporting positive pre-tax book income but zero income subject to tax is more than four times the number reporting positive income subject to tax but zero or negative pre-tax book income for 1996 and 1997, and more than 3 times for 1998.

In Figure H, the tabulations of Figure G are repeated, but with the amount of book-tax difference

Figure H

Returns of Active Corporations, Other than Forms 1120S, 1120-REIT, and 1120-RIC: Pre-Tax Book Income less Net Income (Loss), Pre-tax Book Income by Net Income (Loss), and Income Subject to Tax, Tax Years 1996-1998

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

Pre-Tax Book Income [1]	1996		1997		1998	
	Pre-tax Book Income less Net Income (Loss) for All Returns					
	Net Income (Loss) [2]		Net Income (Loss) [2]		Net Income (Loss) [2]	
	zero or less	greater than zero	zero or less	greater than zero	zero or less	greater than zero
Zero or less	-23,376,753	-48,960,797	-20,140,348	-52,838,869	-41,352,901	-64,838,071
Greater than zero	54,772,665	195,704,380	65,356,678	219,662,897	122,479,519	268,203,445
	Income Subject to Tax		Income Subject to Tax		Income Subject to Tax	
	zero	greater than zero	zero	greater than zero	zero	greater than zero
Zero or less	-43,897,259	-28,440,291	-30,104,350	-42,874,866	-53,890,679	-52,300,293
Greater than zero	61,727,077	188,749,969	76,367,379	208,652,196	132,566,174	258,116,790
	Pre-tax Book Income less Net Income (Loss) for Returns with Assets of $250 Million or More					
	Net Income (Loss) [2]		Net Income (Loss) [2]		Net Income (Loss) [2]	
	zero or less	greater than zero	zero or less	greater than zero	zero or less	greater than zero
Zero or less	-14,072,680	-33,008,922	-12,216,592	-37,669,991	-25,727,735	-47,197,337
Greater than zero	33,873,726	188,870,636	41,334,240	213,311,278	98,803,992	249,690,528
	Income Subject to Tax		Income Subject to Tax		Income Subject to Tax	
	zero	greater than zero	zero	greater than zero	zero	greater than zero
Zero or less	-27,201,407	-19,880,195	-17,066,561	-32,820,022	-31,202,121	-41,722,951
Greater than zero	38,732,526	184,011,835	50,396,405	204,249,114	106,423,770	242,070,751

[1] Net income (loss) per books plus Schedule M-1 Federal income tax.
[2] Taxable income before net operating loss deduction and special deductions.

for each combination of income reported rather than the number of returns. For active corporations, based on the sign of pre-tax book income and net income (loss) for all corporations in the sample, more than 100 percent of the total book-tax income difference for 1996 and 1997 is due to corporations with positive amounts of both, with the other three combinations largely offsetting each other. For companies reporting positive pre-tax book income but zero net income or loss, the amount of the book-tax difference will always be positive, just as corporations reporting positive net income and negative pre-tax book income will always show a negative book-tax income difference. For companies with negative or zero amounts of both pre-tax book and net loss, the aggregate value of the book-tax difference is negative, suggesting these companies, on average, report higher net income (loss) than book income.

For 1998, the amount of book-tax difference due to companies with positive pre-tax book income and positive net income was 94.3 percent of the total, with the amount of book-tax differences reported by companies with positive pre-tax book income and zero net income or loss increasing 87.4 percent, from $65.4 billion for 1997 to $122.5 billion for 1998, an increase of $57.1 billion.

The next two lines of data provide information on the magnitude of the difference between pre-tax book income and income subject to tax. Between 1997 and 1998, the amount of book-tax income differences reported by companies with positive pre-tax book income and zero income subject to tax increased significantly, from $76.4 billion to $132.6 billion, a 73.6-percent difference.

The bottom half of Figure H provides the magnitudes of book-tax differences for the largest corporations. Examining the dollar amounts of the book-tax difference for corporations with assets of $250 million or more shows a similar pattern for 1996 and 1997 as in the entire sample. Most notable, however, is that the sharp increase in the book-tax difference for 1998 seems to have been driven by the increase in the book-tax difference of these large corporations. For 1996 and 1997, the book-tax differences of corporations reporting positive pre-tax book income and positive net income were approximately equal to the entire amount of the book-tax difference for all returns included in the statistics.

From 1997 to 1998, corporations with assets in excess of $250 million, and reporting positive pre-tax book income and zero or negative net income, reported twice the amount of book-tax income differences, from $41.3 billion to $98.8 billion. This increase in the book-tax difference for these corporations is also found in the bottom panel for corporations with assets of at least $250 million. For this subset of companies, the book-tax difference of returns showing positive pre-tax book income and zero income subject to tax more than doubled, from $50.4 billion for 1997 to $106.4 billion for 1998.

Book-Tax Differences by Industrial Division, 1996-1997

While aggregate differences are informative in helping to understand the importance of accounting differences in the measurement of income, they are not indicative of every industry. In this section, the extent of book-tax accounting differences are described by industrial division. Tables 1 through 6 present tabulations from Schedule M-1 for active corporations and of corporations with net income for the years 1996 to 1998. Because of changes in classifications as a result of the adoption of the North American Industrial Classification System (NAICS), industrial "sectors" for 1998 are not readily comparable to the industrial "divisions" of earlier years. As a result, 1998 is discussed separately.

Agriculture, forestry, and fishing.--With approximately one-half of the division's assets held by companies with less than $5 million in assets, these smaller, privately-held corporations are more likely to use tax accounting rules as the basis of their financial accounting, and therefore have fewer adjustments to make between book and tax net income. Pre-tax book income exceeded tax net income by $90.8 million for 1996 and $22.1 million for 1997, representing 5.1 and 1.4 percent of tax net income in those years, respectively. Excess depreciation deducted for tax purposes was $95.9 million for 1996 and $116.2 million for 1997. Each of these amounts exceeded the total amount of book-tax differences for each year. After including non-depreciation expenses, net charges against pre-tax book income were $17.6 million more than those against tax net income for 1996, and $8.3 million less for 1997. Income recognition differences were the largest source of book-tax differences, with $124.7 million more income recorded as pre-tax book income than tax net income for 1996 and $69.4 million for 1997.

Mining.--Pre-tax book income exceeded tax net income by $3.8 billion for 1996, or 35.4 percent, but reversed for 1997, leaving tax net income $0.3 billion (or 2.4 percent) higher than pre-tax book income for 1997. The net amount of additional income reported on these companies' financial books over income reported on their tax returns was $498.0 million for 1996 and $417.6 million for 1997, while tax deductions, which exceeded book expenses by $3.6 billion for 1996, reversed and were smaller than book expenses by $520.1 million for 1997. Depreciation differences were small for both years, amounting to only $58.2 million for 1996 and $8.2 million for 1997.

Construction.--As in agriculture, assets are less concentrated in large corporations; more than one-half are owned by companies with assets less than $10 million. Pre-tax book income exceeded tax net income by 1.4 percent for this group, or $108.9 million for 1996 (with corporations in the largest asset category ($250 million or more) reporting tax net income $364.0 million *greater* than pre-tax book income). For 1997, this relationship reversed, with the division reporting $385.1 million more in tax net income than pre-tax book income, or 4.9 percent of the total amount of tax net income. Corporations reported a net $1.0 billion more in pre-tax book income than tax net income for 1996 and $0.5 billion more for 1997. Net deductions for tax were $846.0 million less than net book expenses in 1996 and $813.3 million less in 1997. Of these expenses, net tax depreciation exceeded book depreciation by $488.4 million in 1996 and $595.8 million in 1997.

Manufacturing.--For 1996, about 89 percent of manufacturing's assets and nearly 92 percent of pre-tax book income were reported by corporations with $250 million or more in assets. For 1996, tax net income for this division exceeded book pre-tax income by $10.7 billion (3.3 percent of tax net income) but this reversed for 1997, with pre-tax book income exceeding tax net income by $20.1 billion, or 6.1 percent of tax net income. Excess capital losses were $3.7 billion for 1996 and $6.7 billion for 1997. This division was responsible for approximately 32 percent of the total amount of book depreciation expenses "not deducted for the current year" for 1996 and 1997. Although excess tax depreciation exceeded book depreciation by nearly $20 billion for 1996 and approximately $24 billion for 1997, the difference between deductions and expenses was much smaller in 1996 at $14.5 billion and increased to $34.8 billion for 1997. The net amount of tax net income not included in pre-tax book income exceeded book income not included in tax net income by $21.8 billion for 1996, but only $8.2 billion for 1997.

Transportation and public utilities.--Even more concentrated than manufacturing, this division's largest group of companies (those with total assets of $250 million or more) held 94 percent of the division's assets and reported almost 98 percent of its tax net income for 1996. Reported book pre-tax income exceeded tax net income by $30.1 billion for 1996 and $18.9 billion for 1997, 32.5 percent and 15.0 percent of the total amount of book tax differences in each year. These differences amounted to 37.0 percent of tax net income in 1996 and 23.3 percent in 1997. The amount of income recorded for financial accounting purposes exceeded that reported as tax net income by $13.9 billion for 1996 and $7.2 billion for 1997. Tax deductions exceeded book expenses by $17.2 billion and $14.5 billion, respectively, for 1996 and 1997, with depreciation accounting for $11.9 billion and $8.8 billion of that total.

Wholesale and retail trade.--For 1996, tax net income exceeded pre-tax book income by $3.2 billion, amounting to 5.7 percent of total tax net income of $56.1 billion. Income included in pre-tax book income was $6.2 billion less than for tax net income, partially offset by $3.5 billion more in tax deductions than expenses taken for book purposes. Depreciation deductions reduced tax net income by $9.3 billion more than taken against pre-tax book income.

For 1997, nearly the entire amount of book-tax difference was eliminated, with tax net income exceeding pre-tax book income by only $546 million, less than 1 percent of the total amount of tax net income for that year. The amount of income included in pre-tax book income but not included in tax net income increased only slightly (from $6.2 billion to $6.8 billion), while the amount of deductions taken for tax but not book purposes more than doubled, from $3.5 billion to $7.2 billion.

Finance, insurance, and real estate.--By far the largest source of aggregate book-tax differences, this industrial division showed 45.7 percent more income for book purposes than for tax purposes for 1996 and 53.4 percent for 1997, representing $72.4 billion and $93.7 billion, respectively. Only slightly less concentrated than the Transportation division, corporations in the largest asset category reported 92 percent of the assets, 94 percent of the book pre-tax income, 96 percent of tax net income, and 89 percent ($64.7 billion) of pre-tax book income in excess of tax net income for 1996.

For 1996, the single largest factor explaining the book-tax difference was the $38.7-billion net income included in pre-tax book income but not included in tax net income, including $17 billion in tax-exempt interest, 83 percent of the total reported by all companies. An additional $5.4 billion of tax deductions in excess of book expenses were recorded, along with $2.1 billion in excess capital losses.

For 1997, additional income reported for book, but not tax purposes, was $50.5 billion, including $16.3 billion in tax-exempt interest. Deductions against tax net income in excess of expenses for book purposes were $7.6 billion, with an additional $14.8 billion in depreciation deductions.

Services.--The amount of tax net income reported by the services division ($22.2 billion) exceeded pre-tax book income by $26.8 million for 1996, but increased dramatically to $5.5 billion for 1997. The amount of income included in tax net income but not in pre-tax book income was $4.8 million for 1996 and $7.7 billion for 1997. This additional income for tax purposes was partially offset by $5.3 billion of tax deductions in excess of book expenses for 1996, falling to $3.0 billion for 1997. Deductions for depreciation exceeded those reported as a book expense by $5.5 billion and $6.3 billion for both 1996 and 1997. Excess capital losses accounted for the remaining $0.7-billion and $0.8-billion differences.

Book-Tax Differences by Industry Sector, 1998

Schedule M-1 data for 1998 are presented in Tables 5 and 6. Because 1998 is the first year using the North American Industry Classification System (NAICS) , industry classifications are not directly comparable to classifications used in prior years. Further information on NAICS sectors, and the effects of NAICS on the comparability of corporate tax return data, can be found in Treubert and Jauquet (2001) [11].

Raw materials.--Companies in the raw materials industries reported $3.1 billion more tax net income than pre-tax book income for 1998. While these companies reported $2.9 billion more in income for financial accounting purposes than for tax purposes, this was more than offset by $4.2 billion less in tax deductions than book expenses. Depreciation for book purposes exceeded depreciation for tax by nearly $900 million. Of these totals, loss companies reported nearly all of the additional book pre-tax income, with companies with positive net income claiming $5.6 billion less in tax deductions than book expenses.

Goods production.--Companies classified in this sector had an excess of pre-tax book income over tax net income of $11.6 billion, representing 3.7 percent of the amount they reported as tax net income. Even though depreciation deductions were nearly $31.0 billion more for tax purposes than for book purposes, total deductions for tax purposes were $4.5 billion less than expenses for book purposes. Income reported for book but not tax purposes exceeded $22.7 billion, representing 23 percent of the total for all companies, and excess capital losses were $6.7 billion--the largest amount for any industry sector and 43 percent of the total for all corporations.

Distribution and transportation of goods.--These corporations reported pre-tax book income $9.2 billion higher than tax net income, a difference of 11.6 percent. The excess of income included in tax net income over income recorded for book purposes was $9.0 billion, but this was offset by more than $19.0 billion in additional deductions for tax than for book purposes.

Information.--Corporations classified in this sector showed the second largest source of book-tax income differences for 1998, reporting $58.5 billion more in pre-tax book income than tax net income, a difference equal to 95.4 percent of the $61.3 billion reported as tax net income. Within this sector, the excess of income reported for book but not tax purposes was $38.5 billion, of which loss corporations' share was more than 100 percent ($39.1 billion). Tax deductions exceeded book expenses by $22.2 billion, of which $20.8 billion were due to corporations with positive tax net income.

Finance, insurance, and real estate.--As with prior years, corporations classified as finance-related were responsible for the largest amount of book-tax income differences, $81.4 billion, 51.2 percent of the grand total for the year. The amount of the book-tax difference was equal to 94.5 percent of tax net income reported by finance-related companies. Both returns with net income, as well as returns without net income, reported large amounts of pre-tax book income in excess of income included in tax returns, $47.8 billion and $35.0 billion, respectively, and smaller amounts of expenses for book purposes than those deducted for tax purposes, $2.9 billion less for returns with net income and $4.6 billion for returns without net income. Tax-exempt interest reported for the finance sector totaled $14.1 billion, 63 percent of the total amount of tax-exempt interest reported by all corporations.

Professional and business services.--Tax net income exceeded pre-tax book income for service corporations by $4.9 billion for 1998. While these corporations reported $5.8 billion less income for tax than for book purposes, tax deductions exceeded book expenses by more than $11.3 billion, almost all of which could be attributed to depreciation differences of $11.2 billion. Corporations in this sector also reported nearly $5.0 billion in tax-exempt interest, second only to finance, and 22 percent of the U.S. total.

Education, health, and social services.--Aggregate net income for this sector was negative on both a book and tax basis for 1998. The reported pre-tax book loss of $6.1 billion was $5.4 billion more than the $0.7 billion for tax net income. The companies in this sector reported both $974.0 million less in income for tax purposes than book purposes, and $4.2 billion more in expenses for book purposes. Companies with and without net income both show this same pattern of greater tax than book income reported, and greater expenses charged against book income than deducted for tax purposes.

Leisure.--Pre-tax book income exceeded tax income by $2.2 billion, an amount equal to 32.3 percent of tax net income. Leisure companies reported $2.0 billion more in pre-tax book income than income reported under tax accounting rules, while reporting $0.5 billion more in expenses for tax reporting purposes. Approximately one-half of the book-tax difference was due to depreciation differences, with depreciation expenses for tax reporting exceeding book depreciation by $1.1 billion.

Firms with zero or negative tax net income represented 56 percent of all returns filed in this sector and were the source of $1.4 billion of the total book-tax difference, or nearly 62 percent.

Summary

Accounting differences for tax and financial reporting purposes can lead to large differences in the amount of income reported under each system. This article provides data on the magnitudes of these differences for Tax Years 1996-1998 based on data compiled from Schedule M-1 of the 1120 series of corporation income tax returns. The extent of the difference in income was estimated to be more than $159.0 billion in 1998, representing 24.2 percent of the total amount of tax net income reported for that year.

The release of these data should help to provide more insight into the operation of the corporate income tax system, and its interaction with other accounting methods. It should also be useful in helping to better understand the relation between the corporate tax system and the economy as a whole, as corporate Income Subject to Tax is influenced by factors other than current economic performance.

Data Sources and Limitations, Form 1120, Tax Years 1996-1998

Estimates for Tax Years 1996-1998 are based on samples of corporation income tax returns with accounting periods ending July of one year through June of the following year (Tax Year 1996, for example, includes accounting periods of July 1996 to June 1997) posted to the Internal Revenue Service Business Master File from the beginning of July through the end of the following June. These returns represent domestic corporations filing Form 1120 or 1120-A; foreign corporations with income “effectively connected” with a U.S. business filing Form 1120-F; life insurance companies filing Form 1120-L; and property and casualty insurance companies filing Form 1120-PC. While life insurance companies are included in the tabulations, Form 1120-L does not include a Schedule M-1, and book-tax differences of these companies will not be reflected in the tables. Form 1120S (S corporation returns), regulated investment companies filing Form 1120-RIC, and real estate investment trusts filing Form 1120-REIT were excluded from the tabulations.

A stratified probability sample was used to produce the statistics. Sample sizes vary by year with stratifications based on combinations of total assets and a measure of income at rates ranging from 0.25 percent to 100 percent. More detail for individual years can be found in *Statistics of Income--Corporation Income Tax Returns*.

Information is obtained from the returns as filed. Within this article, "tax net income" refers to the amount of income reported on the last line of Schedule M-1 as reconciled with pre-tax book income. This "tax net income" should equal the amount reported as "taxable income before net operating loss deduction and special deductions," as reported on the first page of Form 1120 (referred to as "net income (loss)"). However, companies that do not complete the schedule or leave it blank will not be recorded as having a book-tax difference, and the amount of "tax net income" tabulated from Schedule M-1 may not equal the amount of net income reported elsewhere. As a result, income subject to tax derived from Schedule M-1 tax net income can differ from income subject to tax reported on the first page of Form 1120.

Notes and References

[1] Financial Accounting Standards Board, 1978, *Objectives of Financial Reporting by Business Enterprises, Statement of Financial Accounting Concepts No. 1*, Financial Accounting Standards Board.

[2] For more information on the extent of the book income adjustment of the corporate alternative minimum tax, see Gerardi, G.; Milner, G. H.; and Silverstein, G., 1993, "Temporal Aspects of the Corporate Alternative Minimum Tax: Results from Corporate Panel Data for 1987-1990," *Proceedings of the Eighty-Third Annual Conference 1992*, Columbus, National Tax Association--Tax Institute of America, pp. 117- 127; Gill, A. and Treubert, P., 1993, "The Corporate Alternative Minimum Tax: A Year-by-Year Analysis of Tax Return Data from 1987-1990," *Proceedings of the Eighty-Third Annual Conference 1992*, Columbus, National Tax Association--Tax Institute of America, pp. 128-136; and Boynton, C.; Dobbins, P.; and Plesko, G., Earnings Management and the Corporate Alternative Minimum Tax," *Journal of Accounting Research*.

[3] See U.S Department of the Treasury, 1999, "The Problem of Corporate Tax Shelters: Discussion, Analysis, and Legislative Proposals." Alternatively, corporations may have become more aggressive in reporting earnings to their shareholders.

[4] See Callihan, D.S., "Corporate effective tax rates: A synthesis of the literature," 1994, *Journal of Accounting Literature*, pp. 13: 1-43 for a detailed review of the academic literature.

[5] Comparative data on the magnitudes and sources of differences between financial reporting measures of income and tax return based measures were previously reported in the early 1960's. See, for example, *Statistics of Income*, *Corporation Income Tax Returns*, for 1963 and 1967, and Natrella, V., 1968, "Corporate Profits Data--Tax Returns vs. Company Books," paper presented at the Federal Statistics Users' Conference. A historical perspective can be found in Smith, D.T. and Butters, J.K, 1949, *Taxable and Business Income*, National Bureau of Economic Research. They also provide a lengthy discussion and detailed analysis of book-tax differences during the 1930's.

[6] Discussions of book-tax accounting differences can be found in Kramer, J.L. and Phillips, L.C. eds., 1995, *Federal Taxation*, 1996, Prentice-Hall; Dworin, L., 1985, "On Estimating Corporate Tax Liabilities from Financial Statements," *Tax Notes*, December 2, pp. 965-971; Plesko, G.A., "Book-Tax Differences and The Measurement of Corporate Income," *Proceedings of the Ninety-Second Annual Conference, 1999*, Columbus, National Tax Association--Tax Institute of America, pp. 171-176; Plesko, G.A., "An Evaluation of Alternative Measures of Corporate Tax Rates," forthcoming, *Journal of Accounting and Economics*; and Manzon, G. and Plesko, G., "The Relation Between Financial and Tax Reporting Measures of Income," forthcoming, *Tax Law Review*.

[7] Under some circumstances, such as with the former investment tax credit, tax rules may also require an adjustment to the basis of the asset.

[8] For more information on the accounting treatment of stock options, see Manzon, G. and Plesko, G., *Tax Law Review;* Shevlin, T.,

"Corporate Tax Shelters and Book-Tax Differences," forthcoming, *Tax Law Review;* and Hanlon, M. and Shevlin, T., "Accounting for the Tax Benefits of Employee Stock Options and Implications for Research," *Accounting Horizons*, March 2002, Vol. 16, No. 1, pp. 1-16.

[9] Tabulations and tables are provided only by industry and not by asset categories. Given disclosure requirements, the release of both sets of data would have greatly limited the ability to provide industry details.

[10] A number of similar tabulations based on Schedule M-1 were published in *Statistics of Income*, *Corporation Income Tax Returns*, for the years 1963 to 1975.

[11] Treubert, P. and Jauquet W. P., "Corporation Income Tax Returns, 1998," *Statistics of Income Bulletin*, Summer 2001, Vol. 21, No. 1, pp. 66-99.

SOURCE: IRS, Statistics of Income Bulletin, Spring 2002, Publication 1136 (Revised 6-02).

Table 1.--Returns of Active Corporations, Other than Forms 1120S, 1120-REIT, and 1120-RIC: Selected Schedule M-1 and Tax Return Items, by Industrial Division, Tax Year 1996

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

Item	All industrial divisions	Agriculture, forestry, and fishing	Mining	Construction	Manufacturing
	(1)	(2)	(3)	(4)	(5)
Number of returns	2,317,886	76,251	19,849	237,183	184,518
Total assets	23,511,428,533	61,710,512	283,323,373	185,316,136	5,223,581,699
Net income (loss) per books	553,496,834	1,198,953	12,365,074	5,617,716	235,113,768
Federal income tax	199,196,586	661,861	2,194,055	2,539,744	75,787,187
Excess of capital losses over capital gains	8,646,029	11,879	293,190	102,022	3,745,377
Income subject to tax not recorded on books this year	298,655,555	604,644	3,731,332	4,387,424	132,386,699
Expenses recorded on books this year not deducted on this return, total	525,582,556	876,904	13,039,903	5,867,305	202,220,657
Depreciation	97,708,684	129,497	3,930,330	575,006	31,333,968
Travel and entertainment	8,771,250	42,392	101,338	327,742	3,146,615
Income recorded on books this year not included on this return, total	320,283,590	729,383	4,229,341	5,420,577	110,613,087
Tax-exempt interest	20,492,172	23,646	26,515	74,399	1,769,157
Deductions on this return not charged against book income this year, total	574,240,285	859,352	16,628,480	5,021,332	216,677,045
Depreciation	154,489,282	225,391	3,988,492	1,063,444	51,012,475
Tax net income [1]	660,154,361	1,770,043	10,755,236	8,048,561	321,601,012
Net operating loss deduction	55,018,652	666,855	2,998,480	2,016,098	16,782,359
Special deductions	20,749,759	104,759	198,849	92,693	11,067,487
Total income tax before credits	223,454,063	761,468	2,525,249	2,952,116	95,467,114
Total income tax after credits	170,362,149	657,114	1,350,458	2,661,969	58,848,541

Item	Transportation and public utilities	Wholesale and retail trade	Finance, insurance, and real estate	Services	Nature of business not allocable
	(6)	(7)	(8)	(9)	(10)
Number of returns	107,466	585,583	357,907	741,907	7,220
Total assets	2,018,102,409	1,680,702,407	13,130,924,726	926,944,013	823,258
Net income (loss) per books	81,377,141	31,210,634	176,902,970	9,746,684	-36,106
Federal income tax	30,052,701	21,699,475	53,810,269	12,449,298	*1,994
Excess of capital losses over capital gains	1,108,287	649,646	2,052,667	682,960	--
Income subject to tax not recorded on books this year	37,029,639	21,470,675	78,683,197	20,361,951	*-6
Expenses recorded on books this year not deducted on this return, total	116,138,496	44,185,843	102,092,591	41,151,738	9,119
Depreciation	44,475,040	6,834,815	5,928,684	4,499,674	*1,670
Travel and entertainment	1,119,649	1,306,497	1,172,225	1,553,699	*1,093
Income recorded on books this year not included on this return, total	50,979,051	15,277,162	117,427,920	15,607,070	--
Tax-exempt interest	243,662	400,612	17,069,305	884,875	--
Deductions on this return not charged against book income this year, total	133,379,306	47,720,920	107,468,732	46,479,168	*5,950
Depreciation	56,325,508	16,089,060	15,825,258	9,958,388	*1,267
Tax net income [1]	81,339,037	56,107,717	158,340,876	22,222,827	-30,949
Net operating loss deduction	6,807,860	6,791,753	11,963,468	6,991,779	--
Special deductions	792,707	675,929	6,907,628	909,669	*38
Total income tax before credits	28,369,917	22,634,306	58,211,373	12,531,227	1,294
Total income tax after credits	25,957,061	20,672,299	50,091,474	10,121,939	1,294

[1] Schedule M-1 tax net income (after additions and subtractions to pre-tax book income).

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

NOTES: Detail may not add to totals because of rounding. The industrial divisions shown in this table are based on the Standard Industrial Classification system.

Table 2.--Returns with Net Income, Other than Forms 1120S, 1120-REIT, and 1120-RIC: Selected Schedule M-1 and Tax Return Items, by Industrial Division, Tax Year 1996

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

Item	All industrial divisions	Agriculture, forestry, and fishing	Mining	Construction	Manufacturing
	(1)	(2)	(3)	(4)	(5)
Number of returns	1,284,278	46,966	9,705	137,905	104,379
Total assets	21,143,256,354	42,223,727	210,924,304	144,230,512	4,587,484,226
Net income (loss) per books	658,000,683	2,441,726	13,326,576	8,691,154	259,236,091
Federal income tax	203,014,906	670,223	2,014,281	2,611,736	77,493,896
Excess of capital losses over capital gains	5,700,809	10,184	156,048	26,755	3,277,153
Income subject to tax not recorded on books this year	272,189,600	545,974	3,105,824	3,637,617	124,961,699
Expenses recorded on books this year not deducted on this return, total	420,308,785	556,894	9,617,106	4,106,957	169,859,867
Depreciation	85,147,285	97,545	3,134,937	408,838	26,970,714
Travel and entertainment	7,077,851	31,418	75,467	230,470	2,650,301
Income recorded on books this year not included on this return, total	272,121,002	378,247	2,795,845	3,568,627	99,605,889
Tax-exempt interest	19,430,423	18,422	25,476	57,838	1,683,412
Deductions on this return not charged against book income this year, total	464,393,121	507,694	11,256,661	3,498,187	182,489,785
Depreciation	130,760,747	160,654	2,567,368	799,640	43,796,730
Tax net income [1]	791,880,921	3,343,487	14,165,619	12,001,115	352,562,453
Net operating loss deduction	55,015,028	666,855	2,998,480	2,016,098	16,782,359
Special deductions	19,914,957	95,406	189,768	83,349	10,698,644
Total income tax before credits	223,159,353	760,903	2,519,417	2,928,883	95,386,344
Total income tax after credits	170,076,043	656,549	1,344,625	2,638,736	58,767,775

Item	Transportation and public utilities	Wholesale and retail trade	Finance, insurance, and real estate	Services	Nature of business not allocable
	(6)	(7)	(8)	(9)	(10)
Number of returns	59,656	340,431	201,860	382,596	781
Total assets	1,734,889,940	1,348,173,327	12,384,716,175	690,378,305	*235,838
Net income (loss) per books	88,773,383	55,028,136	195,874,507	34,623,349	*5,759
Federal income tax	30,668,663	22,563,622	53,912,411	13,078,065	*2,012
Excess of capital losses over capital gains	894,121	262,284	677,567	396,692	--
Income subject to tax not recorded on books this year	33,776,980	17,550,134	72,419,871	16,191,507	*-6
Expenses recorded on books this year not deducted on this return, total	102,781,672	28,104,718	78,766,176	26,514,839	*554
Depreciation	42,046,310	4,177,404	5,064,829	3,246,709	--
Travel and entertainment	913,520	1,027,428	1,032,016	1,117,233	--
Income recorded on books this year not included on this return, total	42,391,457	11,239,998	101,231,210	10,909,731	--
Tax-exempt interest	218,403	383,553	16,237,714	805,606	--
Deductions on this return not charged against book income this year, total	118,626,937	32,030,777	82,829,322	33,153,320	*438
Depreciation	51,692,576	10,225,576	14,750,131	6,767,737	*338
Tax net income [1]	95,857,752	80,098,614	187,143,499	46,700,500	*7,882
Net operating loss deduction	6,807,860	6,791,753	11,959,844	6,991,779	--
Special deductions	738,370	624,041	6,645,946	839,397	*38
Total income tax before credits	28,316,137	22,609,505	58,127,354	12,509,538	1,275
Total income tax after credits	25,903,281	20,647,731	50,014,316	10,101,755	1,275

[1] Schedule M-1 tax net income (after additions and subtractions to pre-tax book income).

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

NOTES: Detail may not add to totals because of rounding. The industrial divisions shown in this table are based on the Standard Industrial Classification system.

Table 3.--Returns of Active Corporations, Other than Forms 1120S, 1120-REIT, and 1120-RIC: Selected Schedule M-1 and Tax Return Items, by Industrial Division, Tax Year 1997

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

Item	All industrial divisions	Agriculture, forestry, and fishing	Mining	Construction	Manufacturing
	(1)	(2)	(3)	(4)	(5)
Number of returns	2,248,065	74,844	16,593	226,679	171,796
Total assets	26,398,629,274	57,639,510	306,864,668	193,517,905	5,738,645,394
Net income (loss) per books	599,869,698	1,013,390	8,365,391	4,757,526	273,454,092
Federal income tax	219,712,107	587,416	3,119,320	2,676,685	78,608,233
Excess of capital losses over capital gains	14,203,705	48,316	166,655	99,559	6,674,351
Income subject to tax not recorded on books this year	348,625,966	318,295	5,721,346	4,610,618	151,663,887
Expenses recorded on books this year not deducted on this return, total	590,909,855	883,965	20,359,107	6,125,433	218,603,667
Depreciation	111,705,424	137,589	4,346,701	626,419	36,038,932
Travel and entertainment	9,127,373	40,543	101,697	318,882	3,280,292
Income recorded on books this year not included on this return, total	384,591,785	387,707	6,138,940	5,140,119	143,469,101
Tax-exempt interest	20,123,154	25,727	30,462	62,309	1,998,519
Deductions on this return not charged against book income this year, total	656,745,192	892,227	19,838,982	5,312,108	253,430,252
Depreciation	177,231,906	253,833	4,338,473	1,222,259	60,156,452
Tax net income [1]	693,626,552	1,578,731	11,754,697	7,819,330	331,972,558
Net operating loss deduction	60,288,965	663,263	3,054,039	2,126,566	18,535,340
Special deductions	24,257,616	115,094	226,263	130,453	12,534,214
Total income tax before credits	239,133,922	657,208	3,139,331	2,935,292	101,789,673
Total income tax after credits	183,915,844	596,648	2,017,919	2,799,814	64,247,268

Item	Transportation and public utilities	Wholesale and retail trade	Finance, insurance, and real estate	Services	Nature of business not allocable
	(6)	(7)	(8)	(9)	(10)
Number of returns	103,609	566,126	352,628	732,409	3,380
Total assets	2,160,360,080	1,576,826,351	15,289,500,938	1,074,980,085	294,342
Net income (loss) per books	69,258,271	33,449,158	204,310,942	5,268,878	-7,951
Federal income tax	30,755,050	24,007,594	64,796,653	15,160,680	*477
Excess of capital losses over capital gains	2,856,209	1,085,345	2,428,167	845,103	--
Income subject to tax not recorded on books this year	48,987,709	25,231,582	85,813,355	26,279,174	--
Expenses recorded on books this year not deducted on this return, total	125,331,215	51,813,017	117,391,390	50,401,941	*121
Depreciation	49,519,884	8,966,511	5,781,297	6,288,090	--
Travel and entertainment	1,101,628	1,370,578	1,255,108	1,658,567	*78
Income recorded on books this year not included on this return, total	56,167,057	18,424,127	136,309,909	18,554,825	--
Tax-exempt interest	268,096	434,012	16,311,449	992,580	--
Deductions on this return not charged against book income this year, total	139,846,007	59,020,886	124,967,524	53,437,198	*8
Depreciation	58,348,926	19,785,086	20,567,776	12,559,101	--
Tax net income [1]	81,119,008	58,002,712	175,445,113	25,941,765	-7,362
Net operating loss deduction	7,989,146	7,316,025	13,069,140	7,530,074	*5,372
Special deductions	985,139	623,021	8,555,059	1,087,153	*1,220
Total income tax before credits	28,492,761	23,812,332	63,533,939	14,771,257	2,128
Total income tax after credits	25,568,295	21,899,996	54,706,465	12,077,310	2,128

[1] Schedule M-1 tax net income (after additions and subtractions to pre-tax book income).

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

NOTES: Detail may not add to totals because of rounding. The industrial divisions shown in this table are based on the Standard Industrial Classification system.

Table 4.--Returns with Net Income, Other than Forms 1120S, 1120-REIT, and 1120-RIC: Selected Schedule M-1 and Tax Return Items, by Industrial Division, Tax Year 1997

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

Item	All industrial divisions	Agriculture, forestry, and fishing	Mining	Construction	Manufacturing
	(1)	(2)	(3)	(4)	(5)
Number of returns	1,239,047	44,035	9,108	130,064	98,366
Total assets	23,547,358,865	39,815,918	233,513,288	149,747,989	5,162,727,444
Net income (loss) per books	709,870,164	2,370,934	11,122,129	7,901,359	301,709,692
Federal income tax	222,707,340	617,568	2,914,723	2,701,913	81,705,692
Excess of capital losses over capital gains	10,176,054	38,096	148,889	64,120	4,917,336
Income subject to tax not recorded on books this year	314,767,607	243,989	5,020,285	3,851,670	144,384,304
Expenses recorded on books this year not deducted on this return, total	458,480,433	534,679	11,739,749	4,604,707	181,454,907
Depreciation	94,310,645	86,012	3,145,959	436,548	30,530,616
Travel and entertainment	7,286,355	30,552	79,754	238,828	2,774,755
Income recorded on books this year not included on this return, total	333,587,277	220,268	3,448,461	3,539,732	133,921,808
Tax-exempt interest	19,050,145	20,614	24,909	52,372	1,870,945
Deductions on this return not charged against book income this year, total	510,575,262	568,961	12,068,668	3,777,543	214,636,684
Depreciation	144,746,060	162,175	3,000,346	824,789	51,453,256
Tax net income [1]	835,340,636	3,023,319	15,429,162	11,805,589	365,418,480
Net operating loss deduction	59,718,165	663,263	3,054,039	2,126,566	18,535,340
Special deductions	23,210,638	107,018	211,414	116,345	12,089,899
Total income tax before credits	238,608,509	655,470	3,103,629	2,909,903	101,721,681
Total income tax after credits	183,459,827	594,910	1,982,217	2,774,424	64,179,276

Item	Transportation and public utilities	Wholesale and retail trade	Finance, insurance, and real estate	Services	Nature of business not allocable
	(6)	(7)	(8)	(9)	(10)
Number of returns	53,838	320,119	198,145	383,732	1,640
Total assets	1,714,714,031	1,230,850,047	14,236,257,607	779,501,157	231,383
Net income (loss) per books	82,432,509	57,643,573	211,637,115	35,040,319	12,534
Federal income tax	30,196,496	25,069,747	64,254,385	15,246,344	*472
Excess of capital losses over capital gains	2,608,241	310,758	1,610,232	478,382	--
Income subject to tax not recorded on books this year	41,819,695	18,822,026	78,679,250	21,946,388	--
Expenses recorded on books this year not deducted on this return, total	99,603,542	34,325,635	94,919,174	31,297,937	*103
Depreciation	43,894,652	7,315,534	4,876,711	4,024,613	--
Travel and entertainment	879,791	1,054,559	1,080,816	1,147,236	*64
Income recorded on books this year not included on this return, total	50,118,745	13,884,729	115,655,933	12,797,601	--
Tax-exempt interest	236,633	365,511	15,610,978	868,183	--
Deductions on this return not charged against book income this year, total	107,082,585	39,376,190	97,255,468	35,809,155	*8
Depreciation	50,940,337	13,255,904	16,785,892	8,323,361	--
Tax net income [1]	99,405,018	82,809,271	202,055,329	55,381,367	13,101
Net operating loss deduction	7,989,146	7,316,025	12,498,340	7,530,074	*5,372
Special deductions	876,777	557,138	8,223,562	1,027,265	*1,220
Total income tax before credits	28,425,564	23,784,281	63,278,502	14,727,351	2,128
Total income tax after credits	25,501,099	21,875,133	54,517,234	12,033,407	2,128

[1] Schedule M-1 tax net income (after additions and subtractions to pre-tax book income).

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

NOTES: Detail may not add to totals because of rounding. The industrial divisions shown in this table are based on the Standard Industrial Classification system.

Table 5.--Returns of Active Corporations, Other than Forms 1120S, 1120-REIT, and 1120-RIC: Selected Schedule M-1 and Tax Return Items, by Industrial Division, Tax Year 1998

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

Item	All industrial divisions [1]	Raw materials and energy production	Goods production	Distribution and transportation of goods	Information
	(1)	(2)	(3)	(4)	(5)
Number of returns	2,249,970	87,618	409,699	550,373	44,895
Total assets	29,539,700,618	1,418,129,649	6,415,222,260	2,026,412,769	1,622,675,576
Net income (loss) per books	600,318,898	20,681,462	253,205,283	55,224,426	93,653,128
Federal income tax	216,419,319	11,209,625	69,131,140	33,444,175	26,072,381
Excess of capital losses over capital gains	15,403,856	1,785,643	6,655,815	1,138,873	2,273,107
Income subject to tax not recorded on books this year	372,891,938	19,916,582	152,110,579	31,947,360	51,150,520
Expenses recorded on books this year not deducted on this return, total	697,517,834	77,906,197	269,847,489	65,214,282	108,146,658
Depreciation	125,234,911	24,700,823	37,652,426	12,597,838	34,664,480
Travel and entertainment	9,913,506	527,362	3,584,095	2,052,422	796,498
Income recorded on books this year not included on this return, total	472,270,251	22,796,099	174,895,334	22,979,287	89,636,162
Tax-exempt interest	22,455,327	171,174	1,907,524	388,940	778,768
Deductions on this return not charged against book income this year, total	743,898,879	73,736,077	265,249,110	84,380,354	130,360,686
Depreciation	205,270,043	23,802,336	68,612,853	36,467,779	38,625,422
Tax net income [2]	657,708,494	34,968,035	310,739,054	79,476,462	61,262,666
Net operating loss deduction	52,638,186	2,700,048	17,660,141	9,495,224	3,687,968
Special deductions	24,109,396	585,786	12,604,701	921,516	1,284,525
Total income tax before credits	230,912,537	15,571,805	88,915,005	30,464,992	20,476,054
Total income tax after credits	181,058,075	13,167,748	55,398,868	27,929,050	18,414,936

Item	Finance, insurance, real estate, and rental and leasing	Professional and business services	Education, health, and social assistance	Leisure, accommodation, and food services	Other services
	(6)	(7)	(8)	(9)	(10)
Number of returns	326,195	350,074	188,845	136,327	149,877
Total assets	11,181,196,519	6,352,589,094	202,102,511	255,166,909	65,915,212
Net income (loss) per books	125,837,730	53,160,196	-7,978,842	5,679,699	837,541
Federal income tax	41,661,607	28,861,502	1,910,206	3,375,866	752,279
Excess of capital losses over capital gains	2,181,930	781,667	227,430	313,976	45,415
Income subject to tax not recorded on books this year	65,113,746	44,625,218	2,659,985	4,725,031	642,917
Expenses recorded on books this year not deducted on this return, total	92,666,892	59,297,206	11,066,738	9,750,555	3,621,159
Depreciation	6,846,038	5,348,625	992,905	2,214,489	217,059
Travel and entertainment	1,097,051	1,285,492	278,784	198,605	93,197
Income recorded on books this year not included on this return, total	112,939,690	38,782,751	1,686,079	6,724,392	1,830,457
Tax-exempt interest	14,077,628	4,997,039	88,238	27,170	18,847
Deductions on this return not charged against book income this year, total	100,150,062	70,646,827	6,889,048	10,261,166	2,225,539
Depreciation	16,337,739	16,552,560	1,231,610	3,335,869	303,875
Tax net income [2]	86,134,018	77,114,283	-695,467	6,845,361	1,844,621
Net operating loss deduction	9,586,964	5,128,587	1,667,389	2,245,804	454,259
Special deductions	5,817,899	2,760,444	36,029	50,620	47,876
Total income tax before credits	42,838,998	26,675,153	1,937,123	3,198,561	821,713
Total income tax after credits	38,367,888	22,602,857	1,888,112	2,492,732	782,844

[1] Includes returns not allocable by industrial division.

[2] Schedule M-1 tax net income (after additions and subtractions to pre-tax book income).

NOTES: Detail may not add to totals because of rounding. The industrial divisions shown in this table are based on the North American Industry Classification System.

Table 6.--Returns with Net Income, Other than Forms 1120S, 1120-REIT, and 1120-RIC: Selected Schedule M-1 and Tax Return Items, by Industrial Division, Tax Year 1998

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

Item	All industrial divisions ¹	Raw materials and energy production	Goods production	Distribution and transportation of goods	Information
	(1)	(2)	(3)	(4)	(5)
Number of returns	1,239,493	46,364	241,761	315,779	20,410
Total assets	24,862,403,685	1,065,746,434	5,448,157,522	1,541,261,398	1,017,388,313
Net income (loss) per books	721,440,481	31,365,027	293,522,465	77,686,910	87,338,092
Federal income tax	218,735,106	12,834,778	72,166,899	33,260,726	23,096,073
Excess of capital losses over capital gains	7,322,157	340,136	4,510,201	840,351	752,060
Income subject to tax not recorded on books this year	330,462,553	17,668,184	139,300,876	25,517,636	49,584,702
Expenses recorded on books this year not deducted on this return, total	509,785,516	54,869,764	216,201,458	44,543,138	71,675,519
Depreciation	98,228,573	18,570,746	29,549,022	9,351,322	29,629,191
Travel and entertainment	7,722,139	471,477	2,898,413	1,585,080	542,498
Income recorded on books this year not included on this return, total	361,581,496	17,621,984	151,112,066	15,915,930	48,995,482
Tax-exempt interest	20,428,192	149,595	1,790,433	349,634	737,435
Deductions on this return not charged against book income this year, total	546,365,735	49,225,905	212,468,356	57,995,252	92,442,851
Depreciation	149,908,209	18,920,161	53,623,528	20,338,595	31,170,908
Tax net income ²	848,194,555	50,230,491	362,078,862	107,828,506	90,972,082
Net operating loss deduction	52,635,887	2,700,048	17,660,141	9,495,224	3,687,968
Special deductions	22,143,556	506,741	11,544,633	800,733	1,133,419
Total income tax before credits	230,073,409	15,537,060	88,774,927	30,395,232	20,372,527
Total income tax after credits	180,277,343	13,133,004	55,258,802	27,861,337	18,311,409

Item	Finance, insurance, real estate, and rental and leasing	Professional and business services	Education, health, and social assistance	Leisure, accommodation, and food services	Other services
	(6)	(7)	(8)	(9)	(10)
Number of returns	186,383	185,393	94,653	60,066	87,459
Total assets	9,616,481,727	5,824,317,391	120,689,243	182,170,175	46,014,767
Net income (loss) per books	142,015,397	73,333,331	3,721,350	9,961,152	2,469,336
Federal income tax	42,552,874	28,955,543	1,653,687	3,289,858	924,149
Excess of capital losses over capital gains	329,314	370,008	27,902	110,752	41,433
Income subject to tax not recorded on books this year	53,459,219	38,796,084	1,739,437	3,894,218	502,197
Expenses recorded on books this year not deducted on this return, total	64,786,155	45,914,670	4,175,529	5,632,909	1,986,264
Depreciation	5,096,558	3,876,441	564,572	1,468,087	122,634
Travel and entertainment	878,391	963,385	164,413	148,999	69,483
Income recorded on books this year not included on this return, total	88,430,048	32,591,509	1,077,898	4,385,619	1,450,960
Tax-exempt interest	12,503,230	4,784,950	78,438	23,068	11,411
Deductions on this return not charged against book income this year, total	67,666,652	56,605,097	2,664,085	6,085,048	1,212,489
Depreciation	11,075,046	11,616,870	734,064	2,227,433	201,604
Tax net income ²	115,766,065	98,053,210	7,575,339	12,401,130	3,260,820
Net operating loss deduction	9,584,665	5,128,587	1,667,389	2,245,804	454,259
Special deductions	5,366,103	2,678,179	26,807	46,190	40,751
Total income tax before credits	42,494,047	26,555,599	1,935,783	3,175,260	819,840
Total income tax after credits	38,076,328	22,486,248	1,886,773	2,469,430	780,971

¹ Includes returns not allocable by industrial division.

² Schedule M-1 tax net income (after additions and subtractions to pre-tax book income).

NOTES: Detail may not add to totals because of rounding. The industrial divisions shown in this table are based on the North American Industry Classification System.

Book-tax differences occur because the amount of income reported as earned is based on different concepts and rules under each reporting system. Since the target audience of financial statements is investors and others who need information to make decisions about a company, including whether to invest in the companyâ€™s equity or debt, companies that issue publicly traded equity or debt securities are required by the Securities and Exchange Commission to file audited financial statements.Â 2002 Reconciling corporation book and tax net income, tax years 1996-1998. SOI Bulletin 21(4):1-16. 2003 An evaluation of alternative measures of corporate tax rates. This book covers federal income tax in the United States. It approaches the tax system from a legal perspective, not an accounting perspective. Rather than show en.wikibooks.org > US Income Tax - Wikibooks, open books for an open. Tax Books. Taxcafe's unique tax guides show you how to pay less UK capital gains tax, inheritance tax, property tax, corporation tax, income tax, and business tax. taxcafe.co.uk > Tax Books. U.S. Federal Income Taxation of Individuals 2015 | CALI. However, corporate income tax revenues rose just 7.7% from 1996- 1999. A few companies did pay out 35%. But, only one industryâ€"publishingâ€"paid out over 30% (actually 31.6%) over the three-year period. Here are some of the findingsÂ In the years that these 133 corporations paid such low tax rates, they paid just 8.5% of their $209 billion in U.S. profits in federal income taxes. Over the 1996-98 period, petroleum was the lowest-taxed industry in America, with an effective tax rate of only 12.3%. In 1998, the tax rate on the 12 big oil companies in the study fell to only 5.7%. Click Here to see the entire study, including a company-by-company analysis of total profits and total taxes paid. .