

U.S. Possessions Corporation Returns, 2005

by Daniel S. Holik

In general, to qualify for the possessions tax credit, a corporation must be a domestic corporation (organized under the laws of one of the 50 states), and have filed Form 5712, *Election To Be Treated as a Possessions Corporation Under Section 936*. Once filed, this election remains in effect for 10 years, unless the taxpayer obtains permission for a revocation from the Internal Revenue Service.

Two gross income tests must also be satisfied. First, the possessions corporation must have derived 80 percent or more of its gross income from sources in a U.S. possession for the corporation's applicable period, which is generally the shorter of 36 months or the period when the corporation actively conducted a trade or business in a U.S. possession. The second test requires the corporation to derive at least 75 percent of its gross income from the active conduct of a trade or business in a U.S. possession. If these gross income tests are satisfied, a U.S. possessions corporation may claim the possessions tax credit for that portion of income earned from qualified sources in U.S. possessions. For Tax Year 2005, U.S. possessions included Puerto Rico, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands.

The United States taxes its citizens, residents, and corporations on their worldwide incomes. Because possessions corporations are domestic corporations, they are subject to U.S. taxation on income earned in U.S. possessions and other foreign tax jurisdictions. For U.S. tax purposes, however, income earned in U.S. possessions is generally considered foreign-source income. Unlike the foreign tax credit, the possessions tax credit reduces and, in some cases, eliminates the U.S. tax liability on qualified possessions income whether or not the possessions tax that income.¹ U.S. possessions typically employ a

combination of modest statutory rates and tax holidays, which together translate to fairly low effective tax rates.² Thus, the income earned by possessions corporations from possessions sources tends to be subject to low total effective tax rates.

The Tax Year 2005 Statistics of Income (SOI) possessions tax credit study is the last planned SOI study of possessions corporation returns. Generally, the possessions credit was repealed for taxable years beginning after December 31, 2005.³ For Tax Year 2005, the number of U.S. corporations claiming the possessions tax credit (102) and the amount of the credit claimed (\$0.9 billion) continued declines that began in the 1990s. These declines coincide with increased legislative restrictions on the use of the possessions tax credit.

Most of the U.S. corporations claiming a possessions tax credit for 2005 did so with respect to their operations in Puerto Rico. These 94 corporations claimed more than 98 percent of the total possessions tax credit.

Manufacturers continued to claim virtually all (over 98 percent) of the possessions tax credit. As in prior years, pharmaceuticals and medicines manufacturers accounted for the largest share of the credit. For 2005, 15 pharmaceuticals and medicines manufacturers reported possessions tax credits of nearly \$0.5 billion, approximately 55 percent of the total. Other industries with substantial amounts of possessions tax credits claimed included food manufacturing, computer and electric equipment, and medical equipment and supplies manufacturing.⁴

Background

Since 1921, Federal income tax laws have provided an incentive for U.S. corporations to conduct business in U.S. possessions. The original legislation provided an exemption from taxation for all income derived from sources outside the United States if certain conditions were met. Specifically, the corporation had to derive 80 percent or more of its gross income from U.S. possessions and 50 percent or

Daniel S. Holik is an economist with the Special Studies Returns Analysis Section. This article was prepared under the direction of Chris Carson, Chief.

¹ Subject to numerous limitations, the foreign tax credit is available only for actual taxes paid or accrued, or deemed paid. For more information on the foreign tax credit, see "Foreign Tax Credit, 2004," published in the *Statistics of Income Bulletin*, Summer 2008, Washington, D.C. 2008.

² For example, the Puerto Rican tax system is separate and independent from the U.S. tax system. Although it is modeled after the U.S. system, there are differences in law and tax rates. Puerto Rico provides various tax incentives for industries under the Tax Incentives Acts of 1987 and 1998 (see Note 13).

³ The Small Business Job Protection Act of 1996 generally repealed the credit for tax years beginning after December 31, 2005. See the Background section of this article for a more complete discussion of the legislative history of the U.S. Possessions Tax Credit.

⁴ Throughout this article, the North American Industry Classification System (NAICS) is used to categorize business activity of possessions corporations. See *North American Industry Classification System, United States, 2002*, Executive Office of the President, Office of Management and Budget for additional information about specific industrial groups. For example, the food manufacturing industrial group includes beverages and distilled spirits.

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more of its gross income from the active conduct of a trade or business in the possessions. These tax provisions were enacted to help U.S. corporations compete with foreign companies operating in the Philippines, which was then a U.S. possession.

The Tax Reform Act of 1976 significantly changed the taxation of U.S. corporations operating in U.S. possessions, creating a new section 936 of the Internal Revenue Code. Rather than exempting all income derived from sources outside the United States for qualifying corporations, the new legislation allowed only a credit against taxes paid on income derived from the active conduct of a trade or business in a possession and “qualified possessions source investment income” (see the Explanation of Selected Terms section). The intent of this legislation was to encourage employment-producing investments by U.S. corporations in U.S. possessions.

The Tax Equity and Fiscal Responsibility Act of 1982 and the Tax Reform Act of 1986 further restricted tax benefits available under section 936 by modifying the tax treatment of income derived from intangible assets and passive investments. In general, the 1982 Act provided that a possessions corporation’s income from intangible assets, such as patents and copyrights, would be taxable to the U.S. shareholders (usually the U.S. parent corporation) of the possessions corporation.⁵ A possessions corporation could elect out of this general rule if it demonstrated that it had a significant business presence in the possession in which it operated, by meeting either a direct labor test or a value added test with respect to a specific product or type of service.⁶ Electing corporations could then choose to allocate income attributable to that product or service between the U.S.

shareholders and the possessions corporation using either the cost-sharing or profit split method.⁷ The 1982 Act also increased the percentage of gross income that a possessions corporation must earn from the active conduct of a trade or business in U.S. possessions to 65 percent. The 1986 Act increased this percentage to 75 percent.

Legislation introduced in the 1990s continued to restrict, and finally generally repeal, the possessions tax credit provisions. Congress, in the Omnibus Budget Reconciliation Act of 1993, required corporations to separate their possessions income and credit computations into active and passive components. While qualified passive income (i.e., “qualified possessions source investment income”) continued to receive unrestricted credit treatment, the possessions credit derived from active income was subject to a limitation computed under either the percentage limitation or economic-activity limitation methods (these methods are explained in the Highlights section).

The Small Business Job Protection Act of 1996 generally repealed the credit for tax years beginning after December 31, 1995. However, transition rules allowed an existing possessions corporation to claim credits, with certain restrictions, through taxable years beginning before January 1, 2006. The Act eliminated the credit for qualified possessions source investment income received or accrued after June 31, 1996.⁸ Existing credit claimants could, however, continue to claim reduced credit amounts for active income using the percentage or economic-activity limitations.⁹ The Act also implemented a base period constraint that limits the taxable income eligible for the credit for claimants using the percent-

⁵ Prior to the passage of the Tax Equity and Fiscal Responsibility Act of 1982, U.S. parent corporations could deduct research and development costs relative to an intangible asset (for example, a patent) and transfer the intangible to a related possessions corporation where the resulting income would qualify for the possessions tax credit under section 936. For further information, see General Accounting Office, “Report to the Chairman, Committee on Finance, U.S. Senate: Tax Policy, Puerto Rico Economic Trends,” May 1997.

⁶ U.S. possessions corporations file Form 5712-A, *Election and Verification of the Cost Sharing or Profit Split Method Under Section 936(h)(5)* to show under the direct labor or value added test that they have a significant business presence in a possession.

⁷ Generally, the cost-sharing method allows a possessions corporation to earn income from intangible processes (that may have been developed by a parent and/or members of the affiliated group) in the production of a product provided that the possessions corporation makes a cost-sharing payment (for use of the intangible processes) to the affiliate(s). Generally, the profit split method allows a possessions corporation to report income equal to 50 percent of the combined taxable income of the affiliated group from the production and sale of a product (while the remaining 50 percent of combined taxable income is allocated to the affiliated group).

⁸ For tax years beginning before January 1, 2006, the Act’s amendments with regard to both active and qualified possessions source investment income do not apply to existing credit claimants with respect to Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands. These claimants figure the credit under rules in effect prior to the 1996 Act.

⁹ With the passage of the Small Business Job Protection Act of 1996, credit claimants operating in Puerto Rico that use the economic activity limitation figure their credit under the new section 30A. Generally, the provisions of section 936 apply when computing the credit under section 30A. See the Explanation of Selected Terms section for a definition of the term “existing credit claimant.”

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age limitation method.¹⁰ This base period constraint is effective for tax years beginning after December 31, 1997.¹¹

Highlights

As shown in Figure A, the statistics for 2005 reflect a continuing trend of fewer U.S. possessions corporations reporting smaller amounts of possessions tax

credits. For 2005, there were 157 active possessions corporations, a 22-percent decrease from the 201 active corporations for 2003.¹² During this same period, the total possessions tax credit decreased from \$1.1 billion to \$0.9 billion.

U.S. possessions corporations with operations in Puerto Rico continued to report virtually all of the possessions tax credits (Figure B). For 2005, 94 Puerto Rico-based possessions corporations claimed \$0.85 billion of possessions tax credits. These corporations also accounted for nearly all of the assets, receipts, and net income of corporations claiming the credit.

As shown in Figure C, manufacturing corporations claimed approximately 69 percent of the possessions tax credit.¹³ For 2005, manufacturers of food, textiles and apparel, pharmaceuticals and medicines, computers and electric equipment, and medical equipment and supplies, combined, claimed more than 40 percent of the \$0.9-billion total credit.

Figure D, which provides statistics for credit claimants for 1997, 1999, 2001, 2003, and 2005 highlights the extent of the decline in the use of the possessions tax credit provisions. The number of credit claimants in 2005 fell 25 percent to 102 from 2003. Assets reported for 2005 declined to \$32.7 billion (a 6-percent decrease from 2003) and receipts dropped to \$14.3 billion (a 26-percent decrease). For 2005, U.S. income tax before credits fell 9 percent to \$2.2 billion, and the total amount of possessions sales fell 7 percent to \$32.6 billion.

For 2005, possessions corporations were subject to a limitation on the possessions tax credit derived from their active business incomes. With certain restrictions, corporations could elect to determine the possessions credit using either a percentage or economic-activity limitation computation. The percentage limitation method required taxpayers to compute the possessions tax credit for active income as a percentage of the credit that would have been allowed prior to Tax Year 1994. For 2005, the applicable percentage was 40 percent.

Figure A

Corporations Claiming the U.S. Possessions Tax Credit, Tax Years, 1983-2005

[Money amounts are in billions of dollars]

Tax year	Number of active possessions corporations [1]	Corporations claiming credit	
		Number	U.S. possessions tax credit
	(1)	(2)	(3)
1983	625	553	2.0
1984 [2]	n/a	536	2.0
1985	594	510	2.4
1986 [2]	n/a	520	2.9
1987	516	452	2.8
1988 [2]	n/a	458	2.3
1989	513	434	2.8
1990 [2]	n/a	400	3.2
1991 [2]	n/a	402	3.5
1992 [2]	n/a	414	3.7
1993	474	395	4.6
1994 [2]	n/a	390	3.8
1995	440	353	3.1
1996 [2]	n/a	335	3.1
1997	378	310	2.8
1998 [2]	n/a	260	2.4
1999	300	206	1.6
2000 [2]	n/a	197	1.4
2001	246	171	1.3
2002 [2]	n/a	147	1.2
2003	201	136	1.1
2004 [2]	n/a	105	0.9
2005	157	102	0.9

n/a—Not available.

[1] An active corporation is a corporation that has current income and/or deductions. A possessions corporation is a domestic corporation that has filed Form 5712, *Election to be Treated as a Possessions Corporation under Section 936*.

[2] No U.S. Possessions study was conducted for these tax years. The number of credit claimants and possessions tax credits for these tax years were published in the *Statistics of Income, Corporation Income Tax Returns, Publication 16*.

¹⁰ A similar cap is effective for credit claimants using the economic-activity limitation for taxable years beginning after December 31, 2001.

¹¹ For more information on the legislative history, see Miller, Randy, "U.S. Possessions Corporations, 1995," *Statistics of Income Bulletin*, Summer 1999, Volume 19, Number 1.

¹² For more information on the possessions tax credit for Tax Years 1997, 1999, 2001, and 2003, see: Nutter, Sarah E., "U.S. Possessions Corporation Returns, 1997 and 1999," *Statistics of Income Bulletin*, Summer 2003, Volume 23, Number 1; Holik, Daniel S., "U.S. Possessions Corporations Returns, 2001," *Statistics of Income Bulletin*, Fall 2005, Volume 25, Number 2; and Holik, Daniel S., "U.S. Possessions Corporations Returns, 2003," *Statistics of Income Bulletin*, Summer 2006, Volume 26, Number 1.

¹³ Puerto Rico has tax incentives that are primarily for companies in the manufacturing or export business. Nonmanufacturing companies generally pay the full Puerto Rican income tax and then claim the U.S. foreign tax credit. Thus, nonmanufacturing companies receive little reduction in U.S. income tax liabilities through use of the possessions tax credit. For additional information, see General Accounting Office, "Report to the Chairman, Committee on Finance, U.S. Senate: Tax Policy, Puerto Rican Economic Trends," May 1997.

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Figure B

Selected Information for U.S. Possessions Tax Credit Claimants, by U.S. Possession in Which Income Was Earned, Tax Year 2005

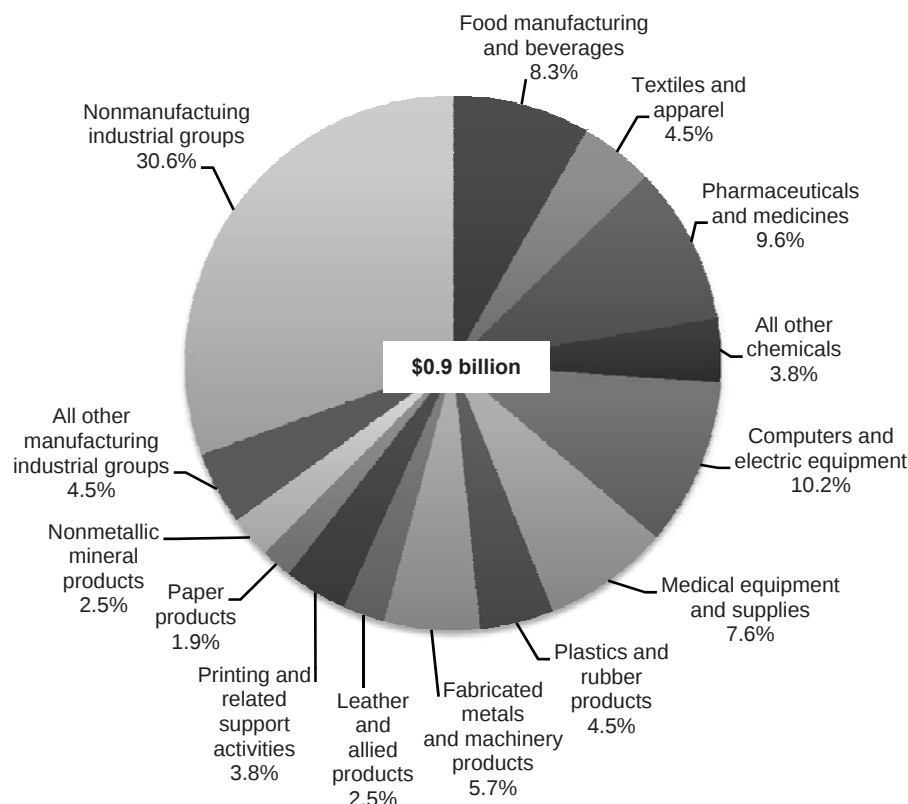
[Money amounts are in thousands of dollars]

U.S. Possession	Number of corporations claiming credit	Total assets	Total receipts	Net income (less deficit)	Income subject to tax	U.S. income tax before credits	U.S. possessions tax credit
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
All U.S. possessions	102	32,650,476	14,342,281	7,122,797	6,233,330	2,177,909	865,406
Puerto Rico	94	32,422,983	13,891,880	7,080,816	6,191,349	2,163,280	854,634
U.S. Virgin Islands	4	77,081	62,984	18,797	18,797	6,529	3,113
Other U.S. possessions	4	150,413	387,418	23,185	23,185	8,101	7,659

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

Figure C

U.S. Possessions Tax Credit, by Industrial Group, Tax Year 2005



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Figure D

Selected Information for U.S. Possessions Tax Credit Claimants, Selected Tax Years, 1997-2005

[Money amounts are in thousands of dollars]

Item	1997	1999	2001	2003	2005
	(1)	(2)	(3)	(4)	(5)
Number of returns	310	206	171	136	102
Total assets	47,835,816	39,859,398	34,100,189	34,634,123	32,650,476
Total receipts	39,583,991	31,847,430	25,538,141	19,259,749	14,342,281
Income subject to tax	14,903,440	11,500,269	8,728,987	6,872,859	6,233,330
U.S. income tax before credits	5,213,057	4,023,543	3,053,651	2,404,421	2,177,909
U.S. possessions tax credit, by method:					
Total	2,795,176	1,605,735	1,299,803	1,107,000	865,406
Percent limitation method	1,954,034	955,332	777,816	722,730	527,809
Economic activity method	841,120	650,404	492,682	383,837	337,596
Unspecified method	21	0	29,304	432	0
Deduction for possessions taxes, by method:					
Total	298,031	179,686	98,947	84,048	55,720
Percent limitation method	294,474	177,343	98,133	83,192	53,895
Economic activity method	3,557	2,343	814	856	1,825
Possessions sales reported on Schedule P, by method:					
Total	59,748,281	48,086,748	40,264,206	34,873,014	32,605,327
Cost-sharing method	10,135,631	7,797,313	4,838,528	4,710,002	5,168,948
Profit-split method	49,612,650	40,289,435	35,425,679	30,163,012	27,436,379

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

Generally, corporations with large profits relative to labor and depreciation expenses elected the percentage limitation method. The economic-activity limitation was based on a formula that depended on the qualified compensation and depreciation deductions that a possession corporation incurred during the tax year.¹⁴ Generally, corporations that had substantial labor and depreciation expenses relative to profits elected the economic-activity method.

Of the \$0.9 billion possessions tax credit claimed for 2005, nearly 61 percent (\$0.5 billion) was computed using the percentage limitation method, and approximately 39 percent (\$0.3 billion) was computed using the economic-activity limitation method. Almost all (over 99 percent) of the possessions tax credit computed using the percentage limitation method was attributable to corporations in the food manufacturing and pharmaceuticals and medicines industrial groups. Use of the economic-activity method was spread throughout almost all industries.

However, over 58 percent of possessions credit computed using the economic-activity method was attributable to the computers and electric equipment, and medical equipment and supplies manufacturing industrial groups.

In general, possessions corporations were also allowed to deduct the portion of actual income taxes paid to U.S. possessions that related to possessions income not sheltered by the possessions tax credit. For 2005, the total deduction for possessions taxes paid was less than \$0.1 billion.

Summary

For Tax Year 2005, 102 U.S. corporations reported \$0.9 billion of possessions tax credits. The number of U.S. corporations claiming a possessions tax credit and the total amount of the credit reported continued declines that began in the 1990s. These declines coincide with increased legislative restrictions on

¹⁴ The labor component of the economic activity limit generally consists of 60 percent of the corporation's qualified wages and employee fringe benefits for the tax year, subject to certain limitations (see Internal Revenue Code sections 936(i)(1) and 936(i)(2) for more detailed information). The amount of depreciation expense taken into account when computing the economic activity limit depends on the useful life of each asset. Taxpayers compute 15 percent of the depreciation deduction for short-life property, 40 percent for medium-life property, and 65 percent for long-life property. Short-life property refers to property with a useful life of 3 years to 5 years. Medium-life property is 7-year or 10-year property. Long-life property generally refers to property that is neither short-life nor medium-life.

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the use of the possessions tax credit. The U.S. Possessions Tax Credit was repealed for taxable years beginning after December 31, 2005.

As in prior years, pharmaceuticals and medicines manufacturers located in Puerto Rico reported the bulk of the possessions tax credit. The food manufacturing, medical equipment and supplies, computers and electric equipment, and textiles and apparel industries also claimed substantial amounts of possessions tax credits.

Data Sources and Limitations

The 2005 statistics are based on data compiled from all returns filed by U.S. possessions corporations with accounting periods ending between July 2005 and June 2006. Consequently, the data are not subject to sampling error.

The data may, however, contain nonsampling errors. Where possible, inconsistencies in the data were resolved to conform with provisions of the Internal Revenue Code. In cases where information reported was not logical, other data on the return were used to resolve errors.

Data were collected from Form 1120, *U.S. Corporation Income Tax Return*, for possessions corporations and supplemented by information collected from Form 5712, *Election To Be Treated as a Possessions Corporation Under Section 936*, Form 5735, *Possessions Corporation Tax Credit (Under Sections 936 and 30A)*, and Schedule P (Form 5735), *Allocation of Income and Expenses Under Section 936(h)(5)*. Due to processing differences, slight variations exist between the data in this article and the more limited statistics published in Internal Revenue Service, *Statistics of Income—2005, Corporation Income Tax Returns*, Washington, DC 2008.

Explanation of Selected Terms

Business receipts—Business receipts were the gross operating receipts of the corporation reduced by the cost of returned goods and allowances. Generally, they represented all of a corporation's receipts except investment and incidental income.

Distributions to stockholders—Distributions to stockholders represent cash and property (other than company stock) distributions to stockholders during the current year.

Existing credit claimant—A corporation was an existing credit claimant with respect to a possession if the corporation: 1) was engaged in the active conduct of a trade or business within the possession on October 13, 1995; and 2) elected the benefits of the possessions credit effective for its taxable year that included October 13, 1995. A corporation that acquired all of the assets of a trade or business of an existing credit claimant qualified as an existing credit claimant.

Income subject to tax—This was generally the amount of income subject to tax at the corporate level. For most corporations, income subject to tax consisted of net income minus statutory special deductions (i.e., the net operating loss deduction and special deductions for dividends).

Intangible assets—Intangible assets represented the total gross value of goodwill, contracts, copyrights, formulas, licenses, patents, registered trademarks, franchises, covenants not to compete, and similar assets that were amortizable for tax purposes.

Passive activity—Passive activity generally included trade or business activity in which the corporation did not materially participate for the tax year, and with exceptions, rental activities regardless of the corporation's participation.

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Table 1. U.S. Possessions Corporations: Balance Sheet Items, by Selected Industry, Tax Year 2005

[Money amounts are in thousands of dollars]

Items	All industries	Agriculture, forestry, fishing, hunting and construction	Manufacturing				
			Total	Food manufacturing	Textiles and apparel	Leather and allied products	Paper products
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns	157	3	109	13	7	4	3
Total assets	43,181,537	22,240	38,477,495	9,648,921	1,117,280	246,720	67,769
Cash	746,407	395	718,903	367,404	694	24	5,384
Notes and accounts receivable	10,477,861	18,540	9,409,609	1,236,908	443	240,290	9,683
Less: Allowance for bad debts	19,989	0	11,029	1,386	0	0	233
Inventories	1,356,977	0	1,218,023	200,056	21,762	3,367	8,376
Investment in Government obligations	599	0	599	0	599	0	0
Tax-exempt securities	4,912	0	4,912	0	0	0	0
Other current assets	1,152,332	1,338	1,070,847	82,544	24,997	231	603
Loans to stockholders	3,226	0	222	0	0	0	0
Mortgage and real estate loans	18,352	0	0	0	0	0	0
Other investments	16,284,034	268	13,984,764	7,488,160	48,069	[1]	0
Depreciable assets	4,992,435	9,024	4,521,448	549,439	115,377	18,550	51,547
Less: Accumulated depreciation	2,764,723	7,331	2,534,019	302,953	74,642	15,584	38,441
Depletable assets	0	0	0	0	0	0	0
Less: Accumulated depletion	0	0	0	0	0	0	0
Land	94,641	0	71,818	8,462	0	0	2,321
Intangible assets	619,836	0	416,402	26,952	0	0	23,052
Less: Accumulated amortization	93,751	0	91,635	14,322	0	0	597
Other assets	10,647,159	6	9,716,162	16,350	979,981	0	6,073
Assets balancing adjustment [2]	-338,771	0	-19,531	-8,693	0	-157	0
Total liabilities and stockholder's equity	43,181,537	22,240	38,477,495	9,648,921	1,117,280	246,720	67,769
Accounts payable	2,751,057	411	2,077,889	185,778	3,235	31,027	1,427
Current mortgages, notes, and bonds payable	68,431	0	56,243	399	0	0	206
Other current liabilities	813,814	371	646,592	37,182	16,656	2,583	5,631
Loans from stockholders	14,282	1,439	12,517	0	0	0	0
Long-term mortgages, notes, and bonds payable	715,798	0	270,755	217,264	0	0	1,277
Other liabilities	3,635,388	120	2,252,842	39,298	21,917	264	3,527
Preferred stock [3]	680,614	0	680,613	600,167	0	0	0
Common stock	1,680,821	11	1,573,314	2,924	147	127	252
Paid-in or capital surplus [3]	5,628,404	55	5,378,181	91,082	11,121	1,537	46,049
Retained earnings, appropriated	0	0	0	0	0	0	0
Retained earnings, unappropriated	27,504,626	24,314	25,803,471	8,493,225	1,064,298	211,181	14,593
Adjustments to stockholders' equity	-236	0	-631	-652	0	0	0
Less: Cost of treasury stock	31,705	0	1,860	0	0	0	0
Liabilities balancing adjustment [2]	-279,756	-4,481	-272,429	-17,746	-94	0	-5,192

Footnotes at end of table.

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Table 1. U.S. Possessions Corporations: Balance Sheet Items, by Selected Industry, Tax Year 2005—Continued

[Money amounts are in thousands of dollars]

Items	Manufacturing—continued					
	Printing and related support activities	Pharmaceuticals and medicines	All other chemicals	Plastics and rubber products	Nonmetallic mineral products	Primary and fabricated metals
	(8)	(9)	(10)	(11)	(12)	(13)
Number of returns	6	15	6	7	4	5
Total assets	433,886	20,364,746	358,584	171,411	99,326	88,083
Cash	13,997	14,606	15,130	3,330	7,188	1,988
Notes and accounts receivable	63,130	5,872,619	74,454	52,096	17,431	65,139
Less: Allowance for bad debts	3,013	188	196	221	1,089	43
Inventories	31,794	508,308	42,492	11,070	5,250	7,912
Investment in Government obligations	0	0	0	0	0	0
Tax-exempt securities	0	0	0	0	0	0
Other current assets	1,425	287,327	32,753	2,317	39,749	625
Loans to stockholders	0	0	0	0	0	0
Mortgage and real estate loans	0	0	0	0	0	0
Other investments	31,495	5,250,104	29,600	48,619	1,367	2,282
Depreciable assets	347,885	1,360,862	378,955	103,308	56,358	44,567
Less: Accumulated depreciation	177,869	646,154	231,719	53,015	41,412	36,263
Depletable assets	0	0	0	0	0	0
Less: Accumulated depletion	0	0	0	0	0	0
Land	4,793	28,186	3,393	4,091	28	1,234
Intangible assets	161,234	36,132	1,576	0	0	0
Less: Accumulated amortization	40,389	9,132	1,058	0	0	0
Other assets	250	7,662,077	13,383	0	14,457	651
Assets balancing adjustment [2]	-847	0	-180	-184	0	-7
Total liabilities and stockholder's equity	433,886	20,364,746	358,584	171,411	99,326	88,083
Accounts payable	42,267	868,906	35,890	35,155	2,937	2,911
Current mortgages, notes, and bonds payable	35,857	2,759	105	38	7,821	3,507
Other current liabilities	44,189	196,317	14,885	3,476	7,007	862
Loans from stockholders	0	0	426	12,091	0	0
Long-term mortgages, notes, and bonds payable	30,837	1,523	181	0	120	574
Other liabilities	55,575	1,848,094	159,230	260	1,909	0
Preferred stock [3]	18	250	160	18	0	0
Common stock	185,262	1,376,152	280	585	220	134
Paid-in or capital surplus [3]	8,200	4,226,272	6,173	24,400	17,035	5,544
Retained earnings, appropriated	0	0	0	0	0	0
Retained earnings, unappropriated	31,682	11,844,473	283,634	95,553	62,278	74,551
Adjustments to stockholders' equity	0	0	0	0	0	0
Less: Cost of treasury stock	0	0	0	0	0	0
Liabilities balancing adjustment [2]	0	0	-142,378	-166	0	0

Footnotes at end of table.

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Table 1. U.S. Possessions Corporations: Balance Sheet Items, by Selected Industry, Tax Year 2005—Continued

[Money amounts are in thousands of dollars]

Items	Manufacturing—continued				Wholesale trade		Retail trade
	Machinery manufacturing	Computers and electric equipment	Medical equipment and supplies	Miscellaneous manufacturing	Durable goods wholesalers	Nondurable goods wholesalers	
	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Number of returns	4	16	12	7	4	7	3
Total assets	988,313	2,666,398	1,660,767	565,291	71,458	602,529	616,827
Cash	1,198	63,659	209,841	14,461	1,256	6,502	5,767
Notes and accounts receivable	104,502	1,364,529	279,446	28,939	28,299	565,896	5,510
Less: Allowance for bad debts	340	99	348	3,873	1,264	1,830	15
Inventories	20,065	100,843	138,869	117,860	16,662	13,507	82,287
Investment in Government obligations	0	0	0	0	0	0	0
Tax-exempt securities	0	4,912	0	0	0	0	0
Other current assets	6,821	240,705	35,591	315,160	961	5,822	43
Loans to stockholders	0	222	0	0	417	0	0
Mortgage and real estate loans	0	0	0	0	0	0	0
Other investments	507,000	554,216	2,488	21,364	0	0	0
Depreciable assets	98,381	408,218	826,204	161,798	16,063	15,843	165,457
Less: Accumulated depreciation	50,782	267,369	498,101	99,715	11,201	8,859	98,193
Depletable assets	0	0	0	0	0	0	0
Less: Accumulated depletion	0	0	0	0	0	0	0
Land	2,479	9,201	5,591	2,040	923	0	4,406
Intangible assets	0	153,810	10,013	3,633	283	0	0
Less: Accumulated amortization	0	19,824	5,512	802	150	0	0
Other assets	299,062	58,988	660,463	4,427	19,209	5,648	451,567
Assets balancing adjustment [2]	-72	-5,613	-3,777	0	0	0	0
Total liabilities and stockholder's equity	988,313	2,666,398	1,660,767	565,291	71,458	602,529	616,827
Accounts payable	26,858	520,289	64,611	256,597	10,151	476,599	42,734
Current mortgages, notes, and bonds payable	0	3,085	1,252	1,214	79	5,674	0
Other current liabilities	26,220	203,665	64,415	23,504	22,219	16,082	45,489
Loans from stockholders	0	0	0	0	0	0	0
Long-term mortgages, notes, and bonds payable	0	907	18,026	46	2,693	0	0
Other liabilities	61,275	47,339	11,221	2,933	4,713	1,175	0
Preferred stock [3]	0	0	0	80,000	0	0	0
Common stock	203	6,758	27	243	95	513	10,237
Paid-in or capital surplus [3]	519,063	196,803	201,897	23,006	10,836	41,381	85
Retained earnings, appropriated	0	0	0	0	0	0	0
Retained earnings, unappropriated	354,693	1,782,229	1,303,488	187,590	23,027	61,106	518,282
Adjustments to stockholders' equity	0	21	0	0	0	0	0
Less: Cost of treasury stock	0	610	0	1,250	0	0	0
Liabilities balancing adjustment [2]	0	-94,089	-4,171	-8,591	-2,355	0	0

Footnotes at end of table.

U.S. Possessions Corporation Returns, 2005

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Table 1. U.S. Possessions Corporations: Balance Sheet Items, by Selected Industry, Tax Year 2005—Continued

[Money amounts are in thousands of dollars]

Items	Publishing and information services	Finance and insurance	Real estate and rental and leasing	Professional services	Administrative support services	Accommodation and food services	All other services
	(21)	(22)	(23)	(24)	(25)	(26)	(27)
Number of returns	4	4	7	5	3	5	3
Total assets	6,539	2,427,765	28,241	469,260	1,740	438,805	18,637
Cash	1	27	1,383	2,364	146	9,320	344
Notes and accounts receivable	6,343	75,472	466	354,537	0	4,901	8,287
Less: Allowance for bad debts	0	59	0	4,172	0	106	1,516
Inventories	0	0	0	21,662	0	4,838	0
Investment in Government obligations	0	0	0	0	0	0	0
Tax-exempt securities	0	0	0	0	0	0	0
Other current assets	19	44,036	5,469	18,359	72	3,987	1,379
Loans to stockholders	0	0	0	0	1,475	1,112	0
Mortgage and real estate loans	0	14,922	3,430	0	0	0	0
Other investments	0	2,290,406	0	0	0	8,597	0
Depreciable assets	137	2,125	30,364	108,037	82	104,857	18,997
Less: Accumulated depreciation	118	1,643	16,081	52,936	36	24,665	9,642
Depletable assets	0	0	0	0	0	0	0
Less: Accumulated depletion	0	0	0	0	0	0	0
Land	0	0	3,356	11,013	0	2,356	770
Intangible assets	0	0	0	202,634	0	517	0
Less: Accumulated amortization	0	0	0	1,745	0	221	0
Other assets	156	2,479	18	118,162	0	333,735	17
Assets balancing adjustment [2]	0	0	-165	-308,654	0	-10,421	0
Total liabilities and stockholder's equity	6,539	2,427,765	28,241	469,260	1,740	438,805	18,637
Accounts payable	509	110,702	2,473	21,892	50	7,215	432
Current mortgages, notes, and bonds payable	27	0	5,800	64	205	250	89
Other current liabilities	546	3,093	2,671	53,402	13	21,824	1,513
Loans from stockholders	0	0	0	0	0	326	0
Long-term mortgages, notes, and bonds payable	0	39,813	0	168,915	0	233,622	0
Other liabilities	74	1,308,044	6,517	475	0	61,162	266
Preferred stock [3]	0	0	0	0	0	1	0
Common stock	2	941	5,441	90	2	90,075	100
Paid-in or capital surplus [3]	0	80,105	2,444	115,612	325	-619	0
Retained earnings, appropriated	0	0	0	0	0	0	0
Retained earnings, unappropriated	5,381	885,068	4,381	137,265	1,144	24,949	16,238
Adjustments to stockholders' equity	0	0	395	0	0	0	0
Less: Cost of treasury stock	0	0	1,882	27,963	0	0	0
Liabilities balancing adjustment [2]	0	-1	0	-491	0	0	0

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

[2] For statistical purposes, negative balance sheet asset and liability accounts have been moved to, and included in, asset and liability balancing adjustment categories, respectively. This procedure was adopted to address the increased usage of negative items being reported on corporate balance sheets.

[3] This item may be negative.

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

U.S. Possessions Corporation Returns, 2005

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Table 2. U.S. Possessions Corporations: Income Statement Items and Distributions to Stockholders, by Selected Industry, Tax Year 2005

[Money amounts are in thousands of dollars]

Item	All industries	Agriculture, forestry, fishing, hunting, and construction	Manufacturing				
			Total	Food manufacturing	Textiles and apparel	Leather and allied products	Paper products
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns	157	3	109	13	7	4	3
Total receipts [1]	18,110,829	17,549	16,248,291	1,687,210	309,786	113,373	76,296
Business receipts	15,328,554	16,357	13,590,833	1,770,055	308,915	111,764	75,176
Interest, except State and local government obligations	462,735	5	407,955	12,404	801	749	1,121
Interest on State and local government obligations	1,683	0	188	0	0	0	0
Rents	5,488	0	4,609	797	0	12	0
Royalties	18,001	0	18,001	0	0	0	0
Net short-term capital gain (loss)	-12	0	-12	0	0	0	0
Net long-term capital gain (loss)	-12,634	228	-19,632	620	0	0	0
Net gain, noncapital assets	9,490	0	9,103	936	0	6	0
Dividends	1,446,021	0	1,422,818	51,379	0	0	0
Other receipts	987,966	959	927,749	512	70	841	0
Total deductions [1]	11,099,985	15,205	9,213,472	1,086,719	250,022	98,299	72,211
Cost of sales and operations	6,959,969	11,079	6,097,495	886,762	203,195	84,803	53,251
Compensation of officers	12,993	0	10,933	3,127	98	0	0
Salaries and wages	408,877	1,685	142,411	27,081	3,286	317	3,830
Repairs	50,541	14	23,294	6,522	0	9	1,496
Bad debts	9,126	0	4,165	1,021	0	0	18
Rents paid	68,713	510	29,653	1,192	2,614	1,143	435
Taxes paid	170,029	37	114,599	12,964	3,175	1,198	1,707
Interest paid	82,634	13	37,710	10,073	449	2	87
Contributions	1,951	3	1,178	325	12	2	8
Amortization	25,217	0	22,634	113	0	0	1,584
Depreciation	255,093	416	206,041	24,605	7,053	1,414	2,167
Depletion	398	0	398	0	0	0	0
Advertising	57,348	0	10,389	3,796	[2]	5	22
Pension, profit-sharing, stock bonus, and annuity plans	28,805	0	24,860	5,218	622	10	583
Employee benefit programs	292,062	26	113,182	4,503	4,180	1,271	1,453
Net loss, noncapital assets	-80,469	0	-72,629	-1,397	-3,162	0	-74
Other deductions	2,636,358	1,422	2,338,702	98,239	22,175	8,138	7,249
Total receipts less total deductions [1]	7,080,469	2,344	7,081,300	649,620	59,764	15,074	4,085
Net income (less deficit)	7,078,786	2,344	7,081,112	649,620	59,764	15,074	4,085
Net income	7,207,117	2,344	7,106,429	649,850	60,476	16,221	4,329
Deficit	-128,331	0	-25,317	-230	-711	-1,147	-244
Net income (less deficit) per books	2,199,399	2,261	2,227,340	304,636	-404	-1,258	0
Income subject to tax	6,299,512	2,167	6,207,361	645,772	59,932	16,221	4,329
U.S. income tax before credits [3]:							
Total	2,200,983	748	2,169,136	225,965	21,023	5,639	1,515
Regular tax	2,200,981	748	2,169,134	225,965	21,023	5,639	1,515
U.S. possessions tax credit	865,406	727	850,427	90,431	21,023	4,790	1,405
Foreign tax credit	24,220	1	16,560	459	0	24	0
General business credit	113	0	113	0	0	0	0
Other credits	264	0	215	0	0	0	0
Total U.S. income tax after credits	1,311,224	19	1,302,036	135,074	0	825	110
Distributions to stockholders	6,087,975	0	6,071,655	1,682,340	41,233	600	21,000

Footnotes at end of table.

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Table 2. U.S. Possessions Corporations: Income Statement Items and Distributions to Stockholders, by Selected Industry, Tax Year 2005—Continued

[Money amounts are in thousands of dollars]

Item	Manufacturing—continued						
	Printing and related support activities	Pharmaceuticals and medicines	All other chemicals	Plastics and rubber products	Nonmetallic mineral products	Primary and fabricated metals	Machinery manufacturing
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Number of returns	6	15	6	7	4	5	4
Total receipts [1]	608,812	9,043,406	451,861	156,517	73,881	50,904	355,543
Business receipts	582,173	6,484,936	427,832	154,798	70,356	50,377	327,714
Interest, except State and local government obligations	2,092	338,996	2,955	1,227	172	11	26,552
Interest on State and local government obligations	0	0	0	0	0	0	0
Rents	195	0	0	0	0	50	0
Royalties	0	17,159	0	0	0	0	825
Net short-term capital gain (loss)	0	0	0	0	0	0	0
Net long-term capital gain (loss)	19,657	1,166	0	11	0	0	0
Net gain, noncapital assets	0	0	0	19	3,239	0	0
Dividends	0	1,304,738	801	0	13	0	0
Other receipts	4,695	896,039	20,272	461	100	466	452
Total deductions [1]	548,092	3,801,987	313,142	147,878	64,714	46,717	309,165
Cost of sales and operations	425,919	1,960,371	191,367	114,707	53,940	42,216	278,600
Compensation of officers	6,399	108	0	0	677	0	0
Salaries and wages	24,242	7,592	9,360	4,973	3,476	980	13,901
Repairs	803	2,002	1,774	3,954	117	26	2,528
Bad debts	1,928	0	242	85	619	8	31
Rents paid	5,709	984	739	2,068	5	169	312
Taxes paid	3,499	61,532	494	2,063	1,229	716	2,522
Interest paid	5,216	3,014	-108	237	341	44	66
Contributions	49	492	[2]	10	43	[2]	16
Amortization	5,961	2,194	52	0	0	0	0
Depreciation	38,212	50,287	13,630	7,116	2,478	695	4,763
Depletion	0	0	0	0	398	0	0
Advertising	717	0	4,985	14	12	48	[2]
Pension, profit-sharing, stock bonus, and annuity plans	2,323	115	307	1,554	83	92	481
Employee benefit programs	7,510	5,220	5,991	3,674	499	368	2,162
Net loss, noncapital assets	-2	-54,941	0	-373	0	0	-303
Other deductions	24,288	1,656,242	84,147	7,051	816	1,357	15,539
Total receipts less total deductions [1]	60,720	5,241,046	138,719	8,639	9,166	4,187	46,378
Net income (less deficit)	60,720	5,241,046	138,719	8,639	9,166	4,187	46,378
Net income	61,065	5,241,046	138,719	9,374	9,166	4,188	46,378
Deficit	-345	0	0	-735	0	-1	0
Net income (less deficit) per books	5,000	1,827,716	60,989	538	553	1,318	0
Income subject to tax	60,316	4,399,679	137,918	9,374	9,166	4,082	46,378
U.S. income tax before credits [3]:							
Total	21,082	1,536,939	48,075	3,178	3,143	1,429	16,136
Regular tax	21,080	1,536,939	48,075	3,178	3,143	1,429	16,136
U.S. possessions tax credit	2,187	472,174	30,632	3,173	2,701	1,428	15,173
Foreign tax credit	31	15,114	96	2	0	0	0
General business credit	72	0	0	0	0	0	0
Other credits	0	0	0	215	0	0	0
Total U.S. income tax after credits	18,792	1,049,651	17,347	3	442	[2]	963
Distributions to stockholders	8,306	3,102,022	73,637	6,108	0	4,600	1,218

Footnotes at end of table.

U.S. Possessions Corporation Returns, 2005

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Table 2. U.S. Possessions Corporations: Income Statement Items and Distributions to Stockholders, by Selected Industry, Tax Year 2005—Continued

[Money amounts are in thousands of dollars]

Item	Manufacturing—continued			Wholesale trade		Retail trade	Publishing and information services
	Computers and electric equipment	Medical equipment and supplies	Miscellaneous manufacturing	Durable goods wholesalers	Nondurable goods wholesalers		
	(15)	(16)	(17)	(18)	(19)	(20)	(21)
Number of returns	16	12	7	4	7	3	4
Total receipts [1]	1,236,204	1,423,912	660,585	123,314	279,315	514,094	98,145
Business receipts	1,163,434	1,413,430	649,872	122,565	278,074	479,551	96,168
Interest, except State and local government obligations	10,320	8,392	2,164	416	33	8,529	285
Interest on State and local government obligations	188	0	0	0	0	0	1,496
Rents	0	0	3,554	80	0	0	95
Royalties	17	0	0	0	0	0	0
Net short-term capital gain (loss)	-27	0	15	0	0	0	0
Net long-term capital gain (loss)	-42,760	1,673	0	0	0	0	0
Net gain, noncapital assets	62	1	4,839	0	0	12	0
Dividends	65,886	0	0	0	0	0	0
Other receipts	2,134	1,566	143	253	1,209	26,002	102
Total deductions [1]	869,180	978,486	626,859	113,970	273,762	488,571	81,861
Cost of sales and operations	628,033	613,294	561,037	89,117	165,034	312,539	1,776
Compensation of officers	10	245	269	73	0	0	0
Salaries and wages	14,285	24,442	4,645	6,683	10,415	63,868	9,440
Repairs	2,651	893	520	529	244	5,988	2,873
Bad debts	12	90	112	2,521	635	0	838
Rents paid	6,226	5,165	2,892	1,131	2,032	8,118	527
Taxes paid	13,011	3,819	6,670	2,403	2,021	15,267	2,401
Interest paid	484	1,058	16,747	340	1,116	0	0
Contributions	85	127	9	16	0	21	54
Amortization	11,424	1,306	0	21	0	1,119	1
Depreciation	21,415	26,269	5,937	1,375	1,844	8,317	14,291
Depletion	0	0	0	0	0	0	0
Advertising	17	94	679	70	18,829	14,351	476
Pension, profit-sharing, stock bonus, and annuity plans	5,277	7,452	745	206	206	2,547	0
Employee benefit programs	16,242	46,122	13,986	2,399	1,174	7,734	1,100
Net loss, noncapital assets	-6,671	-5,706	0	-1,111	-20	0	0
Other deductions	139,213	261,257	12,990	6,945	70,194	49,821	48,087
Total receipts less total deductions [1]	364,749	445,426	33,728	9,344	5,553	25,523	16,284
Net income (less deficit)	364,561	445,426	33,728	9,344	5,553	25,523	14,789
Net income	368,991	445,426	51,202	10,219	5,796	25,564	14,789
Deficit	-4,430	0	-17,474	-875	-243	-41	0
Net income (less deficit) per books	24,899	3,355	-1	17	2,707	102	11,767
Income subject to tax	314,550	448,444	51,202	10,186	5,783	25,564	14,789
U.S. income tax before credits [3]:							
Total	111,369	155,791	17,852	3,565	1,997	8,935	5,071
Regular tax	111,369	155,791	17,852	3,565	1,997	8,935	5,071
U.S. possessions tax credit	74,217	123,231	7,862	3,426	1,808	3,335	0
Foreign tax credit	240	62	530	0	0	2,615	5,011
General business credit	0	0	41	0	0	0	0
Other credits	0	0	0	0	0	29	0
Total U.S. income tax after credits	36,912	32,499	9,418	139	190	2,985	59
Distributions to stockholders	192,705	810,579	127,307	[2]	0	0	0

Footnotes at end of table.

U.S. Possessions Corporation Returns, 2005

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Table 2. U.S. Possessions Corporations: Income Statement Items and Distributions to Stockholders, by Selected Industry, Tax Year 2005—Continued

[Money amounts are in thousands of dollars]

Item	Finance and insurance	Real estate and rental and leasing	Professional services	Administrative support services	Accommodation and food services	All other services
	(22)	(23)	(24)	(25)	(26)	(27)
Number of returns	4	7	5	3	5	3
Total receipts [1]	47,652	6,354	436,440	441	310,049	29,183
Business receipts	4,508	5,741	413,107	408	292,250	28,994
Interest, except State and local government obligations	43,041	186	1,689	17	578	0
Interest on State and local government obligations	0	0	0	0	0	0
Rents	0	0	510	0	195	0
Royalties	0	0	0	0	0	0
Net short-term capital gain (loss)	0	0	0	0	0	0
Net long-term capital gain (loss)	0	0	6,770	0	0	0
Net gain, noncapital assets	0	372	0	0	0	3
Dividends	22,594	0	549	16	43	0
Other receipts	103	55	14,365	0	16,983	186
Total deductions [1]	169,898	5,195	413,305	473	295,188	29,083
Cost of sales and operations	0	66	195,869	314	86,681	0
Compensation of officers	0	115	1,873	0	0	0
Salaries and wages	7,955	0	79,751	0	77,002	9,668
Repairs	[2]	48	9,146	6	7,881	518
Bad debts	0	4	305	1	32	626
Rents paid	0	10	11,208	55	14,632	835
Taxes paid	149	165	19,445	60	12,021	1,462
Interest paid	11,102	241	8,478	11	20,308	3,315
Contributions	0	0	409	0	270	1
Amortization	2	0	1,363	0	77	0
Depreciation	105	4,077	10,082	12	7,964	569
Depletion	0	0	0	0	0	0
Advertising	19	0	906	0	12,123	185
Pension, profit-sharing, stock bonus, and annuity plans	0	0	276	0	497	214
Employee benefit programs	143,926	0	19,671	0	1,809	1,042
Net loss, noncapital assets	-10	-16	-6,681	-1	-1	0
Other deductions	6,648	453	49,456	14	53,968	10,647
Total receipts less total deductions [1]	-99,651	1,159	23,685	-32	14,860	101
Net income (less deficit)	-99,651	1,159	23,685	-32	14,860	101
Net income	1,591	1,340	23,954	0	14,963	128
Deficit	-101,243	-180	-269	-32	-102	-27
Net income (less deficit) per books	-49,137	1,015	772	-36	2,593	-3
Income subject to tax	1,108	1,340	16,124	0	14,963	128
U.S. income tax before credits [3]:						
Total	427	441	5,502	0	5,127	33
Regular tax	427	441	5,502	0	5,127	33
U.S. possessions tax credit	425	438	253	0	4,534	33
Foreign tax credit	0	3	0	0	30	0
General business credit	0	0	0	0	0	0
Other credits	0	0	0	0	20	0
Total U.S. income tax after credits	2	1	5,249	0	543	0
Distributions to stockholders	12,120	2,000	0	0	2,200	0

[1] Total receipts, total deductions, and total receipts less total deductions do not balance to the components in Table 2. In general, this is because specifications for these items have remained consistent over the history of the U.S. Possessions study.

[2] Absolute value is less than \$500.

[3] Total income tax before credits minus the sum of all tax credits does not equal Total U.S. income tax after credits because certain minor tax credits have not been shown in Table 2.

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