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TAX POLICY

1987 Company Effective Tax Rates Higher Than in Prior Years



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May 10, 1990

The Honorable Don J. Pease
House of Representatives

The Honorable Byron L. Dorgan
House of Representatives

This report responds to your request that we review the overall domestic and worldwide tax burdens of large U.S. companies for 1986 and 1987. As requested, we consulted with Joint Committee on Taxation staff in designing our study and we included most of the same large companies to ensure consistency with earlier Joint Committee studies. The companies included in our study of 1986 and 1987 effective tax rates are identified by name in appendixes VI and VII, respectively. The report also discusses reasons for high and low effective tax rates.

As arranged with you, unless you publicly announce its contents earlier, we plan no further distribution of this report until 10 days from the date of issuance. At that time we will send copies of the report to the tax director of each company included in the study, and to other interested parties.

Major contributors to this report are listed in appendix VIII. If you have any questions, please call me on 275-6407.

A handwritten signature in cursive script that reads "Jennie S. Stathis".

Jennie S. Stathis
Director, Tax Policy and
Administration Issues

Executive Summary

Purpose

Over the past several decades, various tax incentives have been added to the tax code enabling companies to lower their taxable income and, thus, lower their tax liability. As a result, some of the Nation's largest companies did not pay taxes in some years and a number of other companies paid far less than the statutory rate.

Concerned about the level of taxes paid by various companies and industries, Congressmen Don J. Pease and Byron L. Dorgan requested that GAO review the overall domestic and worldwide tax burden of large U.S. corporations for 1986 and 1987. Specifically, GAO

- computed effective tax rates for a sample of large companies and
- analyzed the reasons for particularly low and high effective tax rates.

Background

The Joint Committee on Taxation published studies requested by Congressmen Pease and Dorgan that compared the tax burden among individual corporations and industry groups by calculating their effective tax rates for 1980 through 1983. Effective tax rates indicate a company's tax liability by measuring income taxes paid in relation to pretax income. Such comparisons identified companies with low effective tax rates and later led to changes in tax law.

Effective tax rates can be calculated in a number of ways. GAO, as requested, adopted the Joint Committee on Taxation's methodology for computing effective tax rates to enable a comparison of 1986 and 1987 rates to those in the Joint Committee's prior studies. This methodology involved dividing income taxes currently payable by pretax income—both as were reported in company financial statements. Any effective tax rates below 10 percent were considered to be low. Those exceeding the statutory rates of 46 percent in 1986 and 40 percent in 1987 were considered to be high.

To ensure consistency with earlier studies, GAO included as many of the same industries and companies as possible. Some substitutions were necessary because companies had dropped from the Fortune 500 list, had changed industries, or had not reported detailed information needed to compute effective tax rates. GAO computed U.S. and worldwide effective tax rates for 29 industries and 237 large U.S. companies—220 companies each in 1986 and 1987.

Results in Brief

U.S. and worldwide average effective tax rates were higher in 1987 (28 and 36 percent, respectively) than in 1986 (19 and 28 percent) and the prior years studied by the Joint Committee on Taxation. These results appear consistent with changes introduced in the Tax Reform Act of 1986 that eliminated many tax benefits, thereby increasing the taxable income base and the resulting effective tax rate. However, a comprehensive evaluation of the Tax Reform Act should be done on the basis of more than 1 year of data because effective tax rates for particular companies can fluctuate widely from year to year. Other types of analyses should also be considered, such as those that evaluate how taxes change when additional income is earned or when new investments are made by the company.

Even though overall effective rates increased, 2 of the 29 industries (7 percent) and 41 of the 220 companies (19 percent) had U.S. effective tax rates below 10 percent in 1987. In contrast, 5 industries (17 percent) and 44 companies (20 percent) had U.S. effective rates above the 40-percent statutory rate.

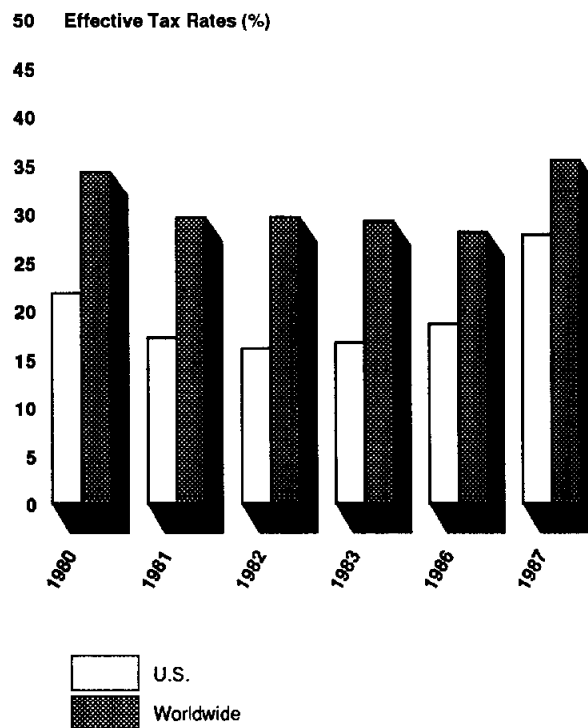
Timing differences and permanent differences contributed to low and high effective tax rates. Timing differences reflect financial transactions that are recognized for tax purposes in different periods than for financial reporting purposes. The predominant timing differences include tax deferrals for accelerated depreciation, investment tax credits, pension cost, and state and local taxes that were not currently payable but will be due in future years. Permanent differences between income for tax purposes and income for financial reporting also affect the rates. These differences result from tax laws that make certain transactions nontaxable, nondeductible, or subject to special tax allowances. For example, proceeds from life insurance for key officers or fines or expenses resulting from a violation of law are recognized for financial reporting purposes but not for tax purposes. When included, timing and permanent differences reduce the number of companies and industries with high or low effective rates. Legislative changes designed to limit or eliminate specific timing and permanent differences would likely result in an increase in current tax revenue.

Principal Analysis

1986 and 1987 Effective Tax Rates

GAO's calculation of the average U.S. effective tax rates for the 220 companies shows rates of 18.6 percent in 1986 and 27.8 percent in 1987. The companies' average worldwide effective tax rates were 28.1 percent in 1986 and 35.5 percent in 1987. Figure 1 shows that, in general, the U.S. companies included in GAO's study had higher U.S. and worldwide effective tax rates in 1987 than in 1986 or the years included in the earlier studies.

Figure 1: Comparison of Average U.S. and Worldwide Effective Tax Rates for Years 1980 Through 1983, 1986, and 1987



Note: The average rates are not exactly comparable because of variations in companies included in the computations for some years. It is unlikely, however, that the variations result in any significant change in average rates.

GAO's analysis shows that, like company rates, 1987 industry effective tax rates increased over earlier periods. Of the 29 industries in GAO's study, 16 included most of the same companies as those in earlier studies by the Joint Committee on Taxation. Eleven of the 16 had 1987 U.S. rates that were higher than the earlier rates. For example, the average U.S. rate for the aerospace industry was 30 percent in 1987 compared to 16 percent in 1986 and a 10-percent average for 1980 through 1983. (See p. 21.)

The increases shown in 1987 seem consistent with the intent of the changes introduced by the Tax Reform Act of 1986. This act reduced many tax benefits, including the elimination of the lower tax rate for capital gains and the investment tax credit. These changes increased the base of taxable income and the resulting effective tax rates. (See pp. 27-28.)

Reasons for High and Low Rates

GAO found that in 1987, nearly 19 percent of the companies and 7 percent of the industry groups had U.S. effective tax rates below 10 percent, while 20 percent of the companies and 17 percent of the industry groups had rates above 40 percent. (See pp. 25 and 27.)

GAO's analysis showed that where data were available to recompute 1986 and 1987 rates, 38 of the 63 companies and 34 of the 71 companies, respectively, with high or low U.S. effective tax rates were affected by timing differences. The predominant timing differences for companies in 1987 were accelerated depreciation, investment tax credits, pension costs, and state and local income taxes that were not currently payable but were expected to come due in future years. (See pp. 31-32.)

Because financial statements did not identify permanent differences attributable exclusively to U.S. operations, GAO could not determine the impact of permanent differences on U.S. rates. Information was available, however, to recompute worldwide rates, including timing and permanent differences for 64 companies in 1986 and 80 companies in 1987. GAO found that the number of companies with high or low worldwide rates decreased from 64 to 17 in 1986 and 80 to 23 in 1987. (See pp. 32-33.)

Recommendations

GAO is making no recommendations in this report.

Company Comments

GAO requested comments from the tax directors of the 237 companies included in the study. Of the 94 companies responding, 41 agreed with the rates computed, 46 disagreed with the rates, and 7 made other comments. Of those disagreeing, many supplied additional information. Where such information was sufficient, effective tax rates were recomputed. Others questioned the methodology used in computing the rate, particularly the exclusion of deferred taxes. This methodology, used in earlier studies by the Joint Committee on Taxation, allowed for consistent comparisons with previous years. (See p. 42.)

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Abbreviations

JCT	Joint Committee on Taxation
TRA	Tax Reform Act of 1986

Introduction

Over the past several decades, various tax incentives have been added to the tax code enabling companies to lower their taxable income and, thus, lower their tax liability. For example, to encourage investment in equipment and plant modernization, Congress in the early 1960s, approved the investment tax credit and accelerated depreciation. As a result, some of the Nation's largest companies did not pay any taxes and a number of others have paid a rate far less than the statutory rate. For instance, in 1988, Citizens for Tax Justice reported that between 1981 and 1985, 40 of 250 companies surveyed paid no federal income taxes. These 40 companies had combined profits of \$43.7 billion.

One indicator of the amount of taxes being paid by U.S. companies is the effective tax rate. There are two types of effective tax rates: marginal¹ and average. Average effective tax rates are measures of income taxes paid in relation to pretax income. In addition to indicating a company's tax liability, effective tax rates are used by policymakers to determine the need for further changes to the Nation's tax code. For instance, prior effective tax rate studies of the Joint Committee on Taxation (JCT) disclosed relatively low effective tax rates among the aerospace and construction industries. These industries had deferred large amounts of taxes by using the completed contract method of accounting. This method recognizes income only on completion or substantial completion of a contract. The JCT's studies contributed to changes introduced by the Tax Reform Act (TRA) of 1986, including one which limited use of the completed contract method.

Because of differences that arise between generally accepted accounting principles and prevailing tax laws, a company's income for financial reporting purposes and income for tax purposes during the same period will differ. This disparity primarily results from timing and permanent differences.

Timing differences result from financial transactions that are recognized for tax purposes in different accounting periods than for financial reporting purposes. Timing differences originating in a given period always reverse themselves in one or more future periods. For example, installment sales may generally be reported for tax purposes as revenue is collected, but, for financial reporting purposes the total income from the installment sale is recognized in the period the sale is made. Thus, collections on the installment sale are recognized for tax purposes in 2 or

¹Marginal effective tax rates take into account the timing of income and deductions from income by comparing the present value of future taxes with the additional income from new investments.

more years, while the entire amount is recognized for financial reporting purposes in the year of sale. While some timing differences reduce income taxes that would otherwise have to be paid in the current period, other timing differences may increase income taxes in the current period. Further, some timing differences may reverse within 1 year and are referred to as short-term, while others may take several years to reverse and are referred to as long-term. Timing differences are commonly referred to as deferred tax expense or benefit and are considered as such throughout this report. Deferred tax expense represents a tax liability postponed for future payment, whereas a deferred tax benefit represents a tax credit or deduction delayed for future recognition.

Differences between income for tax purposes and income for financial reporting purposes that never reverse themselves in subsequent periods are called permanent. Permanent differences result from tax laws that make certain financial transactions nontaxable, nondeductible, or subject to special tax allowances. Since permanent differences do not affect subsequent periods, no interperiod tax allocation is made to account for them. For example, proceeds from life insurance carried by a company for key officers or employees are recognized for financial reporting purposes but not for tax purposes. Fines or expenses resulting from a violation of law are recognized for financial reporting purposes but are not deductible for tax purposes. Under a special tax provision referred to as a net operating loss deduction, a company can elect to carry a net operating loss back 3 years and receive a refund of taxes paid in those years or carry the loss forward and offset future taxable income for up to 15 years. Because of the existence of financial transactions that cause timing and permanent differences in the amount of income subject to taxation, a company's effective tax rate may not equal the statutory tax rate provided in the Internal Revenue Code.

Differing Approaches in Computing Effective Tax Rates

In computing effective tax rates using financial statements, various alternatives exist for the treatment of deferred tax expense and benefits. One approach is to use only income taxes currently payable in computing rates. A second approach is to include all income taxes, amounts currently payable and deferred, in computing rates. A third approach is to determine the amount of deferred tax expense or benefits expected to result in actual tax payments or refunds within the near future (i.e., short-term deferred) and net them with taxes currently payable to compute rates. Each of these approaches will yield a different effective tax rate. Rates will generally be higher by including some or all of the deferred tax expense and lower by including some or all of the deferred

tax benefits. To be consistent with the methodology of the JCT, we computed rates by including only income taxes currently payable.

Citizens for Tax Justice, a public interest group that studies corporate taxation, and the JCT advocate the exclusion of all deferred taxes from effective tax rate computations on the premise that deferred taxes do not reflect income taxes currently paid. For example, as long as a company continues to grow, it will likely generate additional deferred taxes, which, in the aggregate, will offset the effect of previously deferred taxes. The net result is an indefinite deferral of previously recorded tax liabilities.

Among those advocating the inclusion of all deferred taxes in computing rates is the Institute for Research on the Economics of Taxation. The Institute is a nonprofit, tax-exempt research and educational organization that does corporate tax studies. Its position is that a deferred tax is a postponed tax rather than one that is permanently excused. It is a liability or obligation that must be paid at some time in the future. By excluding deferred taxes from effective tax rate computations, the Institute believes that deferred taxes are treated as “no taxes.”

Tax Analysts, a tax research group, published rates computed using income taxes currently payable and only those deferred tax expenses or benefits expected to result in actual tax payments or refunds within the foreseeable future. They believe that the remaining deferred tax expenses or benefits will generally not be recognized in the foreseeable future and, thus, should not be included in computing rates. Critics of Tax Analysts’ approach agree that computing rates using both income taxes currently payable and “short-term” deferred tax expenses or benefits gives some recognition to those timing differences that will result in tax payments or refunds in the foreseeable future. However, these critics believe that determining when timing differences will reverse cannot be predicted with certainty.

Table 1.1 illustrates the differences in computed effective tax rates when using each of the three approaches. In this example, when only taxes currently payable are included in the computation, the effective tax rate is 20 percent. However, when all the deferred tax expense is included, the rate increases to 40 percent.

Table 1.1: Effective Tax Rates Under Differing Computation Methods

	Rates Computed Including		
	Taxes currently payable	Current and short-term deferred taxes	Current and all deferred taxes
Income Taxes Currently Payable	\$100,000	\$100,000	\$100,000
Deferred Tax Expense:			
Short-Term	0	50,000	50,000
Long-Term	0	0	50,000
Total Income Tax Expense Divided by	\$100,000	\$150,000	\$200,000
Pretax Income	\$500,000	\$500,000	\$500,000
Equals Effective Tax Rate	20%	30%	40%

Note: For illustrative purposes, we did not include the effect of deferred tax credits on effective tax rates. The inclusion of deferred tax credits in the above example would result in a lower effective tax rate.

Objectives, Scope, and Methodology

In October 1988, Congressmen Don J. Pease and Byron L. Dorgan requested that we review the overall domestic and worldwide tax burdens of large U.S. companies for 1986 and 1987. In response to this request, we (1) computed U.S., foreign, and worldwide effective tax rates for 237 large U.S. companies—220 companies each in 1986 and 1987—and (2) analyzed reasons for particularly high and low effective tax rates by companies and industry groups.

Computation of Effective Tax Rates

To address the objective of computing company and industry effective tax rates, we first identified the companies included in the JCT's 1983 and 1984 studies. To ensure consistency with these earlier studies, we included the same companies in our study to the extent that they met the following criteria in 1986 and 1987:

- They had not changed industries.
- They were still listed on the Fortune 500 Industrial or the Fortune Service 500 Directory.
- Financial statements either contained information required to compute effective tax rates, or such information could be obtained by telephone contacts with company officials.

Because some of the companies had either dropped from the Fortune 500 lists, changed industries, or did not report in their financial statements information needed to compute rates, we substituted 27 and 37

companies, respectively, in 1986 and 1987. Of the 220 companies (representing 29 industries) in our study of 1986 and 1987 rates, 193 and 183, respectively, were included in the JCT's 1983 and 1984 studies. Because of these substitutions, a total of 237 companies were included in our study.

To comply with the request and to compare rates to those in prior studies, we computed rates by comparing income taxes currently payable to pretax income as reported in the financial statements.² In comparing income taxes currently payable to pretax income, adjustments consistent with the JCT's methodology were made to reported net income and income taxes currently payable. Net income as disclosed in the financial statements was adjusted to

- include income or loss attributable to that portion of a subsidiary's common stock interest belonging to minority stockholders,
- eliminate income or loss attributable to the parent company's equity in affiliates or joint ventures,
- exclude profit or loss from extraordinary items and discontinued operations, and
- exclude the current portion of state and local income tax expense.

Income taxes currently payable were adjusted to exclude

- current tax expense (or savings) attributable to extraordinary items or discontinued operations and
- the current portion of state and local income tax expense.

Appendix I presents a more detailed discussion of the adjustments made.

To compute effective tax rates for 1986 and 1987, we identified and allocated between U.S. and foreign operations the adjusted worldwide pretax income and income taxes currently payable for each company. For companies with no foreign operations, U.S. and worldwide income and taxes were identical. We computed U.S. and worldwide effective tax rates for each company by dividing adjusted U.S. and worldwide income taxes currently payable by adjusted U.S. and worldwide pretax income. Foreign effective tax rates were computed by dividing foreign income

²Another approach would have been to compute effective tax rates from tax returns by matching the taxes paid with the income on which the tax was imposed. Use of this approach can result in rates that differ from effective tax rates computed from financial statements.

taxes currently payable by foreign pretax income. Similarly, we computed U.S., foreign, and worldwide effective tax rates for each industry by dividing aggregate U.S., foreign, and worldwide income taxes currently payable by aggregate U.S., foreign, and worldwide pretax income, respectively. Further, we computed 1986 and 1987 average U.S., foreign, and worldwide effective tax rates for the 220 companies by dividing the aggregate U.S., foreign, and worldwide income taxes currently payable by the aggregate U.S., foreign, and worldwide pretax income. When data elements necessary to compute rates were not available from the financial statements, we contacted company officials by telephone to obtain the information.

In some circumstances, the effective tax rate may be distorted because the sign (positive or negative) of the rate misrepresents the underlying situation. If the company reports income and pays taxes, then its situation is not misrepresented and the sign of the rate is positive. Also, if a company reports income and receives a refund (negative taxes), then its effective tax rate is correctly portrayed as negative. However, if a company suffers a book loss (negative income) and receives a refund (negative taxes), the sign of its effective tax rate is positive, even though the company did not pay taxes. We note when this occurs. We also note a distorted rate when a company suffers a book loss (negative income) and pays taxes (positive taxes). Here, the sign of the rate is negative even though the company actually paid taxes.

Analysis of High and Low Rates

To address the objective of analyzing reasons for high and low rates, we used the JCT's criteria of below 10 percent as a low rate and anything above the statutory rate (46 percent in 1986³ and 40 percent in 1987⁴) as a high rate. Using these criteria, we identified 131 companies with either high or low U.S. rates in 1986 and/or 1987. For these 131 companies, we determined the impact of timing differences on these rates. We classified the items contributing to timing differences as short-term or long-term deferred tax expense and benefits. We classified as long-term those tax deferrals that would not likely be paid or refunded for at least 1 year (e.g., accelerated depreciation, intangible drilling costs, installment sales, leasing transactions, and long-term contracts, among others). Those deferred tax items not classified as long-term were categorized as

³For a comparison of 1986 and 1987 industry and company rates, we used 40 percent in figs. 2.2, 2.3, 2.4, and 2.5.

⁴The 1987 rate of 40 percent represents the average rate for companies with a December 31, 1987, year-end. The tax rate changed from 46 percent to 34 percent on July 1, 1987.

short-term. We then combined short-term deferrals (i.e., deferred tax expenses and benefits expected to reverse or result in cash payments or refunds within 1 year) with income taxes currently payable to determine the effect of their inclusion on U.S., foreign, and worldwide rates. We also determined the impact of long-term deferrals on rates.

We were unable to determine the effect of permanent differences on high and low U.S. company rates because financial statements did not identify permanent differences attributable exclusively to U.S. operations. However, we did determine the effect of permanent differences on high and low worldwide rates. Permanent differences are generally non-taxable or nondeductible and include such items as proceeds from life insurance on officers, fines or expenses resulting from a violation of law, and nondeductible losses.

We contacted tax officials at all 237 companies to request their comments on the rates we computed. We also requested company comments on our analysis of factors contributing to high and/or low U.S. rates. When the companies provided information that had a material effect on the rates we had previously computed, corrections were made to our analysis. Appendix II provides details on company responses by category, as well as our response.

We did our work between January and September 1989, in accordance with generally accepted government auditing standards.

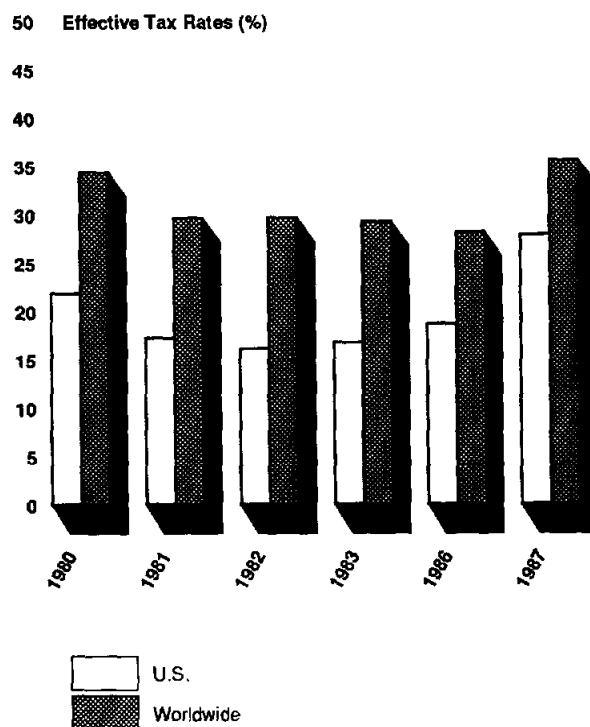
Comparison of Effective Tax Rates

Our analysis of company effective tax rates showed average 1987 U.S. and worldwide rates to be higher than comparable rates in 1986 and in prior studies of the Joint Committee on Taxation. Additionally, our analysis of U.S. and worldwide effective tax rates showed that 1987 industry rates were generally higher than 1986 and 1980 through 1983 averages. While the finding of higher 1987 rates is consistent with the expected effects of the corporate base-broadening changes introduced in the 1986 Tax Reform Act, it is only a snapshot in time. Analysis of additional years beyond 1987 would be necessary to do a comprehensive evaluation of TRA's effect. This is especially true for some companies that experienced widely fluctuating rates between 1986 and 1987.

Average 1987 Rates for Companies in Our Study Were Higher Than Rates in Prior Years

A comparison of the average U.S. and worldwide rates for the companies included in this study showed 1987 rates to be higher than rates in 1986 and 1980 through 1983. The average U.S. rate was about 28 percent in 1987, compared to average rates ranging from about 16 to 22 percent between 1980 and 1986. The average 1987 worldwide rate was about 36 percent, compared to average rates ranging from about 28 to 34 percent between 1980 and 1986. Figure 2.1 illustrates the average U.S. and worldwide effective tax rates for 1980 through 1983, 1986, and 1987.

Figure 2.1: Comparison of Average U.S. and Worldwide Effective Tax Rates for Years 1980 Through 1983, 1986, and 1987



Note: The average rates are not exactly comparable because of variations in companies included in the computations for some years. It is unlikely, however, that the variations result in any significant change in average rates.

1987 Industry Rates Generally Higher Than Those in Prior Years

Our analysis of U.S. and worldwide effective tax rates by industry showed 1987 rates to be generally higher than 1986 and 1980 through 1983 industry averages. Of the 29 industries in our study, 16 included most of the same companies and had rates computed for the 4 years covered by prior studies of the Joint Committee on Taxation. Eleven of the 16 had 1987 U.S. effective tax rates that were higher than the 1986 and 1980 through 1983 industry averages. For example, the U.S. rate for the aerospace industry was 30.1 percent for 1987, compared to a 9.7-percent 1980 through 1983 industry average. The comparable 1986 rate was 15.9 percent. Table 2.1 presents the U.S. effective tax rates by industry, as well as the average for all companies, for the years 1980 through 1983, 1986, and 1987. See appendix III for worldwide effective tax rates.

Chapter 2
Comparison of Effective Tax Rates

Table 2.1: Comparison of U.S. Effective Tax Rates by Industry for the Years 1980 Through 1983, 1986, and 1987

Industry	Effective tax rates expressed as a percent ^a						
	JCT				1980-1983 Average	GAO	
	1980	1981	1982	1983		1986	1987
Aerospace	16.4	6.8	(0.6)	14.0	9.7	15.9	30.1
Beverages	28.0	28.8	20.5	18.7	23.2	21.6	37.7
Broadcasting	^b	^b	8.9	18.5	^b	32.1	29.3
Chemicals	13.7	5.0	(17.7)	(1.0)	3.6	13.5	36.8
Computers and office equipment	24.9	25.3	26.4	26.3	25.8	(0.6)	12.4
Construction	^b	^b	15.9	0.7	^b	(201.5) ^c	(36.5) ^c
Electronics and appliances	24.5	17.1	14.3	7.4	16.2	29.2	32.0
Financial institutions	5.8	2.7	(3.8)	6.4	3.8	8.6	166.7 ^d
Food processors	35.6	26.8	31.6	25.9	29.5	32.4	37.5
Glass, concrete, abrasives, and gypsum	^b	^b	^e	17.5	^b	39.0	35.5
Instrument companies	37.1	26.6	21.9	32.8	29.5	35.4	34.8
Investment companies	^b	^b	21.3	9.3	^b	27.7	14.1
Metal manufacturing	15.3	10.2	^e	^e	^e	(2.8) ^c	(19.3)
Metal products	^b	^b	30.2	15.1	^b	0.3	46.5 ^d
Mining	^b	^b	^e	^e	^b	43.2	36.1
Motor vehicles	^b	^b	^e	3.5	^b	(18.4)	3.9
Paper and wood products	(1.4)	(14.2)	36.1	(0.5)	(2.9)	11.5	17.2
Petroleum ^f	31.1	21.7	18.2	21.3	23.5	(76.2)	^g
Pharmaceuticals	39.2	35.9	32.7	27.2	32.9	35.7	28.0
Retailing	34.1	22.3	20.4	20.0	22.9	29.2	46.1
Rubber	^b	^b	39.0	19.6	^b	22.6	19.0
Soaps and cosmetics	^b	^b	33.3	35.6	^b	26.1	45.8
Telecommunications	^b	^b	1.6	4.8	^b	25.7	28.3
Tobacco	31.4	31.3	36.3	33.8	33.3	30.0	28.1
Transportation:							
Airlines	3.0	^e	^c	^e	^e	(43.5)	25.7 ^d
Railroads	10.7	(7.5)	4.1	3.3	2.4	(113.2) ^c	15.6
Trucking	37.5	46.1	36.9	34.5	38.2	28.4	30.7
Utilities (electric and gas) ^h	10.9	10.3	15.6	7.1	10.7	14.7	18.0
Wholesalers	^b	^b	36.1	34.8	^b	37.3	39.5
Average	21.8	17.2	16.1	16.7		18.6	27.8

^aA similar effective tax rate study was not done for tax year 1985. The study for tax year 1984 was not published.

^bThe 1980 and 1981 rates are not available; the 1980-1983 average was not computed.

^cRate shown is arithmetically distorted due to a book loss. A book loss causes the sign of the effective tax rate to be negative (benefit) when a tax is paid or positive (expense) when a tax benefit is received, just the opposite of what the sign should be.

^dSee explanation of difference between 1986 and 1987 rates on page 22.

^eJCT did not report rates on book losses if the industry experienced an aggregate book loss and either a refund was due or a tax was paid.

^fSome companies included in the 1982 and 1983 studies were classified with crude oil production in 1980 and 1981.

^gThe effective tax rate exclusive of Texaco is 23.9 percent. If Texaco is included, the rate rises to 121.3 percent. See the explanation on page 22.

^hIn 1980 and 1981, the utilities group included AT&T and GTE. The 1980 and 1981 utilities rate is restated to include only electric and gas utilities

As shown in table 2.1, four industries with undistorted rates—airline transportation, financial institutions, metal products, and petroleum—experienced relatively wide swings in U.S. rates between 1986 and 1987. Specifically, airline transportation's rate rose from negative 43.5 percent to 25.7 percent between 1986 and 1987. In 1986, one company received a refund as a result of investment tax credit carrybacks. Another company received a credit for contributions made to its payroll-based stock option plan. Further, several companies within the industry incurred book losses that resulted in a tax benefit.

The financial institutions' rate increased from 8.6 percent in 1986 to 166.7 percent in 1987. In 1986, several companies received refunds or credits while several others incurred book losses and either paid no taxes or recorded a tax benefit. In 1987, several companies paid taxes despite book losses and one company paid a relatively large amount of taxes on a small amount of income.

Also, rates for metal products increased from 0.3 percent in 1986 to 46.5 percent in 1987. This difference is attributable to one of the companies in the industry receiving a large refund of U.S. taxes in 1986, which made the aggregate amount of U.S. taxes paid by companies in the industry small when compared to 1987.

The rate for petroleum was a negative 76.2 percent in 1986 since a number of companies reported tax credits or refunds in that year. The rate for 1987 depends substantially on whether one company is included or not.¹ Without this company the effective rate is 23.9 percent, but including this company raises the rate to 121.3 percent.

¹This company reported a large book loss but did not consider the settlement of a lawsuit to be an extraordinary loss for the purpose of its financial statement.

Further analysis of the 29 industries showed that a higher proportion had U.S. and worldwide rates exceeding 40 percent in 1987 than in 1986.² Appendixes IV and V provide details on industry rates. Specifically, in 1986, only 1 of the 29 industries (mining) had a U.S. effective tax rate over 40 percent, while in 1987, 5 of the 29 industries had U.S. effective tax rates over 40 percent. The five industries are (1) financial institutions, (2) metal products, (3) petroleum, (4) retailing, and (5) soaps and cosmetics.

Worldwide rates for this same period showed a similar trend. Specifically, in 1986, 4 of 29 industries (construction, metal products, mining, and rubber) had worldwide effective tax rates over 40 percent, while in 1987, 6 of 29 industries had worldwide effective tax rates over 40 percent. The six industries are (1) chemicals, (2) mining, (3) petroleum, (4) retailing, (5) soaps and cosmetics, and (6) wholesalers.

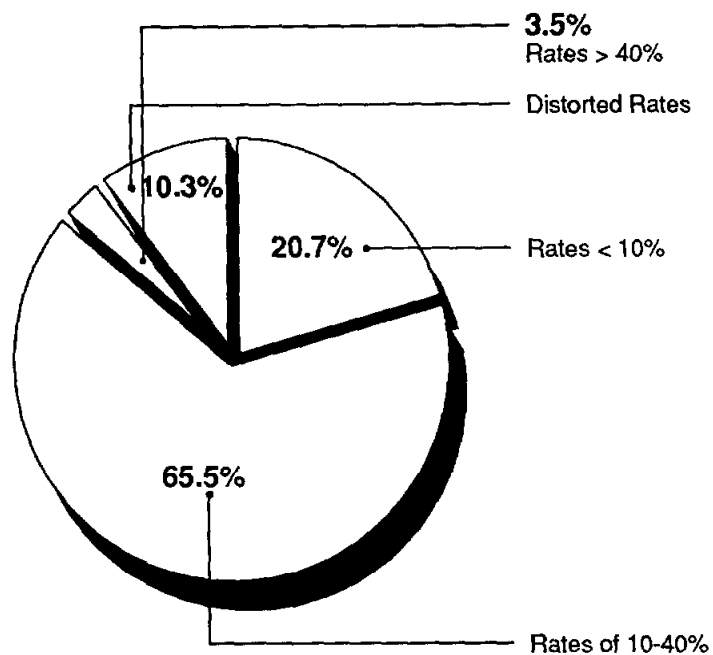
While the number of industries with worldwide rates below 10 percent did not vary between 1986 and 1987, fewer industries had U.S. rates below 10 percent in 1987 than in 1986. In 1986, six industries had U.S. effective tax rates less than 10 percent.³ The six industries are (1) airline transportation, (2) computers and office equipment, (3) financial institutions, (4) metal products, (5) motor vehicles, and (6) petroleum. In 1987, only 2 of the 29 industries (motor vehicles and metal manufacturing) had U.S. rates below 10 percent.⁴ Figures 2.2 and 2.3 show the percent of industries with U.S. effective tax rates above 40 percent and below 10 percent for 1986 and 1987.

²Since the statutory rate differed in 1986 and 1987, we used the 1987 statutory tax rate of 40 percent in our analysis.

³The construction, metal manufacturing, and railroad transportation industries also had rates less than 10 percent; however, the rates were distorted. The rates were negative because the industry as a whole recorded a book loss but paid taxes.

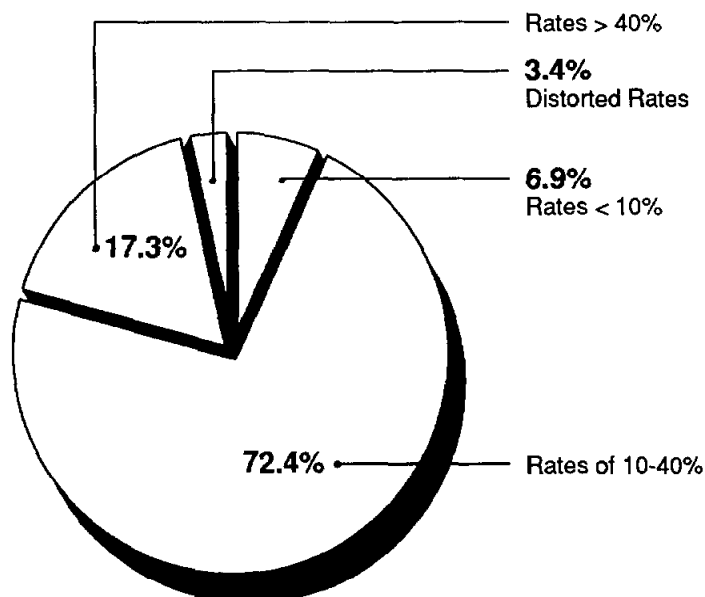
⁴The construction industry also had a rate less than 10 percent; however, the rate was distorted. The rate was negative because the industry as a whole recorded a book loss but paid taxes.

**Figure 2.2: Percent of Industries With
U.S. Effective Tax Rates Above 40
Percent and Below 10 Percent in 1986**



Percentages are based on rates for 29 industries. Three industries had distorted rates below 10 percent due to a book loss and a tax payment or refund.

Figure 2.3: Percent of Industries With U.S. Effective Tax Rates Above 40 Percent and Below 10 Percent in 1987

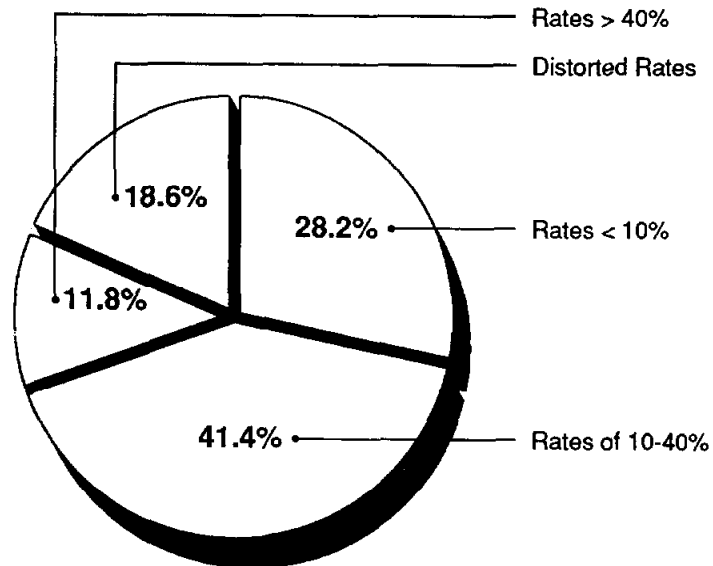


Percentages are based on rates for 29 industries. One industry had a distorted rate below 10 percent due to a book loss and a tax payment or refund.

1987 Company Rates Generally Higher Than 1986 Rates

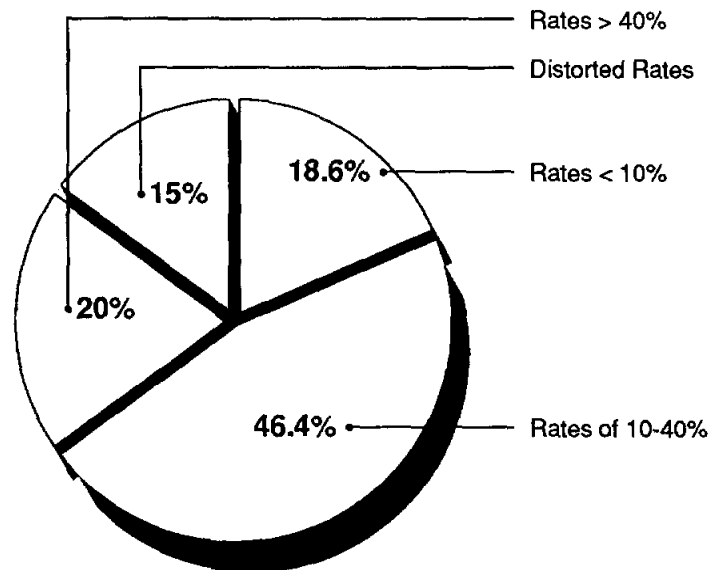
Our analysis showed that 1987 U.S. and worldwide effective tax rates generally exceeded comparable rates for 1986 on a company, as well as industry, basis. Figures 2.4 and 2.5 show that the percent of companies with U.S. effective tax rates below 10 percent dropped from 28 percent (62 companies) in 1986 to about 19 percent (41 companies) in 1987. These figures also illustrate that more companies had effective tax rates higher than 40 percent in 1987 than in 1986. The percent of companies with effective tax rates higher than 40 percent rose from 12 percent (26 companies) in 1986 to 20 percent (44 companies) in 1987. Appendixes VI and VII show 1986 and 1987 U.S. and worldwide effective tax rates, respectively, for the 220 companies included in each year of our study.

Figure 2.4: Percent of Companies With U.S. Effective Tax Rates Above 40 Percent and Below 10 Percent in 1986



Percentages are based on rates for 220 industries. Of the 41 companies with distorted rates due to a book loss and a tax payment or refund, 37 had rates below 10 percent, 1 had a rate above 40 percent, and 3 had rates between 10 and 40 percent.

Figure 2.5: Percent of Companies With U.S. Effective Tax Rates Above 40 Percent and Below 10 Percent in 1987



Percentages are based on rates for 220 companies. Of the 33 companies with rates distorted due to a book loss and a tax payment or refund, 26 had rates below 10 percent, 4 had rates above 40 percent, and 3 had rates between 10 and 40 percent.

Increased 1987 Rates Consistent With Changes Introduced by the Tax Reform Act of 1986

A comparison of U.S. and worldwide average effective tax rates for 1986 and 1987 showed 1987 rates to be higher. This increase seems consistent with the expectation of how the changes introduced by TRA would affect corporate taxation. However, a comprehensive analysis of TRA's effect should be on the basis of more than 1 year of data because effective tax rates for particular companies can fluctuate widely from year to year. Also, studies that approach effective tax rates from a different perspective should be considered, such as those that evaluate how taxes change when additional income is earned or when new investments are made by the company.

TRA eliminated many tax benefits, thereby increasing the base of taxable income and the resulting effective tax rates. Selected changes that have increased the base of taxable income and, thus, increased taxes follow:⁵

- Elimination of the lower rate on long-term capital gains

⁵Tax legislation enacted subsequent to the 1986 act included alterations of these and other tax provisions that would affect the taxable income base.

-
- Elimination of the investment tax credit and reduction of the investment tax credit carryforward
 - Adoption of longer depreciation periods for personal and real property
 - Adoption of a new corporate alternative minimum tax system
 - Allocation of a portion of indirect costs to inventory or capital account rather than expense in the year incurred
 - Repeal of the reserve method of computing the deduction for bad debts
 - Replacement of the completed contract method of accounting for long-term contracts with a method that requires a portion of contract income and cost to be reported using the percentage-of-completion method
 - Accelerated recognition of installment gain for sales of inventory and business or rental real estate based on the taxpayer's debt-to-asset ratio and repeal of the installment method for sales pursuant to revolving credit plans and sales of publicly traded property
 - Imposition of additional separate foreign tax credit limitations on categories of foreign income

Conclusion

Our analysis of 1986 and 1987 effective tax rates showed 1987 rates to be generally higher than rates in prior years for the companies and industries we examined. Our analysis also showed that, in the aggregate, these companies and industries paid more taxes in 1987 than in 1986. While no direct cause-effect relationship can be established, the increased 1987 rates seem consistent with expectations of how changes introduced by the 1986 TRA would affect the corporate sector. More than 1 year of data would be needed, however, to do a comprehensive analysis of TRA's effect.

Timing and Permanent Differences Contributed to High and Low Effective Tax Rates

As discussed in chapter 1, different methodologies can be used in calculating effective tax rates. To be consistent with prior Joint Committee reports on effective tax rates, we used a methodology that excluded timing and permanent differences. In analyzing the reasons for particularly low and high effective tax rates, we recomputed rates by including timing and permanent differences. We considered only industries and companies with undistorted rates and used the statutory rate of 46 percent in 1986 and 40 percent in 1987 as the high rates in our analysis. When these differences were taken into account, the number of industries and companies with high and low rates in 1986 and 1987 decreased substantially.

Effect of Timing Differences on U.S. Rates by Industry

Timing differences result from financial transactions (revenues or expenses) that are recognized for financial statement purposes in one reporting period but are recognized for tax return purposes in another period. As a result, income tax payments or credits are deferred until revenue or expense recognition occurs. When deferrals were included in the computation of effective tax rates, the number of industries with high or low rates in 1986 and 1987 decreased.

Table 3.1 shows that after recomputing rates including tax expenses or benefits resulting from timing differences with taxes currently payable, we found that the number of industries with undistorted high or low U.S. rates decreased from six to four in 1986. Similarly, the number of industries with high or low 1987 U.S. rates decreased from seven to five with the inclusion of timing differences.

Table 3.1: Number of Industries With High and Low U.S. Rates Before and After the Inclusion of Timing Differences

Year	U.S. rate	Before timing differences	After timing differences
1986	High	0	2
	Low	6	2
	Total	6	4
1987	High	5	3
	Low	2	2
	Total	7	5

Table 3.2 shows the extent that rates for industries with undistorted high and low U.S. rates in 1986 and/or 1987 changed after including deferred tax expense and benefits.

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**Table 3.2: Effect of Timing Differences
on U.S. Effective Tax Rates by Industry**

Industry	Excluding timing differences	Including timing differences
1986:		
Computers and office equipment	(0.6)	8.8
Financial institutions	8.6	2.3
Metal products	0.3	41.0
Motor vehicles	(18.4)	27.6
Petroleum	(76.2)	64.5
Airlines	(43.5)	73.4
1987:		
Financial institutions	166.7	(131.0)
Metal manufacturing	(19.3)	(13.6)
Metal products	46.5	49.7
Motor vehicles	3.9	29.5
Petroleum	121.3	129.8
Retailing	46.1	31.7
Soap and cosmetics	45.8	41.3

In some cases, the relative change in tax rates resulting from the inclusion of timing differences was minimal. For example, the tax rate for the computer and office equipment industry remained low in 1986 because most of the industry income was derived from foreign operations and was subject to foreign taxes. The metal manufacturing industry's rate remained low in 1987 because of the amount of tax credits, such as the investment tax credit and other refunds.

The relative change in tax rates resulting from the inclusion of timing differences, such as the difference between the treatment of depreciation for tax and financial statement purposes, i.e., accelerated versus straight-line depreciation, was considerable for other industries. The metal products industry rate for 1986 increased from 0.3 percent to 41.0 percent primarily because of the inclusion of timing differences related to the use of accelerated depreciation, restructuring expense, and adjustments to facilities and operations. The motor vehicles industry rate increased in both years from a rate below 10 percent to a rate between 10 and 40 percent primarily because of the inclusion of timing differences related to the use of accelerated depreciation and deferred compensation and employee benefits. The decrease from 167 percent to a negative 131 percent for the financial institutions industry in 1987 was primarily because of deferred tax benefits related to provision for loan losses, leasing transactions, and unrecognized tax benefits. Other

industry rates changed from a negative to a positive rate with the inclusion of timing differences. The petroleum industry rate increased considerably in 1986 from a negative 76.2 to 64.5 percent after including deferred tax expense. Accelerated depreciation and inventory valuation reserves were the predominant deferrals. The 1986 airline industry rate also changed considerably from a negative 43.5 to 73.4 percent. Accelerated depreciation, investment tax credits, and deferred gain on sale/leaseback were the predominant deferred tax expenses.

Effect of Timing Differences on U.S. Rates by Company

We recalculated the effective tax rate for each company that had either an undistorted high or low U.S. rate to determine the effect of timing differences. Of 79 companies with 1986 rates above 46 percent or below 10 percent, data were available to recompute rates to include timing differences for 63 companies. Similarly, of 85 companies with 1987 rates above 40 percent or below 10 percent, data were available to recompute rates to include timing differences for 71 companies. Our analysis showed that the number of companies that had either high or low U.S. rates decreased substantially with the inclusion of timing differences. Predominant deferrals included items such as accelerated depreciation, the investment tax credit, state and local income taxes, and certain pension costs.

Table 3.3 shows that after recomputing rates including tax expense or benefits resulting from timing differences with taxes currently payable, we found that 38 of the 63 companies no longer met our criteria for high or low rates in 1986. Recomputing rates for the 71 high or low companies in 1987, we found that 34 no longer met our criteria. Table 3.4 shows the most common timing differences for these companies in 1986 and 1987.

Table 3.3: Number of Companies With High and Low U.S. Rates Before and After the Inclusion of Timing Differences

Year	U.S. rate	Before timing differences	After timing differences
1986	High	13	10
	Low	50	15
	Total	63	25
1987	High	39	24
	Low	32	13
	Total	71	37

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Table 3.4: Predominant Deferrals Among 38 and 34 Companies Affected by Timing Differences in 1986 and 1987, Respectively

	Number of Companies	
	1986	1987
Accelerated depreciation	33	24
Investment tax credit ^a	19	9
State and local income tax ^b	18	12
Pension costs	17	12
Long-term contracts	8	8
Intangible drilling costs	8	4
Installment sales	7	9
Leasing transactions	7	7
Employee compensation costs	6	7
Capitalized interest	5	4
Net operating loss carryforwards ^c	5	3
Accruals not currently deductible for taxes	5	8
Retirement and restructuring of debt	4	3
Inventory valuation ^d	3	6
Domestic international sales ^e	•	4
Gain/Loss on equipment	•	3
Unbilled revenue	•	3
Interest income/loan fees	•	3
Provision for write-down of assets	•	3

Note: Because a company may have several timing differences, the numbers in each year should not be added.

^aThe investment tax credit, deducted directly from taxes payable, was eliminated in the Tax Reform Act of 1986, effective January 1, 1986.

^bState and local income taxes that are not currently payable but expected to come due in future years.

^cA net operating loss offsets taxable income of prior or subsequent years.

^dThese are adjustments made to inventory, as reported in financial statements, for computing taxable income.

^eA domestic corporation whose income is derived predominantly from export sales and rental and meets certain other requirements is not subject to taxation. Companies that own shares in these corporations are allowed to defer a limited amount of taxes.

Effect of Permanent Differences on Effective Tax Rates

The exclusion of permanent differences in computing effective tax rates also causes rates to differ from the statutory rate. Permanent differences are financial transactions recognized for either tax purposes or financial reporting purposes but not both. These differences result from tax laws that make certain financial transactions permanently nontaxable, nondeductible, or subject to special tax allowances. While permanent differences may have contributed in part to continued high and low

U.S. rates, after considering timing differences, we were unable to determine their effect because financial statements identified permanent differences on a worldwide basis rather than by U.S. and foreign operations. However, we were able to determine the effect of permanent and timing differences on worldwide effective tax rates. We found that the number of industries and companies with high and low worldwide rates decreased with the inclusion of timing differences and decreased further with the inclusion of permanent differences.

Table 3.5 shows that timing and permanent differences significantly affected companies with high and low worldwide rates in 1986 and 1987. The number of companies with high or low undistorted worldwide rates decreased from 64 to 17 in 1986 and from 80 to 23 in 1987.

Table 3.5: Number of Companies With High and Low Worldwide Rates Before and After the Inclusion of Timing and Permanent Differences

Year	Worldwide rate	Before timing differences	After timing differences	After timing and permanent differences
1986	High	27	19	10
	Low	37	9	7
	Total	64	28	17
1987	High	55	29	20
	Low	25	6	3
	Total	80	35	23

Note: We could not include three companies with high or low rates in our analysis because data were not available on their financial statements to include timing and permanent differences.

Some industries and companies continued to have high and low worldwide effective rates even after accounting for timing and permanent differences.¹ In many cases, this resulted from the adjustments we made to income taxes currently payable and pretax income. Appendix I describes these adjustments in detail.

Conclusion

The exclusion of timing and permanent differences contributes to low and high effective tax rates. When included, timing and permanent differences reduced the number of companies and industries with high or low rates. For example, with the inclusion of timing and permanent differences, the worldwide rates for more than one-half of the companies with low rates rose to above 10 percent. Legislative changes designed to

¹ Although not shown in tabular form, we found that with the inclusion of timing and permanent differences, the number of industries with high or low worldwide rates decreased from six to four in 1986 and from seven to two in 1987.

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limit or eliminate specific timing and permanent differences would likely result in an increase in current tax revenue.

Scope and Methodology for Computing Effective Tax Rates

This appendix describes how we selected our sample and how we computed various effective tax rates for the companies and industry groups.

Methodology for Selecting Companies

The companies for which we computed 1986 and 1987 effective tax rates were, to the extent possible, selected from among those included in earlier JCT studies. We used a list of 220 companies, 217 from JCT's unpublished 1984 study and 3 from its 1983 study. We relied primarily on the 1984 study since it was the most recent study.

The companies in our 1986/1987 analyses were included in prior JCT studies to the extent that they met the following three criteria:

- They were listed on the Fortune 500 Industrial or the Fortune Service 500 lists for years 1986 and 1987.
- The industry classification was the same in 1986 and/or 1987 as in 1984.
- Data were available to compute effective tax rates.

If a company did not meet these criteria, we chose the next highest ranked Fortune 500 company from the same industry as the company being replaced. This allowed for comparability between 1986/1987 and earlier studies.

To ensure that companies met the first criteria, we matched our list of companies against Fortune magazine's Industrial and Service lists for 1986 and 1987. We made substitutions for 13 and 23 companies, respectively, in 1986 and 1987, because the companies did not appear on the lists in those years.

To ensure that companies met the second criteria, we matched a company's industry classification according to JCT against Fortune magazine's classification for the years 1986 and 1987. In some cases, Fortune used broader industry group titles than JCT. For example, Fortune's title "Diversified Services" included industries such as Broadcasting, Construction, and Wholesalers, while JCT listed these three as individual industries. In these cases, we used the more narrowly defined Standard Industrial Classification codes listed in the 1987 Edition of The National Directory of Addresses and Telephone Numbers, and classifications from other effective tax rate studies, such as those of Tax Analysts'. We substituted seven companies in 1986 and 1987 because the JCT classification continued to be different from classifications in Fortune magazine

and/or the Standard Industrial Classification code or classifications in other studies.

Finally, we contacted the Securities and Exchange Commission to obtain annual financial reports (Forms 10-K) for the revised list of companies included in our study. In some cases, the Commission was not able to provide microfiche information because it was not available or was illegible. As a result, we went to local public and university libraries, as well as telephoned corporate officials, to obtain the required information. We made substitutions for six and seven companies in 1986 and 1987, respectively, because our other additional efforts still proved unsuccessful.

Because some companies included in prior Joint Committee studies did not meet each of the three criteria in 1986 or 1987, we substituted a total of 27 and 37 companies in 1986 and 1987, respectively. This substitution brought the number of individual companies in our study to 237, although rates were computed for 220 companies in each year. Of the 220 companies (representing 29 industries) in 1986 and 1987, 193 and 183, respectively, were the same as those from prior JCT studies.

Computing Effective Tax Rates

To be consistent with the methodology used by the Joint Committee on Taxation, we computed effective tax rates using only taxes currently payable as reported in publicly available financial statements. In annual financial statements, companies disclose (1) pretax income, (2) income tax expense, and (3) net income. Income tax expense is separated into two categories—amounts currently payable and amounts deferred. The portion currently payable represents taxes estimated to be paid during the year. The deferred portion represents a liability for taxes payable in the future. Therefore, we computed rates for all 237 companies and 29 industry groups in our study for 1986 and 1987 by comparing the income taxes currently payable with pretax income.

JCT/GAO Formula for Computing Effective Tax Rates

Income Taxes Currently Payable
divided by
Pretax Income = Effective Tax Rate

Pretax income was computed by making the following adjustments
to net income:

Net Income	+/-Tax Expense/Benefit
	+/- Income/Loss from Minority Interest in Subsidiaries
	-/+ Income/Loss from Equity Interest
	-/+ Gain/Loss from Extraordinary Items or Income/Loss from Discontinued Operations
	-State/Local Income Taxes (Currently Payable Portion)

While company income figures were readily available from annual reports, adjustments consistent with JCT's methodology were made to income taxes currently payable and reported net income. Discussion of these adjustments and their impact follows.

Adjustments to Income Taxes Currently Payable

Investment tax credit: One of two methods was used to account for investment tax credits in the financial statements—the flow-through method or the deferred method. Under the flow-through method, the entire credit is used to reduce taxes currently payable in the year property generating the credit is acquired. Under the deferred method, the credit is amortized over the productive life of the property generating the credit. Therefore, to show a more accurate current tax liability, we offset income taxes currently payable by the credit where the flow-through method was used. Where the deferred method was used, we offset short-term deferred taxes by the credit.

Adjustments to Derive Pretax Income

Consolidation of subsidiaries/minority interests: Companies consolidate their minority interest in subsidiaries, including foreign subsidiaries, differently for financial statement purposes than for income tax purposes. Whereas companies generally consolidate subsidiaries that are more than 50 percent owned for financial statement purposes, generally only domestic subsidiaries that are 80 percent or more owned are eligible to be consolidated for income tax purposes.

The consolidated financial statements often show the total tax expense of subsidiaries without the after-tax income attributable to minority interest. To compensate for this, we adjusted net income from financial statements to reverse the elimination of income (or loss) attributable to minority interest.

Equity accounting for investments in affiliates and joint ventures: Generally, investments in affiliates (20 to 50 percent owned companies) and joint ventures are accounted for by the equity method. Under this method, the parent company's provision for income taxes may or may not include income taxes attributable to the parent's equity in the affiliate or joint venture. If the tax was not included, we made an adjustment to eliminate the income. Otherwise, no adjustment was made to income.

Extraordinary Items or Discontinued Operations: Extraordinary items are transactions or events that are significantly different from typical or customary business activities. Also, they are not expected to recur frequently and are not normally considered in evaluating the ordinary operating results of a company.

In keeping with our objective to determine the effective tax rates of a company's current operations, we excluded extraordinary gains and losses and income and loss from discontinued operations, along with its related tax effect.

State/Local Income Taxes: We considered state and/or local income taxes, if applicable, to be an expense. Therefore, we eliminated the currently payable portion of this tax amount from pretax income prior to any U.S., foreign, or worldwide tax computations.

Impact of Deferred Taxes

The treatment of deferred taxes may have a significant impact on the computation of effective tax rates. For example, of the 237 companies in our study, 131 had U.S. rates below 10 percent or above the statutory rate. We computed rates using taxes currently payable and deferred for these 131 companies to determine the extent to which the high/low rates resulted from the impact of deferred taxes. Our analyses showed that for 38 companies in 1986 and 34 in 1987, rates were no longer high or low with the inclusion of deferred taxes.

In computing the deferred U.S., foreign, and worldwide rates, we used an equation similar to that used in computing current rates with one

additional adjustment to pretax income: we eliminated the amount of deferred state/local taxes. The computation used is shown.

GAO Formula for
Computing Deferred
Effective Tax Rates

Income Tax Expense
divided by = Effective Tax Rate
(Pretax Income minus Deferred State/Local Taxes)

To compute the varying deferred rates, we compiled a list of short-term and long-term deferred tax items. The list was compiled on the basis of several studies, including the study by Tax Analysts.

For the income tax expense amount, we included the income taxes currently payable and short-term deferred taxes. Short-term deferred taxes included:

- inventory valuation;
- warranty costs;
- short-term pension costs (termination and settlement);
- accruals not currently deductible for tax (insurance, repairs, and medical);
- allowance for doubtful accounts;
- gain/loss on exchange or sale of equipment;
- tax rate changes;
- revision of prior year estimates;
- unrealized foreign currency exchange gain/loss (translation adjustments);
- effect on deferred taxes of net operating loss, investment tax credit, and alternative minimum tax carryforward; and
- employee deferred compensation costs (employee stock options, severance, and relocation).

The following list of deferred items was considered to be long-term on the premise that as long as a company is growing, newly generated deferred taxes will equal or exceed reversals to currently payable taxes:

- accelerated depreciation;
- intangible drilling/mine development/fuel-related costs;
- cash basis (financial institutions);
- installment sales;
- domestic international sales corporation;
- undistributed equity method earnings;
- leasing transactions;

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- long-term contracts;
- capitalized interest (overhead cost of construction);
- long-term pension costs (prepaid, restructuring);
- provision for write-down of noncurrent assets;
- capitalized trademark, start-up costs;
- reserve for loss contingencies (divestitures);
- provision for loan losses;
- interest income and loan fees;
- unbilled revenue (utilities);
- retirement and restructuring of debt;
- interest on nonaccrual loans; and
- gain/loss on exchange or sale of real estate.

Comments From Company Officials

We contacted company officials at all 237 companies to request their comments on rates we computed. Letters sent to tax directors of each company contained rates computed that included only taxes currently payable. Additionally, for the companies with high and/or low U.S. rates in 1986 and/or 1987, we requested comments on our analysis of factors contributing to such rates. Letters sent to these company officials also contained computed rates that included currently payable and short-term deferred taxes.

Officials from 94 companies responded and changes were made where warranted. The officials had the following comments:

- Fifteen agreed with the methodology and rates computed.
- Twenty-six agreed with the methodology but provided additional information to recompute rates.
- Eight disagreed with the methodology but provided no additional information to recompute rates.
- Thirty-eight disagreed with the methodology and provided additional information to recompute rates.
- Seven made other remarks.

If company officials agreed with the rates we computed, we did nothing further. Of 64 companies that provided additional information, we recomputed rates for 30 companies where supporting documentation was available. We did not make changes for 34 companies because documentation was not provided or the change did not conform to our methodology. In many cases where company officials expressed disagreement with our methodology, their comments dealt with the non-inclusion of deferred taxes in the computations. As stated in chapter 1, we recognize that there are different ways to compute effective tax rates. Our computations excluded deferred taxes so that our methodology would be consistent with earlier JCT studies.

Comparison of Worldwide Effective Tax Rates by Industry for the Years 1980 Through 1983, 1986, and 1987

Industry	Effective tax rates expressed as a percent						
	JCT				1980-1983	GAO	
	1980	1981	1982	1983	Average	1986	1987
Aerospace	20.3%	12.0%	7.1%	18.1%	14.7%	19.6%	30.9%
Beverages	32.7	33.2	28.8	27.3	30.3	28.0	36.4
Broadcasting	^b	^b	13.7	21.7	^b	33.4	31.5
Chemicals	30.3	29.2	47.3	52.9	39.3	33.2	42.8
Computers and office equipment	36.9	39.1	37.1	38.1	37.8	38.6	34.4
Construction	^b	^b	22.6	29.3	^b	8,399.3	(73.4) ^c
Electronics and appliances	27.5	24.0	21.4	16.4	22.6	31.8	33.3
Financial institutions	22.5	24.5	24.3	24.3	23.9	27.8	(28.5) ^c
Food processors	37.6	32.6	36.5	29.3	33.5	35.7	38.3
Glass, concrete, abrasives, and gypsum	^b	^b	17.9	24.4	^b	39.5	36.7
Instrument companies	40.7	29.4	26.9	36.7	33.4	36.0	33.9
Investment companies	^b	^b	23.3	13.8	^b	27.1	25.8
Metal manufacturing	18.5	11.5	^d	^d	^d	(5.1) ^c	(0.6)
Metal products	^b	^b	42.8	29.3	^b	49.0	39.3
Mining	^b	^b	^d	^d	^b	53.5	44.5
Motor vehicles	^b	^b	^d	10.4	^b	3.6	6.7
Paper and wood products	7.0	(8.7)	42.5	7.2	4.1	13.9	18.1
Petroleum ^e	44.7	38.0	38.2	42.0	40.9	28.6	54.7
Pharmaceuticals	41.5	41.3	38.3	32.1	37.8	37.1	34.3
Retailing	35.1	24.5	21.6	21.3	24.4	29.7	42.0
Rubber	^b	^b	59.6	35.0	^b	48.9	34.8
Soaps and cosmetics	^b	^b	38.0	38.9	^b	27.9	45.3
Telecommunications	^b	^b	2.3	5.6	^b	26.4	28.9
Tobacco	29.9	29.5	32.7	32.9	31.4	32.1	29.3
Transportation:							
Airlines	14.5	^d	^d	^d	^d	(85.5)	24.8
Railroads	10.7	(7.5)	4.1	3.3	2.4	(113.2) ^c	15.8
Trucking	38.4	46.9	37.2	34.6	38.6	28.7	31.0
Utilities (gas and electric) ^f	10.9	10.3	15.6	7.1	10.7	14.7	18.0
Wholesalers	^b	^b	34.1	35.9	^b	37.7	40.1
Average	34.3%	29.6%	29.6%	29.2%		28.1%	35.5%

^aA similar effective tax rate study was not done for tax year 1985. The study for tax year 1984 was not published.

^bThe 1980 and 1981 rates are not available; the 1980-1983 average was not computed.

^cRate shown is arithmetically distorted due to a book loss. A book loss causes the sign of the effective tax rate to be negative (benefit) when a tax is paid or positive (expense) when a tax benefit is received, just the opposite of what the sign should be.

^dJCT did not report rates on book losses if the industry experienced an aggregate book loss and either a refund was due or a tax was paid.

Appendix III
Comparison of Worldwide Effective Tax
Rates by Industry for the Years 1980 Through
1983, 1986, and 1987

^eSome companies included in the 1982 and 1983 studies were classified with crude oil production in 1980 and 1981.

^fIn 1980 and 1981, the utilities group included AT&T and GTE. The 1980 and 1981 utilities rate is restated to include only electric and gas utilities.

Comparison of Effective Tax Rates by Industry Group for 1986

Thousands of dollars

	U.S. income before tax
Aerospace	\$3,859,326
Beverages	1,951,794
Broadcasting	751,387
Chemicals	2,084,800
Computers and office equipment	2,419,066
Construction	(24,477)
Electronics and appliances	5,354,735
Financial institutions	4,449,412
Food processors	3,286,948
Glass, concrete, abrasives, and gypsum	1,048,845
Instrument companies	1,150,523
Investment companies	2,395,582
Metal manufacturing	(3,235,805)
Metal products	129,878
Mining	254,102
Motor vehicles	6,292,121
Paper and wood products	1,594,507
Petroleum	1,736,422
Pharmaceuticals	2,627,041
Retailing	5,339,797
Rubber	284,400
Soaps and cosmetics	1,431,852
Telecommunications	13,820,475
Tobacco	3,757,044
Transportation:	
Airlines	200,197
Railroads	(221,092)
Trucking	1,695,534
Utilities (electric and gas)	11,174,991
Wholesalers	935,044

**Appendix IV
Comparison of Effective Tax Rates by
Industry Group for 1986**

Effective tax rate expressed as a percent							
Foreign income before tax	Worldwide income before tax	Current U.S. tax expense	Foreign tax expense	Worldwide tax expense	U.S. tax rate on U.S. income	Foreign tax rate on foreign income	Worldwide tax rate on worldwide income
\$565,420	\$4,424,746	\$611,756	\$256,596	\$868,352	15.9	45.4	19.6
1,181,595	3,133,389	421,124	456,091	877,215	21.6	38.6	28.0
187,217	938,604	241,500	71,600	313,100	32.1	38.2	33.4
2,844,500	4,929,300	281,900	1,353,000	1,634,900	13.5	47.6	33.2
7,740,490	10,159,556	(14,008)	3,931,639	3,917,631	(0.6)	50.8	38.6
24,914	437	49,327	(12,622)	36,705	(201.5) ^a	(50.7)	8399.3
1,533,076	6,887,811	1,563,104	629,103	2,192,207	29.2	41.0	31.8
2,692,072	7,141,484	382,475	1,602,781	1,985,256	8.6	59.5	27.8
1,540,781	4,827,729	1,064,668	658,027	1,722,695	32.4	42.7	35.7
366,030	1,414,875	408,958	149,939	558,897	39.0	41.0	39.5
1,269,504	2,420,027	407,065	464,204	871,269	35.4	36.6	36.0
582,842	2,978,424	664,111	143,011	807,122	27.7	24.5	27.1
142,400	(3,093,405)	91,100	66,100	157,200	(2.8) ^a	46.4	(5.1) ^a
234,675	364,553	416	178,211	178,627	0.3	75.9	49.0
16,745	270,847	109,649	35,232	144,881	43.2	210.4	53.5
3,364,871	9,656,992	(1,154,843)	1,498,321	343,478	(18.4)	44.5	3.6
227,345	1,821,852	182,732	69,660	252,392	11.5	30.6	13.9
16,219,413	17,955,835	(1,322,928)	6,460,964	5,138,036	(76.2)	39.8	28.6
1,886,600	4,513,641	937,849	735,628	1,673,477	35.7	39.0	37.1
356,695	5,696,492	1,561,353	133,224	1,694,577	29.2	37.3	29.7
307,000	591,400	64,300	225,000	289,300	22.6	73.3	48.9
437,223	1,869,075	373,716	147,043	520,759	26.1	33.6	27.9
267,458	14,087,933	3,557,892	161,676	3,719,568	25.7	60.4	26.4
1,172,328	4,929,372	1,127,642	452,703	1,580,345	30.0	38.6	32.1
(100,073)	100,124	(87,016)	1,452	(85,564)	(43.5)	(1.5) ^a	(85.5)
0	(221,092)	250,273	0	250,273	(113.2) ^a	•	(113.2) ^a
8,398	1,703,932	482,372	5,975	488,347	28.4	71.1	28.7
9,970	11,184,961	1,646,279	3,218	1,649,497	14.7	32.3	14.7
6,411	941,455	349,091	5,384	354,475	37.3%	84.0%	37.7%

^aRates shown are arithmetically distorted due to book losses.

Comparison of Effective Tax Rates by Industry Group for 1987

Thousands of dollars

	U.S. income before tax
Aerospace	\$4,717,508
Beverages	2,025,354
Broadcasting	1,105,807
Chemicals	3,728,600
Computers and office equipment	4,780,622
Construction	(72,027)
Electronics and appliances	5,920,540
Financial institutions	380,140
Food processors	3,875,569
Glass, concrete, abrasives, and gypsum	1,067,589
Instrument companies	2,135,314
Investment companies	2,268,678
Metal manufacturing	905,637
Metal products	401,011
Mining	299,599
Motor vehicles	8,726,075
Paper and wood products	2,671,730
Petroleum	1,818,903
Pharmaceuticals	3,488,911
Retailing	4,865,618
Rubber	807,130
Soaps and cosmetics	1,175,399
Telecommunications	14,915,957
Tobacco	4,175,985
Transportation:	
Airlines	1,001,013
Railroads	3,046,656
Trucking	1,081,633
Utilities (electric and gas)	9,096,107
Wholesalers	1,022,367

**Appendix V
Comparison of Effective Tax Rates by
Industry Group for 1987**

Foreign income before tax	Worldwide income before tax	Current U.S. tax expense	Foreign tax expense	Worldwide tax expense	Effective tax rate expressed as a percent		
					U.S. tax rate on U.S. income	Foreign tax rate on foreign income	Worldwide tax rate on worldwide income
\$851,188	\$5,568,696	\$1,421,215	\$297,202	\$1,718,417	30.1%	34.9%	30.9
1,548,571	3,573,925	763,083	539,268	1,302,351	37.7	34.8	36.4
178,996	1,284,803	324,300	80,700	405,000	29.3	45.1	31.5
3,602,100	7,330,700	1,372,700	1,764,700	3,137,400	36.8	49.0	42.8
8,447,484	13,228,106	593,682	3,955,978	4,549,660	12.4	46.8	34.4
38,381	(33,646)	26,313	(1,606)	24,707	(36.5) ^a	4.2	(73.4) ^a
1,489,984	7,410,524	1,896,875	568,109	2,464,984	32.0	38.1	33.3
(7,515,054)	(7,334,914)	663,522	1,458,992	2,092,514	166.7	(18.9) ^a	(28.5) ^a
1,302,540	5,178,109	1,451,949	532,146	1,984,095	37.5	40.9	38.3
494,866	1,562,455	378,972	195,027	573,999	35.5	39.4	36.7
2,046,699	4,182,013	742,880	674,342	1,417,222	34.8	32.9	33.9
(347,173)	1,921,505	320,158	174,734	494,892	14.1	(50.3) ^a	25.8
504,900	1,410,537	(174,345)	165,400	(8,945)	(19.3)	32.8	(0.6)
611,403	1,012,414	186,359	211,364	397,723	46.5	34.6	39.3
848,713	1,148,312	108,211	402,650	510,861	36.1	47.4	44.5
4,356,520	13,082,595	337,873	537,795	875,668	3.9	12.3	6.7
402,175	3,073,905	458,381	98,913	557,294	17.2	24.6	18.1
15,074,415	16,893,318	2,207,203	7,026,197	9,233,400	121.3	46.6	54.7
2,433,700	5,922,611	977,895	1,055,389	2,033,284	28.0	43.4	34.3
859,404	5,725,022	2,243,329	159,823	2,403,152	46.1	18.6	42.0
561,206	1,368,336	153,026	322,569	475,595	19.0	57.5	34.8
413,916	1,589,315	538,480	181,016	719,496	45.8	43.7	45.3
268,069	15,184,026	4,215,336	178,258	4,393,594	28.3	66.5	28.9
1,570,638	5,746,623	1,174,547	509,263	1,683,810	28.1	32.4	29.3
46,250	1,047,263	256,841	3,081	259,922	25.7	6.7	24.8
0	3,046,656	475,244	6,000	481,244	15.6	0.0 ^b	15.8
9,464	1,091,097	331,780	6,820	338,600	30.7	72.1	31.0
6,446	9,102,553	1,638,801	1,725	1,640,526	18.0	26.8	18.0
3,107	1,025,474	403,410	7,669	411,079	39.5%	246.8%	40.1%

^aRates shown are arithmetically distorted due to book losses.

^bTaxes were paid or a refund was received although the industry reported no income.

Comparison of U.S., Foreign and Worldwide Effective Tax Rates by Industry and Company for 1986

Thousands of dollars

	U.S. income before tax
Aerospace:	
Allied-Signal Inc.	\$580,000
The Boeing Company	921,500
General Dynamics	197,600
Lockheed Corporation	710,000
Martin Marietta Corporation	314,034
McDonnell Douglas Corporation	389,300
Rockwell International Corporation	856,200
United Technologies Corporation	(109,308)
Industry totals	3,859,326
Beverages:	
Anheuser-Busch Companies, Inc.	912,200
The Coca-Cola Company	424,800
G. Heileman Brewing Company, Inc.	83,920
Joseph E. Seagram & Sons, Inc.	149,874
Pepsico, Inc.	381,000
Industry totals	1,951,794
Broadcasting:	
Capital Cities/ABC, Inc.	388,443
CBS Inc.	69,344
MCA Inc.	74,504
Warner Communications Inc.	219,096
Industry totals	751,387
Chemicals:	
American Cyanamid Company	96,300
The Dow Chemical Company	488,000
E. I. Du Pont De Nemours and Company	1,509,000
Monsanto Company	450,000
Union Carbide Corporation	44,000
W.R. Grace & Co.	(502,500)
Industry totals	2,084,800
Computers and office equipment:	
Control Data Corporation	(334,600)
Digital Equipment Corporation	364,517
Hewlett-Packard Company	276,000

**Appendix VI
Comparison of U.S., Foreign and Worldwide
Effective Tax Rates by Industry and
Company for 1986**

Foreign income before tax	Worldwide income before tax	Current U.S. tax expense	Foreign tax expense	Worldwide tax expense	Effective tax rate expressed as a percent		
					U.S. tax rate on U.S. income	Foreign tax rate on foreign income	Worldwide tax rate on worldwide income
\$170,000	\$750,000	\$50,800	\$85,000	\$135,800	8.8%	50.0%	18.1%
0	921,500	99,000	0	99,000	10.7	•	10.7
0	197,600	138,600	0	138,600	70.1	•	70.1
4,000	714,000	7,000	2,000	9,000	1.0	50.0	1.3
4,410	318,444	49,450	2,350	51,800	15.7	53.3	16.3
38,300	427,600	62,400	6,300	68,700	16.0	16.4	16.1
157,700	1,013,900	83,700	59,000	142,700	9.8	37.4	14.1
191,010	81,702	120,806	101,946	222,752	(110.5) ^a	53.4	272.6
565,420	4,424,746	611,756	256,596	868,352	15.9	45.4	19.6
0	912,200	262,200	0	262,200	28.7	•	28.7
811,146	1,235,946	(9,850)	424,953	415,103	(2.3)	52.4	33.6
0	83,920	18,058	0	18,058	21.5	•	21.5
78,049	227,923	8,716	20,338	29,054	5.8	26.1	12.7
292,400	673,400	142,000	10,800	152,800	37.3	3.7	22.7
1,181,595	3,133,389	421,124	456,091	877,215	21.6	38.6	28.0
0	388,443	205,800	0	205,800	53.0	•	53.0
0	69,344	18,700	0	18,700	27.0	•	27.0
120,500	195,004	10,600	29,700	40,300	14.2	24.6	20.7
66,717	285,813	6,400	41,900	48,300	2.9	62.8	16.9
187,217	938,604	241,500	71,600	313,100	32.1	38.2	33.4
172,400	268,700	6,400	75,500	81,900	6.6	43.8	30.5
741,000	1,229,000	50,000	308,000	358,000	10.2	41.6	29.1
1,430,000	2,939,000	232,000	746,000	978,000	15.4	52.2	33.3
174,000	624,000	20,000	88,000	108,000	4.4	50.6	17.3
152,000	196,000	(61,000)	47,000	(14,000)	(138.6)	30.9	(7.1)
175,100	(327,400)	34,500	88,500	123,000	(6.9) ^a	50.5	(37.6) ^a
2,844,500	4,929,300	281,900	1,353,000	1,634,900	13.5	47.6	33.2
48,400	(286,200)	(20,700)	21,900	1,200	6.2 ^a	45.2	(0.4) ^a
474,821	839,338	93,028	123,727	216,755	25.5	26.1	25.8
475,000	751,000	21,000	167,000	188,000	7.6	35.2	25.0

(continued)

Appendix VI
Comparison of U.S., Foreign and Worldwide
Effective Tax Rates by Industry and
Company for 1986

Thousands of dollars

	U.S. income before tax
Honeywell Inc.	(37,400)
International Business Machines Corporation	2,384,000
NCR Corporation	164,249
Unisys Corporation	(400,200)
Wang Laboratories, Inc.	2,500
Industry totals	2,419,066
Construction:	
Centex	86,493
Fluor	(66,728)
Morrison Knudsen Corporation	7,194
Perini Corporation	15,789
PHM Corporation	40,807
U.S. Home Corporation	(108,032)
Industry totals	(24,477)
Electronics and appliances:	
Emerson Electric Co.	605,300
General Electric Company	2,480,000
ITT Corporation	509,436
Litton Industries, Inc.	85,270
Motorola, Inc.	131,000
North American Philips Corporation	100,500
Raytheon Company	641,329
Texas Instruments Incorporated	59,900
Westinghouse Electric Corporation	742,000
Industry totals	5,354,735
Financial institutions:	
Bank of Boston Corporation	275,916
BankAmerica Corporation	(961,000)
Bankers Trust New York Corporation	345,505
The Chase Manhattan Corporation	668,096
Chemical New York Corporation	428,929
Citicorp	576,000
Continental Illinois Corporation	187,400
First Bank System	164,900
First Chicago Corporation	398,402

**Appendix VI
Comparison of U.S., Foreign and Worldwide
Effective Tax Rates by Industry and
Company for 1986**

						Effective tax rate expressed as a percent	
Foreign income before tax	Worldwide income before tax	Current U.S. tax expense	Foreign tax expense	Worldwide tax expense	U.S. tax rate on U.S. income	Foreign tax rate on foreign income	Worldwide tax rate on worldwide income
52,400	15,000	53,200	31,300	84,500	(142.2) ^a	59.7	563.3
5,871,000	8,255,000	(190,000)	3,222,000	3,032,000	(8.0)	54.9	36.7
457,569	621,818	17,964	220,212	238,176	10.9	48.1	38.3
308,400	(91,800)	10,900	142,900	153,800	(2.7) ^a	46.3	(167.5) ^a
52,900	55,400	600	2,600	3,200	24.0	4.9	5.8
7,740,490	10,159,556	(14,008)	3,931,639	3,917,631	(0.6)	50.8	38.6
0	86,493	55	0	55	0.1	•	0.1
20,030	(46,698)	39,320	(17,283)	22,037	(58.9) ^a	(86.3)	(47.2) ^a
6,661	13,855	9,183	4,091	13,274	127.6	61.4	95.8
(1,777)	14,012	5,865	570	6,435	37.1	(32.1) ^a	45.9
0	40,807	(164)	0	(164)	(0.4)	•	(0.4)
0	(108,032)	(4,932)	0	(4,932)	4.6 ^a	•	4.6 ^a
24,914	437	49,327	(12,622)	36,705	(201.5)^a	(50.7)	8399.3
111,000	716,300	186,300	44,900	231,200	30.8	40.5	32.3
611,000	3,091,000	1,062,000	198,000	1,260,000	42.8	32.4	40.8
590,172	1,099,608	120,347	225,781	346,128	23.6	38.3	31.5
29,548	114,818	(48,523)	36,922	(11,601)	(56.9)	125.0	(10.1)
128,000	259,000	52,000	39,000	91,000	39.7	30.5	35.1
0	100,500	25,000	0	25,000	24.9	•	24.9
10,856	652,185	73,680	8,000	81,680	11.5	73.7	12.5
39,000	98,900	(7,000)	28,000	21,000	(11.7)	71.8	21.2
13,500	755,500	99,300	48,500	147,800	13.4	359.3	19.6
1,533,076	6,887,811	1,563,104	629,103	2,192,207	29.2	41.0	31.8
53,994	329,910	94,314	29,370	123,684	34.2	54.4	37.5
611,000	(350,000)	0	184,000	184,000	0.0 ^a	30.1	(52.6) ^a
107,167	452,672	27,649	73,030	100,679	8.0	68.1	22.2
152,889	820,985	(33,832)	140,641	106,809	(5.1)	92.0	13.0
27,500	456,429	3,100	62,700	65,800	0.7	228.0	14.4
1,021,000	1,597,000	33,000	634,000	667,000	5.7	62.1	41.8
(13,500)	173,900	64,700	12,000	76,700	34.5	(88.9) ^a	44.1
(25,700)	139,200	52,000	3,900	55,900	31.5	(15.2) ^a	40.2
(53,000)	345,402	20,700	32,700	53,400	5.2	(61.7) ^a	15.5

(continued)

Appendix VI
Comparison of U.S., Foreign and Worldwide
Effective Tax Rates by Industry and
Company for 1986

Thousands of dollars

	U.S. income before tax
First Interstate Bancorp.	326,879
InterFirst Corporation	(331,000)
J.P. Morgan & Co., Incorporated	539,700
Manufacturers Hanover Corporation	184,073
Marine Midland Banks, Inc.	204,702
Mellon Bank Corporation	238,000
NCNB Corporation	255,931
Norwest Corporation	129,600
RepublicBank Corporation	(34,421)
Security Pacific Corporation	482,300
Wells Fargo & Company	369,500
Industry totals	4,449,412
Food processing:	
Archer-Daniels-Midland Company	378,225
Borden, Inc.	266,034
CPC International Inc.	123,600
General Mills, Inc.	283,400
IC Industries, Inc.	180,300
Kraft, Inc.	498,200
Occidental Petroleum Corporation	(11,000)
The Pillsbury Company	330,200
The Quaker Oats Company	209,900
Sara Lee Corporation	227,816
Cambell Soup Company	299,100
Kellogg Company	454,000
United Brands Company	47,173
Industry totals	3,286,948
Glass, concrete, abrasives, and gypsum:	
Manville Corporation	1,705
Owens-Corning Fiberglas Corporation	(21,000)
Owens-Illinois, Inc.	199,700
PPG Industries, Inc.	399,900
USG Corporation	398,540
Industry totals	1,048,845

Appendix VI
Comparison of U.S., Foreign and Worldwide
Effective Tax Rates by Industry and
Company for 1986

					Effective tax rate expressed as a percent		
Foreign income before tax	Worldwide income before tax	Current U.S. tax expense	Foreign tax expense	Worldwide tax expense	U.S. tax rate on U.S. income	Foreign tax rate on foreign income	Worldwide tax rate on worldwide income
75,785	402,664	14,850	16,260	31,110	4.5	21.5	7.7
5,000	(326,000)	0	1,000	1,000	0.0 ^a	20.0	(0.3) ^a
544,900	1,084,600	(25,800)	206,500	180,700	(4.8)	37.9	16.7
207,277	391,350	(32,027)	116,976	84,949	(17.4)	56.4	21.7
(30,335)	174,367	(2,455)	13,324	10,869	(1.2)	(43.9) ^a	6.2
(55,000)	183,000	24,000	13,000	37,000	10.1	(23.6) ^a	20.2
(12,405)	243,526	30,395	2,928	33,323	11.9	(23.6) ^a	13.7
0	129,600	35,800	5,500	41,300	27.6	0.0 ^b	31.9
34,800	379	(13,719)	7,252	(6,467)	39.9 ^a	20.8	(1706.3)
50,600	532,900	38,200	31,000	69,200	7.9	61.3	13.0
(9,900)	359,600	51,600	16,700	68,300	14.0	(168.7)	19.0
2,692,072	7,141,484	382,475	1,602,781	1,985,256	8.6	59.5	27.8
0	378,225	92,046	0	92,046	24.3	•	24.3
101,978	368,012	100,500	29,400	129,900	37.8	28.8	35.3
238,000	361,600	2,300	83,700	86,000	1.9	35.2	23.8
17,900	301,300	88,300	6,600	94,900	31.2	36.9	31.5
27,800	208,100	107,800	14,800	122,600	59.8	53.2	58.9
167,500	665,700	103,000	56,600	159,600	20.7	33.8	24.0
521,000	510,000	2,000	315,000	317,000	(18.2) ^a	60.5	62.2
27,500	357,700	119,200	6,900	126,100	36.1	25.1	35.3
79,300	289,200	91,100	25,200	116,300	43.4	31.8	40.2
114,152	341,968	55,925	15,089	71,014	24.5	13.2	20.8
77,200	376,300	96,300	27,400	123,700	32.2	35.5	32.9
115,500	569,500	178,700	44,800	223,500	39.4	38.8	39.2
52,951	100,124	27,497	32,538	60,035	58.3	61.4	60.0
1,540,781	4,827,729	1,064,668	658,027	1,722,695	32.4	42.7	35.7
64,255	135,960	1,238	31,274	32,512	1.7	48.7	23.9
46,000	25,000	42,000	17,000	59,000	(200.0) ^a	37.0	236.0
46,500	246,200	105,800	17,100	122,900	53.0	36.8	49.9
142,200	542,100	105,900	57,600	163,500	26.5	40.5	30.2
67,075	465,615	154,020	26,965	180,985	38.6	40.2	38.9
366,030	1,414,875	408,958	149,939	558,897	39.0	41.0	39.5

(continued)

Appendix VI
Comparison of U.S., Foreign and Worldwide
Effective Tax Rates by Industry and
Company for 1986

Thousands of dollars

	U.S. income before tax
Instrument companies:	
Eastman Kodak Company	297,404
General Signal Corporation	92,244
Lear Siegler, Inc.	48,875
Minnesota Mining & Manufacturing Company	791,000
Xerox Corporation	(79,000)
Industry totals	1,150,523
Investment companies:	
American Express Company	1,215,000
The E. F. Hutton Group, Inc.	(120,105)
First Boston, Inc.	217,014
Merrill Lynch & Co., Inc.	651,673
Salomon Inc.	432,000
Industry totals	2,395,582
Metal manufacturing:	
Aluminum Company of America (ALCOA)	331,200
Armco Inc.	(361,600)
Bethlehem Steel Corporation	(170,500)
Inland Steel Industries, Inc.	36,595
The LTV Corporation	(3,259,300)
Reynolds Metals Company	187,800
Industry totals	(3,235,805)
Metal products:	
Combustion Engineering, Inc.	100,729
Crown Cork & Seal Company, Inc.	83,565
The Gillette Company	(51,000)
Triangle Industries, Inc.	55,084
Emhart	(58,500)
Industry totals	129,878
Mining:	
Amax Inc.	(69,096)
Freeport-McMoran, Inc.	(74,092)
Inspiration Resources Corporation	37,278
Newmont Mining Corporation	100,431
Phelps-Dodge Corporation	30,891

Appendix VI
Comparison of U.S., Foreign and Worldwide
Effective Tax Rates by Industry and
Company for 1986

Foreign income before tax	Worldwide income before tax	Current U.S. tax expense	Foreign tax expense	Worldwide tax expense	Effective tax rate expressed as a percent		
					U.S. tax rate on U.S. income	Foreign tax rate on foreign income	Worldwide tax rate on worldwide income
293,000	590,404	(9,000)	124,000	115,000	(3.0)	42.3	19.5
22,562	114,806	10,197	9,112	19,309	11.1	40.4	16.8
22,942	71,817	39,868	12,092	51,960	81.6	52.7	72.4
510,000	1,301,000	303,000	197,000	500,000	38.3	38.6	38.4
421,000	342,000	63,000	122,000	185,000	(79.7) ^a	29.0	54.1
1,269,504	2,420,027	407,065	464,204	871,269	35.4	36.6	36.0
214,000	1,429,000	216,000	88,000	304,000	17.8	41.1	21.3
0	(120,105)	1,885	2,339	4,224	(1.6) ^a	0.0 ^b	(3.5) ^a
11,842	228,856	77,693	6,162	83,855	35.8	52.0	36.6
58,000	709,673	184,533	47,510	232,043	28.3	81.9	32.7
299,000	731,000	184,000	(1,000)	183,000	42.6	(0.3)	25.0
582,842	2,978,424	664,111	143,011	807,122	27.7	24.5	27.1
103,800	435,000	74,900	39,900	114,800	22.6	38.4	26.4
11,100	(350,500)	(1,800)	11,400	9,600	0.5 ^a	102.7	(2.7) ^a
28,300	(142,200)	10,000	500	10,500	(5.9) ^a	1.8	(7.4) ^a
0	36,595	2,400	0	2,400	6.6	•	6.6
0	(3,259,300)	(7,300)	(400)	(7,700)	0.2 ^a	0.0 ^b	0.2 ^a
(800)	187,000	12,900	14,700	27,600	6.9	(1837.5) ^a	14.8
142,400	(3,093,405)	91,100	66,100	157,200	(2.8)^a	46.4	(5.1)^a
(9,403)	91,326	(82,348)	2,072	(80,276)	(81.8)	(22.0) ^a	(87.9)
61,500	145,065	40,487	17,215	57,702	48.4	28.0	39.8
102,500	51,500	21,000	104,300	125,300	(41.2) ^a	101.8	243.3
37,778	92,862	20,877	13,024	33,901	37.9	34.5	36.5
42,300	(16,200)	400	41,600	42,000	(0.7) ^a	98.3	(259.3) ^a
234,675	364,553	416	178,211	178,627	0.3	75.9	49.0
(2,300)	(71,396)	(15,196)	9,000	(6,196)	22.0 ^a	(391.3) ^a	8.7 ^a
23,954	(50,138)	14,896	4,033	18,929	(20.1) ^a	16.8	(37.8) ^a
(17,319)	19,959	65,951	0	65,951	176.9	0.0 ^a	330.4
(3,969)	96,462	10,278	21,697	31,975	10.2	(546.7) ^a	33.1
15,479	46,370	(15,600)	446	(15,154)	(50.5)	2.9	(32.7)

(continued)

Appendix VI
Comparison of U.S., Foreign and Worldwide
Effective Tax Rates by Industry and
Company for 1986

Thousands of dollars

	U.S. income before tax
Vulcan Materials Company	147,804
Westmoreland Coal Company	13,792
Nacco Industries, Inc.	53,833
Mitchell Energy & Development Corp.	13,261
Industry totals	254,102
Motor vehicles:	
American Motors Corporation	(54,151)
Borg-Warner Corporation	160,900
Chrysler Corporation	1,876,700
Ford Motor Company	4,003,100
General Motors Corporation	289,600
Navistar International Corporation	(30,800)
Paccar Inc.	46,772
Industry totals	6,292,121
Paper and wood products:	
Boise Cascade Corporation	112,806
Champion International Corporation	219,601
Georgia-Pacific Corporation	462,000
International Paper Company	420,000
Weyerhaeuser Company	380,100
Industry totals	1,594,507
Petroleum:	
Agway Inc.	19,024
Amerada Hess Corporation	(275,102)
Amoco Company	641,000
Ashland Oil, Inc.	315,874
Atlantic Richfield Co. (ARCO)	1,012,000
Chevron Corporation	(157,783)
Diamond Shamrock R&M, Inc.	(30,100)
Exxon Corporation	2,399,000
Mobil	(511,000)
Phillips Petroleum Company	(95,000)
Shell Oil Company	1,297,000
The Standard Oil Company	(766,000)
Sun Company, Inc.	513,000
Tenneco Inc.	218,000

Appendix VI
Comparison of U.S., Foreign and Worldwide
Effective Tax Rates by Industry and
Company for 1986

					Effective tax rate expressed as a percent		
Foreign income before tax	Worldwide income before tax	Current U.S. tax expense	Foreign tax expense	Worldwide tax expense	U.S. tax rate on U.S. income	Foreign tax rate on foreign income	Worldwide tax rate on worldwide income
900	148,704	44,387	56	44,443	30.0	6.2	29.9
0	13,792	1,187	0	1,187	8.6	•	8.6
0	53,833	3,746	0	3,746	7.0	•	7.0
0	13,261	0	0	0	0.0	•	0.0
16,745	270,847	109,649	35,232	144,881	43.2	210.4	53.5
(37,168)	(91,319)	0	0	0	0.0 ^a	0.0 ^a	0.0 ^a
88,400	249,300	42,400	26,800	69,200	26.4	30.3	27.8
377,500	2,254,200	64,000	116,000	180,000	3.4	30.7	8.0
1,511,900	5,515,000	898,700	817,500	1,716,200	22.5	54.1	31.1
1,372,900	1,662,500	(2,176,200)	524,200	(1,652,000)	(751.5)	38.2	(99.4)
36,000	5,200	0	7,000	7,000	0.0 ^a	19.4	134.6
15,339	62,111	16,257	6,821	23,078	34.8	44.5	37.2
3,364,871	9,656,992	(1,154,843)	1,498,321	343,478	(18.4)	44.5	3.6
56,350	169,156	8,632	23,098	31,730	7.7	41.0	18.8
98,610	318,211	2,800	26,062	28,862	1.3	26.4	9.1
0	462,000	79,000	0	79,000	17.1	•	17.1
45,000	465,000	21,000	15,000	36,000	5.0	33.3	7.7
27,385	407,485	71,300	5,500	76,800	18.8	20.1	18.8
227,345	1,821,852	182,732	69,660	252,392	11.5	30.6	13.9
0	19,024	9,035	0	9,035	47.5	•	47.5
81,993	(193,109)	0	40,358	40,358	0.0 ^a	49.2	(20.9) ^a
907,000	1,548,000	(77,000)	537,000	460,000	(12.0)	59.2	29.7
26,620	342,494	67,037	4,538	71,575	21.2	17.0	20.9
298,000	1,310,000	(723,000)	68,000	(655,000)	(71.4)	22.8	(50.0)
1,563,000	1,405,217	(7,000)	973,000	966,000	4.4 ^a	62.3	68.7
0	(30,100)	4,000	0	4,000	(13.3) ^a	•	(13.3) ^a
6,307,000	8,706,000	142,000	1,846,000	1,988,000	5.9	29.3	22.8
3,438,000	2,927,000	171,000	1,422,000	1,593,000	(33.5) ^a	41.4	54.4
752,000	657,000	193,000	429,000	622,000	(203.2) ^a	57.0	94.7
0	1,297,000	(17,000)	12,000	(5,000)	(1.3)	0.0 ^b	(0.4)
121,000	(645,000)	(738,000)	15,000	(723,000)	96.3 ^a	12.4	112.1 ^a
87,000	600,000	(26,000)	49,000	23,000	(5.1)	56.3	3.8
0	218,000	0	68	68	0.0	0.0 ^b	0.0

(continued)

Appendix VI
Comparison of U.S., Foreign and Worldwide
Effective Tax Rates by Industry and
Company for 1986

Thousands of dollars

	U.S. income before tax
Texaco Inc.	(989,481)
Unocal Corporation	120,000
USX Corporation (U.S. Steel)	(2,091,000)
The Coastal Corporation	116,990
Industry totals	1,736,422
Pharmaceuticals:	
American Home Products Corporation	1,008,799
Bristol-Myers Company	684,700
Johnson & Johnson	(186,000)
Merck & Co., Inc.	692,800
Pfizer, Inc.	426,742
Industry totals	2,627,041
Retailing:	
American Stores Company	280,548
Federated Department Stores, Inc.	522,441
J.C. Penney Company, Inc.	910,000
K Mart Corporation	894,000
The Kroger Co.	86,372
Lucky Stores, Inc.	93,191
Safeway Stores, Incorporated	(54,838)
Sears, Roebuck and Co.	1,610,600
The Southland Corporation	185,925
Wal-Mart Stores, Inc.	811,558
Industry totals	5,339,797
Rubber:	
The B. F. Goodrich Company	16,600
The Firestone Tire & Rubber Company	(29,000)
Gencorp (General Tire and Rubber)	97,000
The Goodyear Tire and Rubber Company	321,900
Premark International, Inc.	(122,100)
Industry totals	284,400
Soaps and cosmetics:	
Avon Products Inc.	86,000
The Procter & Gamble Company	921,000
Revlon Inc.	207,300

Appendix VI
Comparison of U.S., Foreign and Worldwide
Effective Tax Rates by Industry and
Company for 1986

						Effective tax rate expressed as a percent	
Foreign income before tax	Worldwide income before tax	Current U.S. tax expense	Foreign tax expense	Worldwide tax expense	U.S. tax rate on U.S. income	Foreign tax rate on foreign income	Worldwide tax rate on worldwide income
2,541,000	1,551,519	(3,000)	1,065,000	1,062,000	0.3 ^a	41.9	68.4
203,000	323,000	(222,000)	7,000	(215,000)	(185.0)	3.4	(66.6)
(128,000)	(2,219,000)	(108,000)	(7,000)	(115,000)	5.2 ^a	5.5 ^a	5.2 ^a
21,800	138,790	12,000	0	12,000	10.3	0.0	8.6
16,219,413	17,955,835	(1,322,928)	6,460,964	5,138,036	(76.2)	39.8	28.6
241,300	1,250,099	498,007	135,528	633,535	49.4	56.2	50.7
218,100	902,800	212,200	64,900	277,100	31.0	29.8	30.7
553,000	367,000	31,000	213,000	244,000	(16.7) ^a	38.5	66.5
382,500	1,075,300	163,500	174,800	338,300	23.6	45.7	31.5
491,700	918,442	33,142	147,400	180,542	7.8	30.0	19.7
1,886,600	4,513,641	937,849	735,628	1,673,477	35.7	39.0	37.1
0	280,548	145,591	0	145,591	51.9	•	51.9
0	522,441	205,900	0	205,900	39.4	•	39.4
0	910,000	140,000	0	140,000	15.4	•	15.4
77,000	971,000	320,000	23,000	343,000	35.8	29.9	35.3
0	86,372	70,410	0	70,410	81.5	•	81.5
0	93,191	36,100	0	36,100	38.7	•	38.7
149,201	94,363	18,843	63,881	82,724	(34.4) ^a	42.8	87.7
124,400	1,735,000	270,600	43,500	314,100	16.8	35.0	18.1
6,094	192,019	14,869	2,843	17,712	8.0	46.7	9.2
0	811,558	339,040	0	339,040	41.8	•	41.8
356,695	5,696,492	1,561,353	133,224	1,694,577	29.2	37.3	29.7
45,800	62,400	21,100	28,000	49,100	127.1	61.1	78.7
59,000	30,000	13,000	43,000	56,000	(44.8) ^a	72.9	186.7
9,000	106,000	36,000	1,000	37,000	37.1	11.1	34.9
112,300	434,200	(20,700)	104,500	83,800	(6.4)	93.1	19.3
80,900	(41,200)	14,900	48,500	63,400	(12.2)	60.0	(153.9) ^a
307,000	591,400	64,300	225,000	289,300	22.6	73.3	48.9
157,900	243,900	34,900	59,400	94,300	40.6	37.6	38.7
239,000	1,160,000	166,000	72,000	238,000	18.0	30.1	20.5
21,300	228,600	102,800	8,400	111,200	49.6	39.4	48.6

(continued)

Appendix VI
Comparison of U.S., Foreign and Worldwide
Effective Tax Rates by Industry and
Company for 1986

Thousands of dollars

	U.S. income before tax
The Clorox Company	159,275
Ecolab Inc.	58,277
Industry totals	1,431,852
Telecommunications:	
American Information Technologies Corporation	2,005,200
American Telephone & Telegraph Company	3,000
Bell Atlantic Corporation	1,988,800
Bellsouth Corporation	2,763,600
Contel Corporation	432,586
GTE Corporation	1,424,906
Pacific Telesis Group	1,826,000
Southwestern Bell Telephone Company	1,534,000
United Telecommunications, Inc.	314,383
U.S. West, Inc.	1,528,000
Industry totals	13,820,475
Tobacco:	
American Brands, Inc.	427,044
Phillip Morris Companies, Inc.	2,189,000
RJR Nabisco, Inc.	1,141,000
Industry totals	3,757,044
Transportation - Airlines:	
AMR Corporation (American Airlines)	373,861
Delta Air Lines, Inc.	3,017
NWA, Inc. (Northwest Airlines)	96,722
Pan American World Airways, Inc.	(329,999)
Piedmont Aviation, Inc.	129,507
Trans World Airlines, Inc.	(106,328)
UAL Corporation	(228,795)
USAIR Group, Inc.	168,700
Southwest Airlines Co.	65,446
Alaska Air Group, Inc.	28,066
Industry totals	200,197
Transportation - Railroads	
Burlington Northern, Inc.	(455,163)
CSX Corporation	747,000

Appendix VI
Comparison of U.S., Foreign and Worldwide
Effective Tax Rates by Industry and
Company for 1986

Foreign income before tax	Worldwide income before tax	Current U.S. tax expense	Foreign tax expense	Worldwide tax expense	Effective tax rate expressed as a percent		
					U.S. tax rate on U.S. income	Foreign tax rate on foreign income	Worldwide tax rate on worldwide income
5,009	164,284	46,332	1,238	47,570	29.1	24.7	29.0
14,014	72,291	23,684	6,005	29,689	40.6	42.9	41.1
437,223	1,869,075	373,716	147,043	520,759	26.1	33.6	27.9
0	2,005,200	666,000	0	666,000	33.2	•	33.2
0	3,000	269,000	7,000	276,000	8966.7	0.0 ^b	9200.0
0	1,988,800	754,300	0	754,300	37.9	•	37.9
0	2,763,600	792,100	0	792,100	28.7	•	28.7
0	432,586	129,075	559	129,634	29.8	0.0 ^b	30.0
267,458	1,692,364	30,129	154,117	184,246	2.1	57.6	10.9
0	1,826,000	370,000	0	370,000	20.3	•	20.3
0	1,534,000	272,700	0	272,700	17.8	•	17.8
0	314,383	(82,712)	0	(82,712)	(26.3)	•	(26.3)
0	1,528,000	357,300	0	357,300	23.4	•	23.4
267,458	14,087,933	3,557,892	161,676	3,719,568	25.7	60.4	26.4
182,328	609,372	198,642	70,703	269,345	46.5	38.8	44.2
417,000	2,606,000	624,000	222,000	846,000	28.5	53.2	32.5
573,000	1,714,000	305,000	160,000	465,000	26.7	27.9	27.1
1,172,328	4,929,372	1,127,642	452,703	1,580,345	30.0	38.6	32.1
41,866	415,727	(47,373)	586	(46,787)	(12.7)	1.4	(11.3)
0	3,017	(7,835)	0	(7,835)	(259.7)	•	(259.7)
0	96,722	20,791	866	21,657	21.5	0.0 ^b	22.4
(141,939)	(471,938)	0	0	0	0.0 ^a	0.0 ^a	0.0 ^a
0	129,507	15,146	0	15,146	11.7	•	11.7
0	(106,328)	0	0	0	0.0 ^a	•	0.0 ^a
0	(228,795)	(70,526)	0	(70,526)	30.8 ^a	•	30.8 ^a
0	168,700	737	0	737	0.4	•	0.4
0	65,446	1,353	0	1,353	2.1	•	2.1
0	28,066	691	0	691	2.5	•	2.5
(100,073)	100,124	(87,016)	1,452	(85,564)	(43.5)	(1.5)^a	(85.5)
0	(455,163)	18,015	0	18,015	(4.0) ^a	•	(4.0) ^a
0	747,000	20,000	0	20,000	2.7	•	2.7

(continued)

Appendix VI
Comparison of U.S., Foreign and Worldwide
Effective Tax Rates by Industry and
Company for 1986

Thousands of dollars

	U.S. income before tax
Norfolk Southern Corporation	819,971
Santa Fe Southern Pacific Corporation	(527,900)
Union Pacific Corporation	(805,000)
Industry totals	(221,092)
Transportation - Trucking:	
Consolidated Freightways, Inc.	130,445
Federal Express Corporation	174,144
Roadway Services, Inc.	124,964
United Parcel Services of America, Inc.	1,147,493
Yellow Freight System, Inc. of Delaware	118,488
Industry totals	1,695,534
Utilities (electric and gas)	
American Electric Power Company, Inc.	996,023
Commonwealth Edison Company	1,650,468
Consolidated Edison Company of New York, Inc.	984,757
Middle South Utilities, Inc.	1,105,091
Pacific Gas and Electric Company	1,951,121
Public Service Enterprise Group Incorporated	780,572
Southern California Edison Company	1,102,214
The Southern Company	1,638,242
Texas Utilities Company	966,503
Industry totals	11,174,991
Wholesalers:	
Alco Standard Corporation	123,836
Avnet, Inc.	35,499
Fleming Companies	75,251
Genuine Parts Company	223,359
McKesson Corporation	132,700
Super Valu Stores, Inc.	156,363
Sysco Corporation	102,233
Wetterau Incorporated	50,293
Bergen Brunswig Corporation	35,510
Industry totals	935,044

Appendix VI
Comparison of U.S., Foreign and Worldwide
Effective Tax Rates by Industry and
Company for 1986

						Effective tax rate expressed as a percent	
Foreign income before tax	Worldwide income before tax	Current U.S. tax expense	Foreign tax expense	Worldwide tax expense	U.S. tax rate on U.S. income	Foreign tax rate on foreign income	Worldwide tax rate on worldwide income
0	819,971	163,358	0	163,358	19.9	•	19.9
0	(527,900)	28,900	0	28,900	(5.5) ^a	•	(5.5) ^a
0	(805,000)	20,000	0	20,000	(2.5) ^a	•	(2.5) ^a
0	(221,092)	250,273	0	250,273	(113.2)^a	•	(113.2)^a
8,398	138,843	42,803	5,975	48,778	32.8	71.1	35.1
0	174,144	69,595	0	69,595	40.0	•	40.0
0	124,964	41,145	0	41,145	32.9	•	32.9
0	1,147,493	306,917	0	306,917	26.7	•	26.7
0	118,488	21,912	0	21,912	18.5	•	18.5
8,398	1,703,932	482,372	5,975	488,347	28.4	71.1	28.7
0	996,023	244,581	0	244,581	24.6	•	24.6
0	1,650,468	213,045	0	213,045	12.9	•	12.9
0	984,757	383,800	0	383,800	39.0	•	39.0
0	1,105,091	0	0	0	0.0	•	0.0
9,970	1,961,091	132,444	3,218	135,662	6.8	32.3	6.9
0	780,572	236,093	0	236,093	30.2	•	30.2
0	1,102,214	349,034	0	349,034	31.7	•	31.7
0	1,638,242	43,272	0	43,272	2.6	•	2.6
0	966,503	44,010	0	44,010	4.6	•	4.6
9,970	11,184,961	1,646,279	3,218	1,649,497	14.7	32.3	14.7
0	123,836	45,751	947	46,698	36.9	0.0 ^b	37.7
3,634	39,133	16,061	1,233	17,294	45.2	33.9	44.2
0	75,251	30,273	0	30,273	40.2	•	40.2
2,777	226,136	98,279	1,404	99,683	44.0	50.6	44.1
0	132,700	45,200	1,800	47,000	34.1	0.0 ^b	35.4
0	156,363	49,679	0	49,679	31.8	•	31.8
0	102,233	38,251	0	38,251	37.4	•	37.4
0	50,293	16,626	0	16,626	33.1	•	33.1
0	35,510	8,971	0	8,971	25.3	•	25.3
6,411	941,455	349,091	5,384	354,475	37.3%	84.0%	37.7%

^aRate shown is arithmetically distorted due to a book loss.

^bTaxes were paid or a refund was received although the company reported no income.

Comparison of U.S., Foreign, and Worldwide Effective Tax Rates by Industry and Company for 1987

Thousands of dollars

	U.S. income before tax
Aerospace:	
Allied-Signal Inc.	\$514,000
The Boeing Company	603,000
General Dynamics	592,400
Lockheed Corporation	714,000
Martin Marietta Corporation	356,710
McDonnell Douglas Corporation	353,400
Rockwell International Corporation	1,004,600
United Technologies Corporation	579,398
Industry total	4,717,508
Beverages:	
Anheuser-Busch Companies, Inc.	1,016,100
The Coca-Cola Company	222,078
Joseph E. Seagram & Sons, Inc.	117,915
Pepsico, Inc.	587,500
Adolph Coors Company	81,761
Industry total	2,025,354
Broadcasting:	
Capital Cities/ABC, Inc.	511,378
CBS Inc.	187,529
MCA Inc.	92,054
Warner Communications Inc.	314,846
Industry total	1,105,807
Chemicals:	
American Cyanamid Company	127,800
The Dow Chemical Company	919,000
E. I. Du Pont De Nemours and Company	2,027,000
Monsanto Company	408,000
Union Carbide Corporation	212,000
W.R. Grace & Co.	34,800
Industry total	3,728,600
Computers and office equipment:	
Control Data Corporation	6,100
Digital Equipment Corporation	783,966
Hewlett-Packard Company	405,000

Appendix VII
Comparison of U.S., Foreign, and Worldwide
Effective Tax Rates by Industry and
Company for 1987

Foreign income before tax	Worldwide income before tax	Current U.S. tax expense	Foreign tax expense	Worldwide tax expense	Effective tax rate expressed as a percent		
					U.S. tax rate on U.S. income	Foreign tax rate on foreign income	Worldwide tax rate on worldwide income
\$206,000	\$720,000	\$(216,000)	\$66,000	\$(150,000)	(42.0)%	32.0%	(20.8)%
0	603,000	550,000	0	550,000	91.2	•	91.2
0	592,400	630,500	0	630,500	106.4	•	106.4
12,000	726,000	17,000	9,000	26,000	2.4	75.0	3.6
7,370	364,080	142,170	3,780	145,950	39.9	51.3	40.1
47,000	400,400	57,400	18,600	76,000	16.2	39.6	19.0
135,000	1,139,600	66,900	46,900	113,800	6.7	34.7	10.0
443,818	1,023,216	173,245	152,922	326,167	29.9	34.5	31.9
851,188	5,568,696	1,421,215	297,202	1,718,417	30.1	34.9	30.9
0	1,016,100	320,900	0	320,900	31.6	•	31.6
1,053,729	1,275,807	49,851	457,059	506,910	22.4	43.4	39.7
144,942	262,857	132,905	53,309	186,214	112.7	36.8	70.8
349,900	937,400	231,200	28,900	260,100	39.4	8.3	27.7
0	81,761	28,227	0	28,227	34.5	•	34.5
1,548,571	3,573,925	763,083	539,268	1,302,351	37.7	34.8	36.4
0	511,378	246,700	0	246,700	48.2	•	48.2
0	187,529	46,800	0	46,800	25.0	•	25.0
87,700	179,754	23,800	23,200	47,000	25.9	26.5	26.1
91,296	406,142	7,000	57,500	64,500	2.2	63.0	15.9
178,996	1,284,803	324,300	80,700	405,000	29.3	45.1	31.5
233,800	361,600	15,400	105,100	120,500	12.1	45.0	33.3
1,173,000	2,092,000	311,000	425,000	736,000	33.8	36.2	35.2
1,558,000	3,585,000	850,000	995,000	1,845,000	41.9	63.9	51.5
251,000	659,000	82,000	72,000	154,000	20.1	28.7	23.4
176,000	388,000	104,000	73,000	177,000	49.1	41.5	45.6
210,300	245,100	10,300	94,600	104,900	29.6	45.0	42.8
3,602,100	7,330,700	1,372,700	1,764,700	3,137,400	36.8	49.0	42.8
47,800	53,900	2,200	26,500	28,700	36.1	55.4	53.2
856,315	1,640,281	264,966	200,416	465,382	33.8	23.4	28.4
520,000	925,000	(15,000)	199,000	184,000	(3.7)	38.3	19.9

(continued)

Appendix VII
Comparison of U.S., Foreign, and Worldwide
Effective Tax Rates by Industry and
Company for 1987

Thousands of dollars

	U.S. income before tax
Honeywell Inc.	235,600
International Business Machines Corp.	2,890,000
NCR Corporation	207,656
Unisys Corporation	490,100
Wang Laboratories Inc.	(237,800)
Industry total	4,780,622
Construction:	
Centex	76,335
Fluor	(153,307)
Morrison Knudsen Corporation	(14,068)
Perini Corporation	17,408
PHM Corporation	7,870
U.S. Home Corporation	(6,265)
Industry total	(72,027)
Electronics and appliances:	
Emerson Electric Co.	633,400
General Electric Company	2,059,000
ITT Corporation	855,228
Litton Industries, Inc.	189,415
Motorola, Inc.	226,000
North American Philips Corporation	38,400
Raytheon Company	676,397
Texas Instruments Incorporated	264,900
Westinghouse Electric Corporation	977,800
Industry total	5,920,540
Financial institutions:	
Bank of Boston Corporation	381,395
BankAmerica Corporation	410,000
Bankers Trust New York Corporation	18,062
The Chase Manhattan Corporation	643,915
Chemical New York Corporation	(926,614)
Citicorp	1,613,000
Continental Illinois Corporation	(621,100)

Appendix VII
Comparison of U.S., Foreign, and Worldwide
Effective Tax Rates by Industry and
Company for 1987

Foreign income before tax	Worldwide income before tax	Current U.S. tax expense	Foreign tax expense	Worldwide tax expense	Effective tax rate expressed as a percent		
					U.S. tax rate on U.S. income	Foreign tax rate on foreign income	Worldwide tax rate on worldwide income
157,900	393,500	69,400	63,500	132,900	29.5	40.2	33.8
5,683,000	8,573,000	10,000	3,005,000	3,015,000	0.3	52.9	35.2
563,569	771,225	97,216	248,962	346,178	46.8	44.2	44.9
433,300	923,400	164,600	192,400	357,000	33.6	44.4	38.7
185,600	(52,200)	300	20,200	20,500	(0.1) ^a	10.9	(39.3) ^a
8,447,484	13,228,106	593,682	3,955,978	4,549,660	12.4	46.8	34.4
0	76,335	11,626	0	11,626	15.2	•	15.2
31,729	(121,578)	(8,069)	(4,718)	(12,787)	5.3 ^a	(14.9)	10.5 ^a
5,337	(8,731)	14,154	1,068	15,222	(100.6) ^a	20.0	(174.3) ^a
1,315	18,723	7,429	2,044	9,473	42.7	155.4	50.6
0	7,870	4,143	0	4,143	52.6	•	52.6
0	(6,265)	(2,970)	0	(2,970)	47.4 ^a	•	47.4 ^a
38,381	(33,646)	26,313	(1,606)	24,707	(36.5)^a	(4.2)	(73.4)^a
146,000	779,400	233,700	60,400	294,100	36.9	41.4	37.7
517,000	2,576,000	956,000	197,000	1,153,000	46.4	38.1	44.8
383,005	1,238,233	167,388	184,450	351,838	19.6	48.2	28.4
44,352	233,767	17,419	13,659	31,078	9.2	30.8	13.3
173,000	399,000	33,000	26,000	59,000	14.6	15.0	14.8
0	38,400	38,300	0	38,300	99.7	•	99.7
9,027	685,424	294,568	6,900	301,468	43.5	76.4	44.0
150,000	414,900	80,000	45,000	125,000	30.2	30.0	30.1
67,600	1,045,400	76,500	34,700	111,200	7.8	51.3	10.6
1,489,984	7,410,524	1,896,875	568,109	2,464,984	32.0	38.1	33.3
(448,668)	(67,273)	25,493	62,845	88,338	6.7	(14.0) ^a	(131.3) ^a
(1,335,000)	(925,000)	13,000	52,000	65,000	3.2	(3.9) ^a	(7.0) ^a
215,548	233,610	90,012	61,983	151,995	498.4	28.8	65.1
(1,379,847)	(735,932)	10,023	127,729	137,752	1.6	(9.3) ^a	(18.7) ^a
178,300	(748,314)	0	64,300	64,300	0.0 ^a	36.1	(8.6) ^a
(2,004,000)	(391,000)	56,000	736,000	792,000	3.5	(36.7) ^a	(202.6) ^a
21,400	(599,700)	0	9,400	9,400	0.0 ^a	43.9	(1.6) ^a

(continued)

Appendix VII
Comparison of U.S., Foreign, and Worldwide
Effective Tax Rates by Industry and
Company for 1987

Thousands of dollars

	U.S. income before tax
First Bank System	225,800
First Chicago Corporation	299,240
First Interstate Bancorp	(778,642)
J.P. Morgan & Co., Incorporated	512,700
Manufacturers Hanover Corporation	(1,021,529)
Marine Midland Banks, Inc.	(449,950)
Mellon Bank Corporation	(359,000)
Norwest Corporation	(21,600)
Security Pacific Corporation	(198,200)
Wells Fargo & Company	458,900
RepublicBank Corporation	(401,781)
PNC Financial Corporation	509,103
Bank of New England Corporation	86,441
Industry total	380,140
Food processors:	
Archer-Daniels-Midland Company	453,762
Borden, Inc.	311,652
CPC International Inc.	333,950
General Mills, Inc.	377,700
IC Industries, Inc.	312,600
Kraft, Inc.	516,700
The Pillsbury Company	317,900
The Quaker Oats Company	217,500
Sara Lee Corporation	220,600
Campbell Soup Company	344,800
Kellogg Company	504,700
Swift Independent Packing Company	(12,970)
United Brands Company	(23,325)
Industry total	3,875,569
Glass, concrete, abrasives, and gypsum:	
Manville Corporation	203,096
Owens-Corning Fiberglas Corporation	250,000
Owens-Illinois, Inc.	(75,400)
PPG Industries, Inc.	417,500

**Appendix VII
Comparison of U.S., Foreign, and Worldwide
Effective Tax Rates by Industry and
Company for 1987**

Effective tax rate expressed as a percent							
Foreign income before tax	Worldwide income before tax	Current U.S. tax expense	Foreign tax expense	Worldwide tax expense	U.S. tax rate on U.S. income	Foreign tax rate on foreign income	Worldwide tax rate on worldwide income
(181,200)	44,600	4,400	3,800	8,200	1.9	(2.1) ^a	18.4
(952,000)	(652,760)	6,900	17,900	24,800	2.3	(1.9) ^a	(3.8) ^a
48,619	(730,023)	(14,900)	18,000	3,100	1.9 ^a	37.0	(0.4) ^a
(275,700)	237,000	73,500	209,600	283,100	14.3	(76.0) ^a	119.5
(211,110)	(1,232,639)	3,666	46,139	49,805	(0.4) ^a	(21.9) ^a	(4.0) ^a
1,816	(448,134)	(3,954)	1,808	(2,146)	0.9 ^a	99.6	0.5 ^a
(492,000)	(851,000)	(55,000)	4,000	(51,000)	15.3 ^a	(0.8) ^a	6.0 ^a
0	(21,600)	10,900	1,200	12,100	(50.5) ^a	0.0 ^b	(56.0) ^a
62,100	(136,100)	63,800	15,500	79,300	(32.2) ^a	25.0	(58.3) ^a
(543,700)	(84,800)	218,800	14,400	233,200	47.7	(2.6) ^a	(275.0) ^a
(294,000)	(695,781)	(45,807)	4,195	(41,612)	11.4 ^a	(1.4) ^a	6.0 ^a
(201,574)	307,529	110,843	2,998	113,841	21.8	(1.5) ^a	37.0
75,962	162,403	65,846	5,195	71,041	76.2	6.8	43.7
(7,715,054)	(7,334,914)	633,522	1,458,992	2,092,514	166.7	(18.9)^a	(28.5)^a
0	453,762	176,957	0	176,957	39.0	•	39.0
117,104	428,756	220,300	40,600	260,900	70.7	34.7	60.9
214,500	548,450	104,700	136,500	241,200	31.4	63.6	44.0
25,900	403,600	160,800	9,100	169,900	42.6	35.1	42.1
53,200	365,800	122,300	23,100	145,400	39.1	43.4	39.7
202,400	719,100	139,500	89,700	229,200	27.0	44.3	31.9
23,400	341,300	79,600	7,400	87,000	25.0	31.6	25.5
124,000	341,500	73,400	41,900	115,300	33.7	33.8	33.8
205,922	426,522	111,800	79,493	191,293	50.7	38.6	44.8
62,100	406,900	70,400	14,900	85,300	20.4	24.0	21.0
145,100	649,800	189,500	44,900	234,400	37.5	30.9	36.1
0	(12,970)	0	0	0	0.0 ^a	•	0.0 ^a
128,914	105,589	2,692	44,553	47,245	(11.5) ^a	34.6	44.7
1,302,540	5,178,109	1,451,949	532,146	1,984,095	37.5	40.9	38.3
74,030	277,126	22,663	29,796	52,459	11.2	40.2	18.9
59,000	309,000	123,000	25,000	148,000	49.2	42.4	47.9
86,500	11,100	(7,300)	21,500	14,200	9.7 ^a	24.9	127.9
197,300	614,800	151,000	85,400	236,400	36.2	43.3	38.5

(continued)

Appendix VII
Comparison of U.S., Foreign, and Worldwide
Effective Tax Rates by Industry and
Company for 1987

Thousands of dollars

	U.S. income before tax
USG Corporation	272,393
Industry total	1,067,589
Instrument companies:	
Eastman Kodak Company	1,239,620
General Signal Corporation	68,494
Minnesota Mining & Manufacturing Company	850,000
Xerox Corporation	(44,000)
Polaroid Corporation	21,200
Industry total	2,135,314
Investment companies:	
American Express Company	1,263,000
First Boston, Inc.	111,132
Merrill Lynch & Co., Inc.	322,546
Salomon Inc.	4,000
Federal National Mortgage Association	568,000
Industry total	2,268,678
Metal manufacturing:	
Aluminum Company of America (ALCOA)	187,400
Armco Inc.	20,400
Bethlehem Steel Corporation	(23,700)
Inland Steel Industries, Inc.	96,237
The ITV Corporation	518,000
Reynolds Metals Company	107,300
Industry total	905,637
Metal products:	
Crown Cork & Seal Company, Inc.	70,405
The Gillette Company	107,200
Triangle Industries, Inc.	65,856
Emhart	47,500
The Stanley Works	110,050
Industry total	401,011
Mining:	
Freeport-McMoran, Inc.	348,580
Inspiration Resources Corporation	(11,267)
Newmont Mining Corporation	213,325
Phelps Dodge Corporation	170,248

Appendix VII
Comparison of U.S., Foreign, and Worldwide
Effective Tax Rates by Industry and
Company for 1987

						Effective tax rate expressed as a percent	
Foreign income before tax	Worldwide income before tax	Current U.S. tax expense	Foreign tax expense	Worldwide tax expense	U.S. tax rate on U.S. income	Foreign tax rate on foreign income	Worldwide tax rate on worldwide income
78,036	350,429	89,609	33,331	122,940	32.9	42.7	35.1
494,866	1,562,455	378,972	195,027	573,999	35.5	39.4	36.7
697,000	1,936,620	321,000	244,000	565,000	25.9	35.0	29.2
23,699	92,193	24,880	10,042	34,922	36.3	42.4	37.9
656,000	1,506,000	395,000	267,000	662,000	46.5	40.7	44.0
538,000	494,000	0	121,000	121,000	0.0 ^a	22.5	24.5
132,000	153,200	2,000	32,300	34,300	9.4	24.5	22.4
2,046,699	4,182,013	742,880	674,342	1,417,222	34.8	32.9	33.9
(640,000)	623,000	259,000	80,000	339,000	20.5	(12.5) ^a	54.4
(4,073)	107,059	56,686	81	56,767	51.0	(2.0) ^a	53.0
56,900	379,446	472	18,653	19,125	0.1	32.8	5.0
240,000	244,000	(199,000)	76,000	(123,000)	(4975.0)	31.7	(50.4)
0	568,000	203,000	0	203,000	35.7	•	35.7
(347,173)	1,921,505	320,158	174,734	494,892	14.1	(50.3)^a	25.8
314,000	501,400	44,500	122,600	167,100	23.7	39.0	33.3
27,200	47,600	(99,100)	8,100	(91,000)	(485.8)	29.8	(191.2)
6,100	(17,600)	(122,000)	500	(121,500)	514.8 ^a	8.2	690.3 ^a
0	96,237	(15,445)	0	(15,445)	(16.0)	•	(16.0)
0	518,000	11,800	800	12,600	2.3	0.0 ^b	2.4
157,600	264,900	5,900	33,400	39,300	5.5	21.2	14.8
504,900	1,410,537	(174,345)	165,400	(8,945)	(19.3)	32.8	(0.6)
87,300	157,705	34,949	24,258	59,207	49.6	27.8	37.5
276,400	383,600	58,600	107,500	166,100	54.7	38.9	43.3
61,157	127,013	61,208	20,825	82,033	92.9	34.1	64.6
137,200	184,700	2,500	36,600	39,100	5.3	26.7	21.2
49,346	159,396	29,102	22,181	51,283	26.4	44.9	32.2
611,403	1,012,414	186,359	211,364	397,723	46.5	34.6	39.3
68,047	416,627	39,293	29,431	68,724	11.3	43.3	16.5
29,896	18,629	(16,800)	0	(16,800)	149.1 ^a	0.0	(90.2)
250,405	463,730	26,235	7,397	33,632	12.3	3.0	7.3
60,509	230,757	4,240	22,963	27,203	2.5	37.9	11.8

(continued)

Appendix VII
Comparison of U.S., Foreign, and Worldwide
Effective Tax Rates by Industry and
Company for 1987

Thousands of dollars

	U.S. income before tax
Union Texas Petroleum Holdings, Inc.	(85,499)
Vulcan Materials Company	171,051
Westmoreland Coal Company	(38,539)
Maxus Energy Corporation	(493,300)
The Louisiana Land & Exploration Company	25,000
Industry total	299,599
Motor vehicles:	
Chrysler Corporation	1,826,200
Ford Motor Company	5,283,700
General Motors Corporation	1,304,700
Navistar International Corporation	97,900
Dana Corporation	166,292
Fruehauf Corporation	(67,630)
Paccar Inc.	114,913
Industry total	8,726,075
Paper and wood products:	
Boise Cascade Corporation	229,893
Champion International Corporation	490,377
Georgia-Pacific Corporation	750,000
International Paper Company	620,000
Weyerhaeuser Company	581,460
Industry total	2,671,730
Petroleum:	
Agway Inc.	34,731
Amerada Hess Corporation	(14,290)
Amoco Company	1,233,000
Ashland Oil, Inc.	161,742
Atlantic Richfield Co. (ARCO)	1,766,000
Chevron Corporation	371,400
Exxon Corporation	2,425,000
Mobil	286,000
Phillips Petroleum Company	(323,000)
Shell Oil Company	1,736,000
Sun Company, Inc.	392,000
Tenneco Inc.	(354,000)
Texaco Inc.	(6,459,408)

Appendix VII
Comparison of U.S., Foreign, and Worldwide
Effective Tax Rates by Industry and
Company for 1987

						Effective tax rate expressed as a percent	
Foreign income before tax	Worldwide income before tax	Current U.S. tax expense	Foreign tax expense	Worldwide tax expense	U.S. tax rate on U.S. income	Foreign tax rate on foreign income	Worldwide tax rate on worldwide income
385,292	299,793	4,366	285,415	289,781	(5.1) ^a	74.1	96.7
64	171,115	55,065	44	55,109	32.2	68.8	32.2
0	(38,539)	1,312	0	1,312	(3.4) ^a	•	(3.4) ^a
45,900	(447,400)	0	55,600	55,600	0.0 ^a	121.1	(12.4) ^a
8,600	33,600	(5,500)	1,800	(3,700)	(22.0)	20.9	(11.0) ^a
848,713	1,148,312	108,211	402,650	510,861	36.1	47.4	44.5
295,500	2,121,700	216,000	(47,000)	169,000	11.8	(15.9)	8.0
2,311,700	7,595,400	1,266,300	854,000	2,120,300	24.0	36.9	27.9
1,627,900	2,932,600	(1,303,800)	(329,700)	(1,633,500)	(99.9)	(20.3)	(55.7)
45,000	142,900	48,000	17,000	65,000	49.0	37.8	45.5
49,077	215,369	48,959	23,110	72,069	29.4	47.1	33.5
(11,341)	(78,971)	12,007	4,595	16,602	(17.8) ^a	(40.5) ^a	(21.0) ^a
38,684	153,597	50,407	15,790	66,197	43.9	40.8	43.1
4,356,520	13,082,595	337,873	537,795	875,668	3.9	12.3	6.7
79,670	309,563	31,636	35,694	67,330	13.8	44.8	21.8
137,842	628,219	6,945	44,419	51,364	1.4	32.2	8.2
0	750,000	243,000	0	243,000	32.4	•	32.4
71,000	691,000	53,000	15,000	68,000	8.5	21.1	9.8
113,663	695,123	123,800	3,800	127,600	21.3	3.3	18.4
402,175	3,073,905	458,381	98,913	557,294	17.2	24.6	18.1
0	34,731	5,012	0	5,012	14.4	•	14.4
264,241	249,951	17,660	110,002	127,662	(123.6) ^a	41.6	51.1
1,247,000	2,480,000	378,000	608,000	986,000	30.7	48.8	39.8
27,574	189,316	(11,830)	6,135	(5,695)	(7.3)	22.2	(3.0)
332,000	2,098,000	600,000	54,000	654,000	34.0	16.3	31.2
2,095,000	2,466,400	239,000	1,308,000	1,547,000	64.4	62.4	62.7
5,343,000	7,768,000	569,000	1,983,000	2,552,000	23.5	37.1	32.9
2,682,000	2,968,000	96,000	1,420,000	1,516,000	33.6	52.9	51.1
571,000	248,000	23,000	181,000	204,000	(7.1) ^a	31.7	82.3
0	1,736,000	61,000	4,000	65,000	3.5	0.0 ^b	3.7
182,000	574,000	16,000	80,000	96,000	4.1	44.0	16.7
92,000	(262,000)	0	60	60	0.0 ^a	0.1	0.0 ^a
1,932,000	(4,527,408)	227,000	1,172,000	1,399,000	(3.5) ^a	60.7	(30.9) ^a

(continued)

Appendix VII
Comparison of U.S., Foreign, and Worldwide
Effective Tax Rates by Industry and
Company for 1987

Thousands of dollars

	U.S. income before tax
Unocal Corporation	(90,000)
USX Corporation (U.S. Steel)	317,000
The Coastal Corporation	140,540
Kerr-McGee Corporation	141,000
Farmland Industries, Inc.	55,188
Industry total	1,818,903
Pharmaceuticals:	
American Home Products Corporation	1,006,004
Bristol-Myers Company	835,700
Johnson & Johnson	424,000
Merck & Co., Inc.	826,600
Pfizer, Inc.	396,607
Industry total	3,488,911
Retailing:	
American Stores Company	264,936
Federated Department Stores, Inc.	486,282
J.C. Penney Company, Inc.	870,000
K Mart Corporation	1,011,000
The Kroger Co.	297,084
Lucky Stores, Inc.	201,561
Safeway Stores, Incorporated	(720,387)
Sears, Roebuck and Company	1,603,800
The Southland Corporation	(173,602)
Wal-Mart Stores, Inc.	1,024,944
Industry total	4,865,618
Rubber:	
The Firestone Tire & Rubber Company	63,000
Gencorp (General Tire & Rubber)	14,000
The Goodyear Tire & Rubber Company	590,500
Premark International, Inc.	6,700
Rubbermaid Incorporated	132,930
Industry total	807,130
Soaps and cosmetics:	
Avon Products Inc.	183,600
The Procter & Gamble Company	442,000

**Appendix VII
Comparison of U.S., Foreign, and Worldwide
Effective Tax Rates by Industry and
Company for 1987**

						Effective tax rate expressed as a percent	
Foreign income before tax	Worldwide income before tax	Current U.S. tax expense	Foreign tax expense	Worldwide tax expense	U.S. tax rate on U.S. income	Foreign tax rate on foreign income	Worldwide tax rate on worldwide income
340,000	250,000	(48,000)	84,000	36,000	53.3 ^a	24.7	14.4
(62,000)	255,000	6,000	10,000	16,000	1.9	(16.1) ^a	6.3
39,600	180,140	(21,000)	0	(21,000)	(14.9)	0.0	(11.7)
(11,000)	130,000	50,000	6,000	56,000	35.5	(54.5) ^a	43.1
0	55,188	361	0	361	0.7	•	0.7
15,074,415	16,893,318	2,207,203	7,026,197	9,233,400	121.3	46.6	54.7
278,900	1,284,904	259,088	160,789	419,877	25.8	57.7	32.7
244,000	1,079,700	298,900	103,000	401,900	35.8	42.2	37.2
759,000	1,183,000	40,000	378,000	418,000	9.4	49.8	35.3
571,300	1,397,900	255,200	274,200	529,400	30.9	48.0	37.9
580,500	977,107	124,707	139,400	264,107	31.4	24.0	27.0
2,433,700	5,922,611	977,895	1,055,389	2,033,284	28.0	43.4	34.3
0	264,936	130,563	0	130,563	49.3	•	49.3
0	486,282	197,300	0	197,300	40.6	•	40.6
0	870,000	413,000	0	413,000	47.5	•	47.5
89,000	1,100,000	371,000	25,000	396,000	36.7	28.1	36.0
0	297,084	77,667	0	77,667	26.1	•	26.1
0	201,561	57,800	0	57,800	28.7	•	28.7
594,492	(125,895)	45,078	78,018	123,096	(6.3) ^a	13.1	(97.8) ^a
170,000	1,773,800	597,400	53,700	651,100	37.2	31.6	36.7
5,912	(167,690)	(34,886)	3,105	(31,781)	20.1 ^a	52.5	19.0 ^a
0	1,024,944	388,407	0	388,407	37.9	•	37.9
859,404	5,725,022	2,243,329	159,823	2,403,152	46.1	18.6	42.0
136,000	199,000	15,000	98,000	113,000	23.8	72.1	56.8
5,000	19,000	59,000	2,000	61,000	421.4	40.0	321.1
301,400	891,900	(2,400)	162,800	160,400	(0.4)	54.0	18.0
109,200	115,900	25,100	57,000	82,100	374.6	52.2	70.8
9,606	142,536	56,326	2,769	59,095	42.4	28.8	41.5
561,206	1,368,336	153,026	322,569	475,595	19.0	57.5	34.8
190,400	374,000	91,400	64,300	155,700	49.8	33.8	41.6
165,000	607,000	228,000	95,000	323,000	51.6	57.6	53.2

(continued)

Appendix VII
Comparison of U.S., Foreign, and Worldwide
Effective Tax Rates by Industry and
Company for 1987

Thousands of dollars

	U.S. income before tax
Revlon, Inc.	293,600
The Clorox Company	165,483
Ecolab Inc.	90,716
Industry total	1,175,399
Telecommunications:	
American Information Technologies Corporation	1,848,500
American Telephone & Telegraph Company	3,049,000
Bell Atlantic Corporation	1,877,200
Bellsouth Corporation	2,543,500
Contel Corporation	119,594
GTE Corporation	862,499
Pacific Telesis Group	1,431,000
Southwestern Bell Telephone Company	1,505,500
United Telecommunications, Inc.	155,964
U.S. West, Inc.	1,523,200
Industry total	14,915,957
Tobacco:	
American Brands, Inc.	505,985
Phillip Morris Companies, Inc.	2,727,000
RJR Nabisco, Inc.	943,000
Industry total	4,175,985
Transportation — Airlines:	
AMR Corporation (American Airlines)	289,586
Delta Air Lines, Inc.	435,677
NWA, Inc. (Northwest Airlines)	167,905
Pan American World Airways, Inc.	(288,077)
Trans World Airlines, Inc.	105,188
UAL Corporation	(25,599)
USAIR Group, Inc.	248,377
Southwest Airlines Co.	28,713
Alaska Air Group, Inc.	20,036
Midway Airlines, Inc.	19,207
Industry total	1,001,013
Transportation — Railroads:	
Burlington Northern, Inc.	656,081
CSX Corporation	686,000

**Appendix VII
Comparison of U.S., Foreign, and Worldwide
Effective Tax Rates by Industry and
Company for 1987**

Foreign income before tax	Worldwide income before tax	Current U.S. tax expense	Foreign tax expense	Worldwide tax expense	Effective tax rate expressed as a percent		
					U.S. tax rate on U.S. income	Foreign tax rate on foreign income	Worldwide tax rate on worldwide income
48,600	342,200	119,100	20,100	139,200	40.6	41.4	40.7
10,271	175,754	55,339	957	56,296	33.4	9.3	32.0
(355)	90,361	44,641	659	45,300	49.2	(185.6) ^a	50.1
413,916	1,589,315	538,480	181,016	719,496	45.8	43.7	45.3
0	1,848,500	727,500	0	727,500	39.4	•	39.4
0	3,049,000	432,000	12,000	444,000	14.2	0.0 ^b	14.6
0	1,877,200	685,400	0	685,400	36.5	•	36.5
0	2,543,500	892,800	0	892,800	35.1	•	35.1
0	119,594	37,351	3,236	40,587	31.2	0.0 ^b	33.9
268,069	1,130,568	140,255	163,022	303,277	16.3	60.8	26.8
0	1,431,000	484,000	0	484,000	33.8	•	33.8
0	1,505,500	363,300	0	363,300	24.1	•	24.1
0	155,964	(59,270)	0	(59,270)	(38.0)	•	(38.0)
0	1,523,200	512,000	0	512,000	33.6	•	33.6
268,069	15,184,026	4,215,336	178,258	4,393,594	28.3	66.5	28.9
310,638	816,623	197,547	101,263	298,810	39.0	32.6	36.6
464,000	3,191,000	607,000	173,000	780,000	22.3	37.3	24.4
796,000	1,739,000	370,000	235,000	605,000	39.2	29.5	34.8
1,570,638	5,746,623	1,174,547	509,263	1,683,810	28.1	32.4	29.3
32,247	321,833	32,177	833	33,010	11.1	2.6	10.3
0	435,677	56,228	0	56,228	12.9	•	12.9
0	167,905	28,217	2,022	30,239	16.8	0.0 ^b	18.0
14,003	(274,074)	0	226	226	0.0 ^a	1.6	(0.1) ^a
0	105,188	66,200	0	66,200	62.9	•	62.9
0	(25,599)	5,500	0	5,500	(21.5) ^a	•	(21.5) ^a
0	248,377	31,410	0	31,410	12.6	•	12.6
0	28,713	11,343	0	11,343	39.5	•	39.5
0	20,036	17,856	0	17,856	89.1	•	89.1
0	19,207	7,910	0	7,910	41.2	•	41.2
46,250	1,047,263	256,841	3,081	259,922	25.7	6.7	24.8
0	656,081	73,736	0	73,736	11.2	•	11.2
0	686,000	24,000	6,000	30,000	3.5	0.0 ^b	4.4

(continued)

Appendix VII
Comparison of U.S., Foreign, and Worldwide
Effective Tax Rates by Industry and
Company for 1987

Thousands of dollars

	U.S. income before tax
Norfolk Southern Corporation	250,775
Santa Fe Southern Pacific Corporation	566,800
Union Pacific Corporation	887,000
Industry total	3,046,656
Transportation — Trucking	109,694
Consolidated Freightways, Inc.	(153,616)
Federal Express Corporation	75,263
Roadway Services, Inc.	987,774
United Parcel Service of America, Inc.	62,518
Yellow Freight System, Inc. of Delaware	1,081,633
Industry total	1,081,633
Utilities (electric and gas)	874,435
American Electric Power Company Inc.	1,592,265
Commonwealth Edison Company	914,024
Consolidated Edison Company of New York, Inc.	722,907
Middle South Utilities, Inc.	1,052,230
Pacific Gas and Electric Company	849,482
Public Service Enterprise Group Incorporated	1,113,287
Southern California Edison Company	1,013,771
The Southern Company	963,706
Texas Utilities Company	9,096,107
Industry total	9,096,107
Wholesalers:	124,491
Alco Standard Corporation	42,757
Avnet, Inc.	75,317
Fleming Companies	244,048
Genuine Parts Company	158,900
McKesson Corporation	172,631
Super Valu Stores, Inc.	116,212
Sysco Corporation	57,149
Wetterau Incorporated	30,862
Bergen Brunswig Corporation	1,022,367
Industry total	1,022,367

**Appendix VII
Comparison of U.S., Foreign, and Worldwide
Effective Tax Rates by Industry and
Company for 1987**

Effective tax rate expressed as a percent							
Foreign income before tax	Worldwide income before tax	Current U.S. tax expense	Foreign tax expense	Worldwide tax expense	U.S. tax rate on U.S. income	Foreign tax rate on foreign income	Worldwide tax rate on worldwide income
0	250,775	194,208	0	194,208	77.4	•	77.4
0	566,800	95,300	0	95,300	16.8	•	16.8
0	887,000	88,000	0	88,000	9.9	•	9.9
0	3,046,656	475,244	6,000	481,244	15.6	0.0^b	15.8
9,464	119,158	37,420	6,820	44,240	34.1	72.1	37.1
0	(153,616)	86,790	0	86,790	(56.5) ^a	•	(56.5) ^a
0	75,263	26,327	0	26,327	35.0	•	35.0
0	987,774	169,183	0	169,183	17.1	•	17.1
0	62,518	12,060	0	12,060	19.3	•	19.3
9,464	1,091,097	331,780	6,820	338,600	30.7	72.1	31.0
0	874,435	273,397	0	273,397	31.3	•	31.3
0	1,592,265	193,302	0	193,302	12.1	•	12.1
0	914,024	326,000	0	326,000	35.7	•	35.7
0	722,907	10,138	0	10,138	1.4	•	1.4
6,446	1,058,676	252,262	1,725	253,987	24.0	26.8	24.0
0	849,482	26,450	0	26,450	3.1	•	3.1
0	1,113,287	395,064	0	395,064	35.5	•	35.5
0	1,013,771	119,299	0	119,299	11.8	•	11.8
0	963,706	42,889	0	42,889	4.5	•	4.5
6,446	9,102,553	1,638,801	1,725	1,640,526	18.0	26.8	18.0
0	124,491	37,996	3,873	41,869	30.5	0.0 ^b	33.6
1,295	44,052	12,693	397	13,090	29.7	30.7	29.7
0	75,317	29,593	0	29,593	39.3	•	39.3
1,812	245,860	93,752	899	94,651	38.4	49.6	38.5
0	158,900	57,700	2,500	60,200	36.3	0.0 ^b	37.9
0	172,631	88,950	0	88,950	51.5	•	51.5
0	116,212	48,633	0	48,633	41.8	•	41.8
0	57,149	24,014	0	24,014	42.0	•	42.0
0	30,862	10,079	0	10,079	32.7	•	32.7
3,107	1,025,474	403,410	7,669	411,079	39.5%	246.8%	40.1%

^aRate shown is arithmetically distorted due to a book loss.

^bTaxes were paid or a refund was received although the company reported no income.

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