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TAX POLICY

1988 and 1989 Company Effective Tax Rates Higher Than in Prior Years



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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 U.S. and worldwide tax rates of large U.S. companies for 1988 and 1989. As requested, to ensure consistency, we included, to the extent possible, the same companies that were used in our 1990 study and earlier Joint Committee on Taxation studies of effective tax rates. The companies included in this report are identified in appendixes VI and VII. The report also discusses reasons for high and low U.S. 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. We will also make copies available to others upon request.

Major contributors to this report are listed in appendix X. If you have any questions, please call me on (202) 275-6407.

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Executive Summary

Purpose

Before the Tax Reform Act of 1986 (TRA 86), some of the nation's largest companies paid taxes at effective rates that were far less than the statutory rate. TRA 86 was expected to eliminate or reduce the impact of many of the tax laws that had allowed companies to lower their current tax expense, and therefore their effective tax rate, by deferring some of their tax expense to the future.

As part of their ongoing efforts to assess the impact of TRA 86, Congressmen Don J. Pease and Byron L. Dorgan requested that GAO review the 1988 and 1989 U.S. and worldwide effective tax rates of large U.S. companies. In response, GAO (1) computed effective tax rates for 220 large companies in 29 industry groups for each year and (2) attempted to identify the reasons for low or high effective tax rates for the industry groups.

Background

Companies' effective tax rates may differ from the statutory rate because their taxable income differs from their financial statement, or accounting, income. Taxable and accounting income are sometimes different because tax laws may allow deferral or acceleration of income for tax purposes.

Some companies lowered their U.S. effective tax rates by deferring income and therefore taxes to the future. Even though the deferrals reverse at some future time, companies kept their effective tax rates low by deferring each year more income than they reversed. By reducing the amount of income companies could defer each year, TRA 86 was expected to increase company U.S. effective tax rates.

The Joint Committee on Taxation, in studies requested by Congressmen Pease and Dorgan, compared the tax burden of selected industry groups by calculating the effective tax rates of large U.S. companies for 1980 through 1983. Average U.S. effective tax rates ranged from 16.5 to 21.8 percent for the companies reviewed. In May 1990, GAO, at the request of the Congressmen, reported average 1986 and 1987 U.S. effective tax rates of 18.6 and 27.8 percent for the companies reviewed.

To be consistent with the prior studies, GAO adopted the Joint Committee on Taxation's methodology for computing effective tax rates. Effective tax rates are calculated by dividing current income tax expense by pretax accounting income, as reported in company financial statements. U.S. effective tax rates below 10 percent are considered to be low; rates exceeding the statutory rate are considered to be high.

GAO included as many of the same companies from its 1990 report as possible. However, substitutions were necessary because some companies included in the 1990 report no longer met GAO's criteria, which required that the companies be on the Fortune Industry 500 or Service 500 list in the same industry group and had reported the detailed information needed to compute effective tax rates. GAO computed 1988 and 1989 U.S. and worldwide effective tax rates for 220 companies and 29 industry groups.

The effective tax rates calculated in GAO's report cannot be projected to a larger number of companies or to entire industries because the companies GAO reviewed were not randomly selected. However, these companies represented a substantial portion of corporate America. For 1988 and 1989, the pretax income of the companies GAO reviewed was 56 percent and 53 percent of corporate pretax income reported in the national income and product accounts.

Results in Brief

The average U.S. effective tax rate for the companies GAO reviewed increased from 18.6 percent in 1986 to 32.9 percent in 1989. During the same period, the average worldwide effective tax rate for these companies increased from 28.1 percent to 37.1 percent. In addition, the dispersion of company and industry U.S. effective tax rates around the average had narrowed considerably by 1989.

Between 1986 and 1989, there was a shift from more companies and industry groups with low rates than high rates, to fewer with low rates than high rates. Six of the 29 industry groups (21 percent) and 63 of the 220 companies (29 percent) had U.S. effective tax rates below 10 percent in 1986. By 1989, 0 of the 29 industry groups and 18 of the 220 companies (8 percent) had U.S. effective tax rates below 10 percent.

In contrast, 0 of the 29 industry groups and 17 of the 220 companies (8 percent) had U.S. effective tax rates above the statutory rate in 1986. By 1989, 8 of the 29 industry groups (28 percent) and 64 of the 220 companies (29 percent) had U.S. effective tax rates above the statutory rate. The high effective tax rates for the eight industry groups in 1989 were associated with reversals of previously deferred taxes on installment sales, long-term contracts, and investment tax credits.

These results are consistent with changes introduced by TRA 86. However, because of data limitations, GAO cannot conclude that TRA 86 directly caused these changes. In GAO's opinion, a portion of any increase in the

average U.S. effective tax rate from 1986 to 1989 that is due to TRA 86 may only exist temporarily as the companies go through a transition period.

GAO's Analysis

1988 and 1989 Average Effective Tax Rates

A statistical distribution is summarized by its average and standard deviation. The average U.S. effective tax rates for the companies and industry groups GAO reviewed were 31.3 percent in 1988 and 32.9 percent in 1989. These companies and industry groups had average worldwide effective tax rates of 34.8 percent in 1988 and 37.1 percent in 1989. The companies and industry groups had higher U.S. and worldwide effective tax rates in 1989 than in any of the earlier years for which GAO or the Joint Committee on Taxation did effective tax rate studies. (See pp. 17-18 and apps. III and IV.)

While the average U.S. effective tax rate increased for the companies and industry groups GAO reviewed, the difference between that rate and the statutory rate fell considerably, from 27.4 percentage points in 1986 to 1.1 percentage points in 1989. The difference between the average U.S. effective tax rate and the statutory rate decreased because the companies' deferred tax expense declined significantly over the period and turned negative in 1988 and 1989. The smaller the amount of deferred taxes companies have, the closer their average U.S. effective tax rate will be to the statutory rate. The ratio of the companies' deferred tax expense to total tax expense (current plus deferred) was 0.48 in 1986 and -0.06 in 1989. (See pp. 18-19.)

While the average U.S. effective tax rate increased, the dispersion of company and industry group U.S. effective tax rates around the average narrowed between 1986 and 1989. Based on the standard deviations, the range around the average that included 95 percent of the effective tax rates decreased by 25.6 percentage points for the companies and 40 percentage points for the industry groups GAO reviewed. The standard deviation of company U.S. effective tax rates fell from 20.8 percent in 1986 to 14.3 percent in 1989; the standard deviation of industry group U.S. effective tax rates fell from 20.1 percent to 9.9 percent. (See pp. 20-21.)

Because of the rising average U.S. effective tax rates and smaller standard deviations, the number of companies GAO reviewed with low tax rates

decreased from 63 in 1986 to 18 in 1989 while the number of companies with high tax rates increased from 17 to 64. Similarly, the number of industry groups GAO reviewed with low tax rates decreased from six in 1986 to zero in 1989 while the number with high tax rates rose from zero to eight. During the period, the number of companies and industry groups with U.S. effective tax rates between 10 percent and the statutory rate remained stable. (See pp. 22-23.)

Reasons for the Shift to High Rates

GAO could not identify all the reasons for the shift to high industry group U.S. effective tax rates because of limited data in company financial statements. However, GAO identified some predominant reasons for the high industry group rates. GAO's analysis indicated that the high rates resulted in large part from reversals of previously deferred taxes attributable to installment sales, long-term contracts, and investment tax credits. (See pp. 25-30.)

The increase in the average U.S. effective tax rate was consistent with expectations of how TRA 86 would affect corporate taxation. TRA 86 was expected to increase taxable income relative to pretax accounting income and thereby increase U.S. effective tax rates. However, because of limited data, GAO could not conclude that TRA 86 directly caused this result. (See pp. 23-24 and 26.)

Some portion of the 14.3 percentage point increase in the average U.S. effective tax rate from 1986 to 1989 for the companies and industry groups GAO reviewed may be temporary. This is because the years immediately following TRA 86 are a transition period that could last for several years. The length of the transition period for each company depends on the types and amounts of deferred taxes it incurred before TRA 86. For many companies, deferred tax expense based on the old tax laws will continue reversing as it would have done in the absence of TRA 86 while new, but smaller, amounts of deferred tax expense may originate based on TRA 86. Thus, deferred tax expense may decline considerably, thereby increasing current tax expense and effective tax rates. Once the transition period is over, the origination and reversal of deferred taxes may become more balanced, and U.S. effective tax rates for the companies GAO reviewed, while higher than in the past, may be lower than they were in 1989. (See p. 24.)

Recommendations

GAO is making no recommendations in this report.

Company Comments

GAO requested comments on its effective tax rate computations from the tax directors of the companies included in the study. When the companies provided additional information that had a material effect on the rates GAO computed, GAO recomputed the rates. (See p. 14 and app. II.)

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Abbreviations

| | |
|--------|------------------------------------|
| ITC | investment tax credit |
| JCT | Joint Committee on Taxation |
| NOL | net operating loss |
| SEC | Securities and Exchange Commission |
| TRA 86 | Tax Reform Act of 1986 |

Introduction

Before 1954, taxable income reported in company tax returns and pretax accounting income reported in company financial statements were practically the same. Company effective tax rates were therefore basically the same as the statutory tax rate. A company's effective tax rate, as calculated in this report, is its current tax expense divided by the pretax income reported in its financial statements.

In 1954, the Internal Revenue Code was amended to allow the use of more generous accelerated depreciation methods for tax purposes, thereby allowing a greater share of the total depreciation to be taken in the early years of an asset's useful life. This and subsequent amendments resulted in companies reporting different amounts of pretax income for tax purposes than for financial statement purposes. For example, as an incentive to increase investment in property, plant, and equipment, the Economic Recovery Tax Act of 1981 allowed companies to use an accelerated cost recovery system to depreciate assets for tax purposes over periods as short as 3 years. Accounting principles required these assets to be depreciated over longer periods of time. Thus, with depreciation expenses for tax purposes greater than depreciation expenses for accounting purposes, taxable income was less than pretax accounting income, and the effective tax rate was lower than the statutory rate.

By using such tax incentives to defer the recognition of income, some of the nation's largest companies did not have to pay taxes for years in which they earned profits, and others paid taxes at effective rates far less than the statutory rate. The Joint Committee on Taxation (JCT) reported average U.S. effective tax rates of 16.5 percent in 1982 and 16.8 percent in 1983 for more than 200 of the country's largest companies, when the statutory tax rate was 46 percent.¹

The Tax Reform Act of 1986 (TRA 86) amended the Internal Revenue Code to eliminate or reduce the impact of many tax laws that deferred income recognition for tax purposes. By increasing the base of taxable income, effective tax rates were expected to increase even though TRA 86 reduced the maximum statutory corporate tax rate to 34 percent. Our 1990 report on 1986 and 1987 effective tax rates for large U.S. companies showed that

¹Study of 1982 Effective Tax Rates of Selected Large U.S. Corporations (JCS-57-83), Joint Committee on Taxation, November 14, 1983, and Study of 1983, Effective Tax Rates of Selected Large U.S. Corporations (JCS-40-84), Joint Committee on Taxation, November 28, 1984. We recalculated JCT's 1982 and 1983 average effective tax rates to exclude the insurance industry, which was not included in our subsequent studies of effective tax rates.

this expectation was realized.² We concluded that the 1987 increase in the U.S. average effective tax rate to 27.8 percent was consistent with the changes introduced by TRA 86. This report shows that average U.S. effective tax rates continued to increase in 1988 and 1989.

Timing and Permanent Differences in Income Recognition

Timing differences originate when financial transactions are recognized for tax and accounting purposes in different periods. The effects of timing differences always reverse in one or more future periods. Originating timing differences result in either a deferred tax expense or a deferred tax benefit. A deferred tax expense is a tax liability incurred in the current period for accounting purposes but payable in one or more future periods under the Internal Revenue Code. A deferred tax benefit, on the other hand, is a tax payable under the Code in the current period, but for accounting purposes it is an asset representing the prepayment of taxes on future accounting income.

Tax incentives to encourage certain behavior generally lower taxable income relative to pretax accounting income; this lower taxable income reduces the current tax expense and creates a deferred tax expense. Deferred tax expenses occur when revenues are included in taxable income later than in pretax accounting income, or expenses are deducted from taxable income earlier than from pretax accounting income. For example, before TRA 86, the income from installment sales was generally recognized for accounting purposes in the period the sale was made, but for tax purposes in the periods the revenue was collected. In other words, the income was recognized on an accrual basis for accounting purposes and on a cash basis for tax purposes. Thus, the income from an installment sale was recognized for tax purposes over 2 or more years while it was recognized for accounting purposes in the year of the sale. This deferral of income for tax purposes decreased current tax expense, increased deferred tax expense, and decreased the effective tax rate. When the revenue was collected in future years, the timing difference or deferral of income reversed, resulting for each of those future years in an increased current tax expense, decreased deferred tax expense, and increased effective tax rate.

Deferred tax benefits, on the other hand, increase current tax expense. Deferred tax benefits occur when taxable income is greater than pretax accounting income. This happens when revenues are included earlier in

²Tax Policy: 1987 Company Effective Tax Rates Higher Than in Prior Years (GAO/GGD-90-69, May 10, 1990).

taxable income than in pretax accounting income or expenses are deducted from taxable income later than from pretax accounting income. Rental revenue collected in advance, for example, is recognized for tax purposes in the period it is collected, but recognized for accounting purposes in the period it is earned. Again, for accounting purposes the revenue is recognized on an accrual basis and for tax purposes on a cash basis. This acceleration of revenue recognition for tax purposes increases current tax expense, creates a deferred tax benefit, and increases the effective tax rate. When the acceleration of income reverses in future years, current tax expense decreases for each of those future years, thereby decreasing the effective tax rate.

Permanent differences between pretax accounting and taxable income result when financial transactions are recognized for accounting purposes but not for tax purposes, or vice versa. For example, the interest earned on investments in state and municipal bonds is excluded from federal taxable income. Such interest revenue increases pretax accounting income but not taxable income and therefore results in effective tax rates that are lower than the statutory rate. Similarly, fines and expenses resulting from a violation of law, while deductible expenses for accounting purposes, are not deductible for tax purposes. They therefore decrease a company's pretax accounting income, but not its taxable income, and result in effective tax rates that are greater than the statutory rate.

Possible Reasons for Low or High Industry Group U.S. Effective Tax Rates

An industry group may have a low U.S. effective tax rate because of the origination of deferred tax expenses, reversals of previously deferred tax benefits, or tax refunds. Each of these reasons results in less current tax expense for the industry than would have existed in their absence. Because they do not affect pretax accounting income, their presence lowers the effective tax rate.

On the other hand, an industry group may have a high effective tax rate because of the origination of deferred tax benefits, reversals of previously deferred tax expenses, or pretax accounting losses incurred by some companies. As explained earlier, both deferred tax benefit originations and deferred tax expense reversals increase current tax expense without affecting pretax accounting income. They therefore increase the effective tax rate.

A single company's pretax accounting loss can result in a high industry group effective tax rate when the company's accounting loss is not

accompanied by a sufficient tax refund.³ When this happens, the industry group's pretax accounting income declines proportionately more than its current tax expense, thereby increasing the effective tax rate.

Permanent differences between pretax accounting and taxable income may also cause low or high effective tax rates. These differences can lower or raise the current tax expense without affecting the pretax accounting income and thereby lower or raise the effective tax rate.

Objectives, Scope, and Methodology

In August 1990, Congressmen Don J. Pease and Byron L. Dorgan requested that we review the overall U.S. and worldwide tax burdens of large U.S. companies for 1988 and 1989. In response to this request, we computed, for each year, U.S., foreign, and worldwide effective income tax rates for 220 large U.S. companies grouped into 29 industry classifications. We also attempted to identify reasons for low or high industry group U.S. effective tax rates. Subsequently, Congressman Pease requested that we include an appendix in the report showing the percentage distribution of federal government receipts by major category (see app. IX).

We did our work between November 1990 and May 1992 in accordance with generally accepted government auditing standards.

Calculation of Effective Tax Rates

Effective tax rates can be calculated in various ways using companies' financial statements.⁴ One method uses only current tax expense in computing rates. A second method uses the total tax expense, both current and deferred, in computing rates. A third method uses current tax expense and only those deferred tax expenses or benefits expected to result in actual tax payments or refunds in the near future. Each method yields a different effective tax rate.

In computing 1988 and 1989 company effective tax rates, we used only current tax expense and excluded all deferred tax expenses and benefits. This methodology, which was used by JCT in its 1982 and 1983 studies and by us in computing 1986 and 1987 effective tax rates, allows us to compare tax rates over time.

³A company can deduct a tax loss from the taxable income of up to 3 preceding years and receive a refund of taxes paid in those years. However, a company can do this only to the extent that the deduction in any year does not reduce the taxable income of that year to less than zero.

⁴The effective tax rates calculated in this report are average, not marginal, effective tax rates. The average effective tax rate is a better measure of the tax burden on a company's past performance. In contrast, the marginal effective tax is a better measure of the tax burden on new investment.

We computed effective tax rates by dividing the current tax expense by pretax income as reported in the companies' financial statements. Adjustments consistent with JCT's methodology were made to the reported amounts. For example, we adjusted pretax accounting income to exclude the current portion of state and local income tax expense. We also adjusted current tax expense to exclude the tax effect of the use of net operating loss carryforwards and to include the investment tax credit. Appendix I presents a more detailed discussion of the adjustments we made.

We used companies' allocations of their pretax income and current tax expense between U.S. and foreign operations in their financial statements to compute their U.S., foreign, and worldwide effective tax rates.⁶ We computed U.S., foreign, and worldwide average effective tax rates for each industry group by dividing aggregate industry group U.S., foreign, and worldwide current tax expense by aggregate industry group U.S., foreign, and worldwide pretax accounting income. Further, we computed 1988 and 1989 average effective tax rates for the companies by dividing aggregate U.S., foreign, and worldwide current tax expense by aggregate U.S., foreign, and worldwide pretax accounting income. When the information we needed to compute rates was not available from the financial statements, we contacted company officials by telephone to obtain the information.

The distribution of a population is described not only by its average, but also by its standard deviation, that is, the dispersion of its elements about the average. We therefore calculated the standard deviation of effective tax rates by company and industry group for the period 1986 to 1989. A low standard deviation means that company or industry group rates did not vary much from the average rate; a high standard deviation means that company or industry group rates varied widely from the average rate.

The effective tax rates calculated in this report cannot be projected to a larger group of companies or to entire industries because the companies we included were not randomly selected. However, these companies are a substantial part of corporate America. For 1988 and 1989, the pretax income of the companies we reviewed was 56 percent and 53 percent of corporate pretax income reported in the national income and product accounts.

⁶For our 1990 study, pretax accounting income was derived by making numerous adjustments to after-tax accounting income. Because of much greater consistency in reported financial data, we were able to use the pretax accounting income reported in company financial statements for this study.

In this report, a positive tax rate indicates that a company paid taxes, and a negative tax rate indicates that a company received a tax refund. However, in some circumstances, the effective tax rate for a company or industry group may be distorted because the sign (positive or negative) of the rate misrepresents the underlying situation. For example, if a company reported a pretax accounting loss (negative income) and received a refund (negative taxes), the sign of its tax rate is positive, even though the company did not pay taxes. As another example, if a company reported a pretax accounting loss (negative income) and paid taxes (positive taxes), the sign of its tax rate is negative even though the company actually paid taxes. We note these as distorted rates when they occur. A distorted rate is also noted when a company paid taxes but reported no pretax accounting income.

We contacted tax officials at all companies to request their comments on the rates we computed. When the companies provided information that had a material effect on the rates we computed, we recalculated our rates. Appendix II provides more information about the companies' responses.

Selection of Companies

The companies included in this report are, to the extent possible, the same as those included in our 1990 report. Companies were included if they met all of the following criteria:

- they were still listed in the Fortune 500 Industrial or Fortune 500 Service directories,
- their industry classification in the Fortune directories was the same as the prior year, and
- their financial statements contained the information needed to compute effective tax rates or such information could be obtained by telephone contact with company officials.

Because some of the companies in the 1990 report did not meet the criteria in 1988, we made 29 substitutions in 1988. Similarly, because some of the companies from 1988 did not meet the criteria in 1989, we made 11 substitutions in 1989. We included 220 companies in each year, but because of substitutions, a total of 230 companies is included in this report for the 2-year period.

Identification of Reasons
for Low or High Industry
Group U.S. Effective Tax
Rates

To identify possible reasons for low or high industry group U.S. effective tax rates, we examined deferred tax expenses and benefits for companies in the low and high rate industry group. We also examined company financial statements to determine whether tax refunds or pretax accounting losses reported by one or more companies accounted for any of the difference between an industry group's effective and statutory rates. We were unable to determine the effect of permanent differences on low and high industry group U.S. effective tax rates because the financial statements did not identify permanent differences resulting exclusively from U.S. operations. In addition, we were not able to determine whether reversals of previously deferred taxes were directly the result of TRA 86. We did not have the data to make such a determination.

We used JCR's criteria in classifying U.S. effective tax rates as low or high. A tax rate below 10 percent is classified as "low," and a tax rate above the statutory rate is classified as "high." The maximum statutory rate was 46 percent in 1986, 40 percent in 1987,⁶ and 34 percent in 1988 and 1989.

⁶The 1987 maximum statutory rate of 40 percent represents the average rate for companies with a December 31, 1987, tax year end. The rate changed from 46 percent to 34 percent on July 1, 1987.

Comparison of Effective Tax Rates

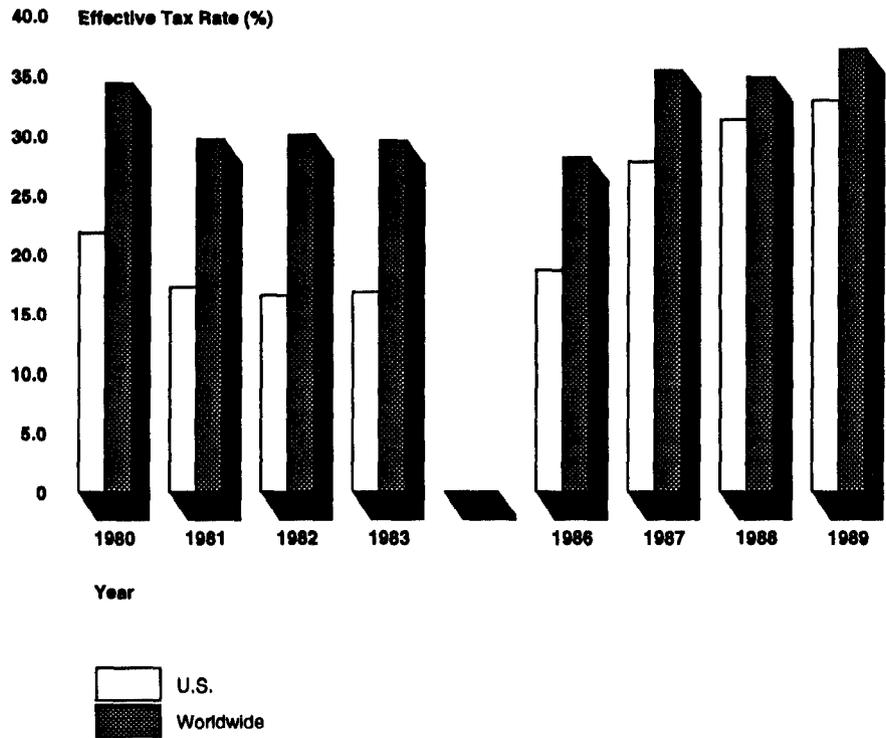
The average U.S. effective tax rate for the companies we reviewed increased in 1988 and 1989. The increase almost closed the gap between the statutory tax rate and the average U.S. effective tax rate that existed in the early 1980s. In addition, the dispersion of company and industry group U.S. effective tax rates around the average diminished considerably between 1986 and 1989. These results are consistent with changes introduced by TRA 86, which eliminated many tax benefits previously available to corporations, thereby increasing taxable income relative to pretax accounting income. In our opinion, however, a portion of any increase in the average U.S. effective tax rate that is due to TRA 86 may be only temporary and may diminish as the companies go through a transition period.

1988 and 1989 Average Effective Tax Rates Were Higher Than Rates in Prior Years

The 1988 and 1989 average U.S. effective tax rates for the companies we reviewed were higher than the rates in prior years. The average U.S. rate was 31.3 percent in 1988 and 32.9 percent in 1989, compared to rates ranging from 16.5 percent to 27.8 percent between 1980 and 1987. Between 1986 and 1989, the average U.S. effective tax rate increased from 18.6 to 32.9 percent, for a 72.6 percent increase over the period.

The 1989 average worldwide effective tax rate was higher than the rates in prior years. The average worldwide rate was 37.1 percent in 1989 compared to rates ranging from 29.5 percent to 35.4 percent between 1980 and 1988. Figure 2.1 shows the average U.S. and worldwide effective tax rates for 1980 through 1983 and 1986 through 1989. The JCT effective tax rate study for 1984 was not published. The study for 1985 was not done.

Figure 2.1: Average U.S. and Worldwide Effective Tax Rates for Companies We Reviewed



Note 1: The average rates are not exactly comparable because of variations in the companies included in each year's calculations. It is unlikely, however, that the variations result in any significant change in the average rates.

Note 2: The Joint Committee on Taxation rates for 1980 and 1981 included only 18 and 17 industry groups; the JCT rates for 1982 and 1983 were restated to exclude the insurance industry group because it was not included in subsequent years.

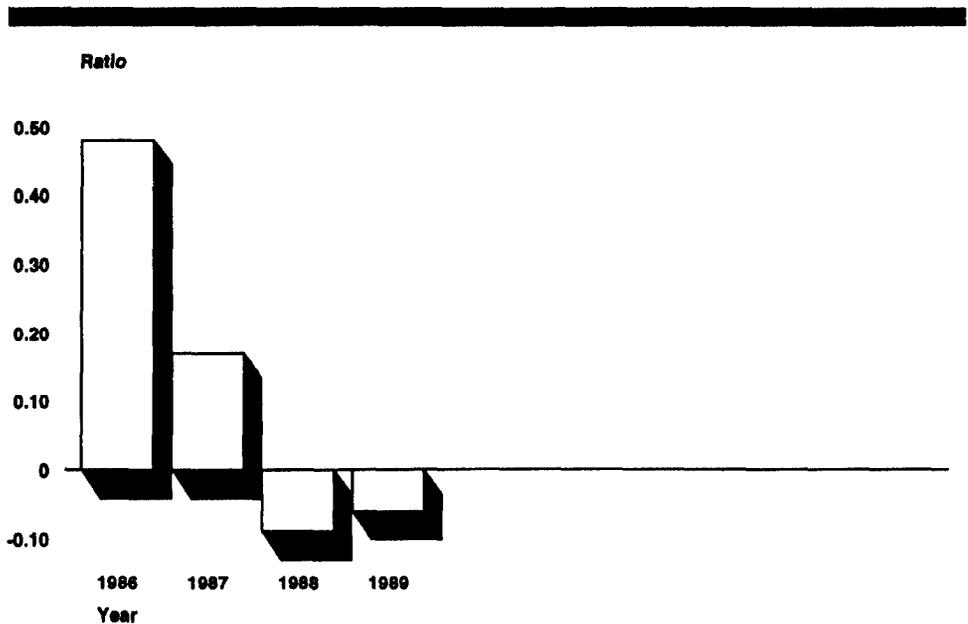
Sources: 1980-1983 average effective tax rates are from the Joint Committee on Taxation; 1986-1989 average effective tax rates are from GAO calculations.

The average U.S. effective tax rate increased for the companies we reviewed, and the difference between that rate and the statutory tax rate decreased, going from 27.4 percentage points in 1986 to 1.1 percentage points in 1989. The effective and statutory rates moved closer together because the companies' deferred tax expense decreased significantly over the period and turned negative in 1988 and 1989.

The smaller the amount of deferred taxes companies have, the closer their average U.S. effective tax rate will be to the statutory rate. A measure of companies' deferred tax expense is the ratio of deferred tax expense to

total tax expense (current plus deferred). Deferred U.S. tax expense as a ratio of total U.S. tax expense was 0.48 in 1986, when the effective tax rate was 18.6 percent and the statutory rate was 46 percent. By 1989, deferred tax expense as a ratio of total tax expense had fallen to -0.06 , when the effective tax rate was 32.9 percent and the statutory rate was 34 percent. (See fig. 2.2.) This decrease is consistent with the purpose of TRA 86, which was to lessen the ability of companies to defer income recognition for tax purposes.

Figure 2.2: Deferred U.S. Tax Expense as a Ratio of Total U.S. Tax Expense for Companies We Reviewed



Note: The negative ratios in 1988 and 1989 represent net deferred tax benefits for the companies we reviewed.

Source: GAO calculations.

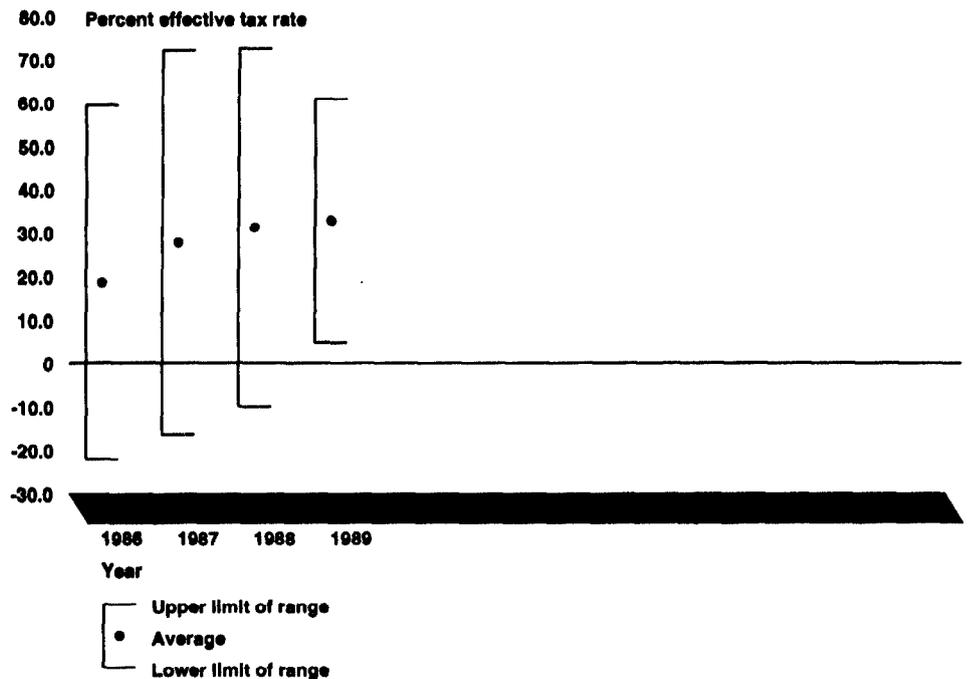
Dispersion of U.S. Effective Tax Rates Was Less in 1989 Than in Prior Years

As the average U.S. effective tax rate increased, the dispersion of company and industry group rates—that is, the difference between the rates and their average—narrowed. This is also consistent with expected results of TRA 86. With fewer means of deferring income for tax purposes, more companies would be expected to have effective tax rates closer to the statutory rate.

The dispersion of company U.S. effective tax rates was less in 1989 than in 1986, 1987, and 1988 (see fig. 2.3). As determined by the standard

deviation, in 1986 95 percent of the company rates fell in the range of -22.2 to 59.4 percent, for a difference of 81.6 percentage points. In 1989, 95 percent of the company rates were between 4.9 and 60.9 percent, for a difference of 56 percentage points. The standard deviation of company U.S. effective tax rates fell from 20.8 percent in 1986 to 14.3 percent in 1989.

Figure 2.3: Range of U.S. Effective Tax Rates for Companies We Reviewed

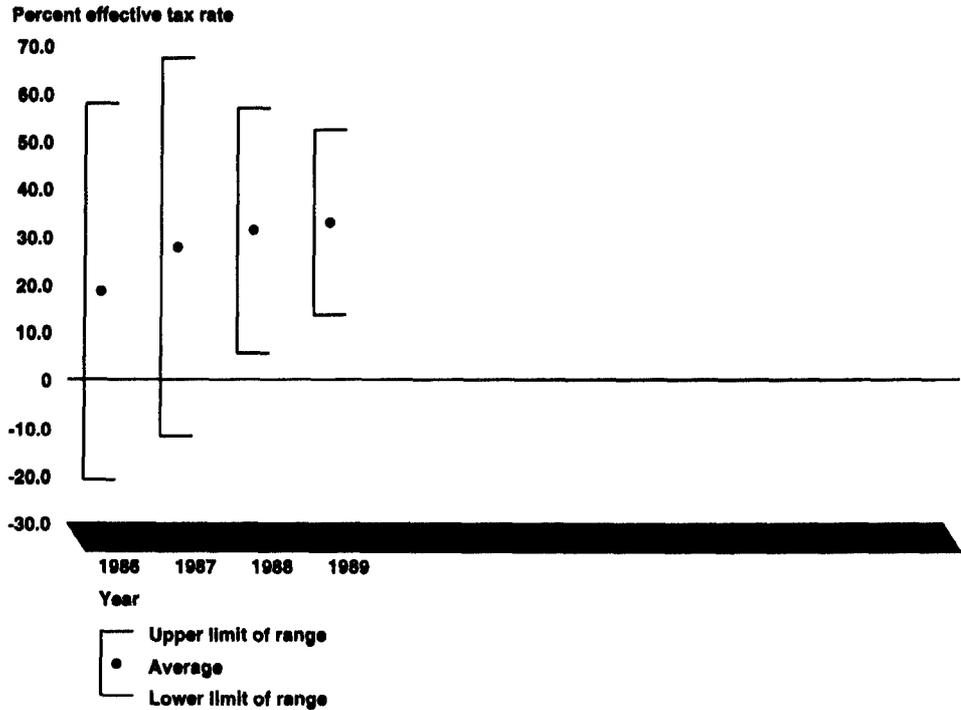


Note: 95 percent of the company U.S. effective tax rates fall between the upper and lower limits of the ranges.

Source: GAO calculations.

The dispersion of industry group U.S. effective tax rates was less in 1988 and 1989 than in 1986 and 1987. As figure 2.4 shows, in 1986 95 percent of the industry group rates fell in a range of -20.8 to 58 percent, for a difference of 78.8 percentage points. In 1989, 95 percent of the industry group rates were between 13.5 and 52.3 percent, for a difference of only 38.8 percentage points. The standard deviation of industry group U.S. effective tax rates fell from 20.1 percent in 1986 to 9.9 percent in 1989.

Figure 2.4: Range of U.S. Effective Tax Rates for Industry Groups We Reviewed



Note: 95 percent of the industry groups effective tax rates fall between the upper and lower limits of the ranges.

Source: GAO calculations.

More U.S. Effective Tax Rates for 1988 and 1989 Were Above the Statutory Rate Than for 1986 and 1987

As table 2.1 shows, the number of companies with U.S. effective tax rates below 10 percent fell from 63 in 1986 to 18 in 1989, and the number of companies with U.S. effective tax rates above the statutory rate increased from 17 in 1986 to 64 in 1989. The number of companies with effective tax rates in the "10 percent to statutory rate" range remained about the same over the 4-year period.

Table 2.1: Distribution of Company U.S. Effective Tax Rates

| Tax rate | Number of companies | | | |
|------------------------------|---------------------|------------|------------|------------|
| | 1986 | 1987 | 1988 | 1989 |
| Below 10 percent | 63 | 41 | 28 | 18 |
| 10 percent to statutory rate | 100 | 102 | 105 | 101 |
| Above statutory rate | 17 | 44 | 58 | 64 |
| Distorted rate | 40 | 33 | 29 | 37 |
| Total | 220 | 220 | 220 | 220 |

Table 2.2 shows that while the number of industry groups with U.S. effective tax rates between 10 percent and the statutory rate was fairly constant from 1986 to 1989, the number with rates below 10 percent fell from six in 1986 to zero in 1989. During the same period, the number of industry groups with U.S. effective tax rates above the statutory rate climbed from zero in 1986 to eight in 1989. Two of the low rate industry groups in 1986 (metal products and financial institutions) shifted up to the "10 percent to statutory rate" range in 1989, and three of the 1986 low rate industry groups (motor vehicles, petroleum, and airlines) shifted up to the high rate range. The sixth industry group with a low rate in 1986 (computers and office equipment) had a distorted rate in 1989.

Table 2.2: Distribution of Industry Group U.S. Effective Tax Rates

| Tax rate | Number of Industry groups | | | |
|------------------------------|---------------------------|-----------|-----------|-----------|
| | 1986 | 1987 | 1988 | 1989 |
| Below 10 percent | 6 | 2 | 1 | 0 |
| 10 percent to statutory rate | 20 | 21 | 17 | 19 |
| Above statutory rate | 0 | 5 | 10 | 8 |
| Distorted rate | 3 | 1 | 1 | 2 |
| Total | 29 | 29 | 29 | 29 |

Increased 1988 and 1989 Effective U.S. Tax Rates Are Consistent With Changes Introduced by TRA 86

The changes shown in figures 2.1 to 2.4 and tables 2.1 and 2.2 are consistent with expectations of how TRA 86 would affect corporate taxation. TRA 86 tax law changes that increased taxable income relative to pretax accounting income, and thereby increased effective tax rates, included¹

- elimination of the lower rate on long-term capital gains;
- elimination of the investment tax credit and reduction of the investment tax credit carryforward;

¹Tax legislation enacted after TRA 86 altered some of these provisions and created or changed other provisions that affect taxable income.

- 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 an inventory or capital account rather than an expense account 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 and 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; and
- imposition of additional separate foreign tax credit limitations on categories of foreign income.

A Portion of the Increase in Effective Tax Rates May Be Temporary

A portion of the 14.3 percentage point increase in the average U.S. effective tax rate from 1986 to 1989 may be temporary. The years immediately following TRA 86 are a transition period that could last for several years for the companies we reviewed. The length of the transition period for each company depends on the types and amounts of deferred taxes it incurred before TRA 86. During the transition period, for many companies, deferred tax expense based on the old tax laws will continue reversing as they would have in the absence of TRA 86 while new but smaller amounts of deferred tax expenses may originate based on TRA 86. Therefore, net deferred taxes may decline considerably, increasing current tax expense and effective tax rates. Once the transition period is over, the origination and reversal of deferred taxes may become more balanced, and effective tax rates, while still higher than in prior years, may be lower than they were in 1989.

Conclusions

For the companies we reviewed, (1) the 1988 and 1989 average U.S. effective tax rates were higher than in prior years, (2) the difference in the average U.S. effective tax rate and the statutory rate declined, and (3) the dispersion of company and industry group U.S. effective tax rates around the average narrowed. Although we could not establish a direct cause-and-effect relationship because of data limitations, these results are consistent with expectations of how TRA 86 would affect the corporate sector.

Causes of Low or High Industry Group U.S. Effective Tax Rates

In chapter 2, we noted that 10 and 8 industry groups had high U.S. effective tax rates in 1988 and 1989. We also noted that one industry group—construction—had a low U.S. effective tax rate in 1988 while no industry group had a low rate in 1989. Table 3.1 shows the U.S. effective tax rates for the industry groups with low or high rates in 1988 and 1989.

Table 3.1: U.S. Effective Tax Rates of Low or High Rate Industry Groups

| Industry group | Percent effective tax rate | |
|----------------------------|----------------------------|--------------|
| | 1988 | 1989 |
| Aerospace | 68.8% | 47.4% |
| Construction | -2.9 | 35.8 |
| Electronics and appliances | 37.0 | ^a |
| Metal manufacturing | 68.2 | ^a |
| Metal products | 119.2 | ^a |
| Motor vehicles | 36.1 | 38.2 |
| Petroleum | ^a | 42.5 |
| Retailing | 45.3 | 56.1 |
| Rubber | 34.2 | ^a |
| Soap and cosmetics | ^a | 35.2 |
| Telecommunications | 43.3 | ^a |
| Tobacco | ^a | 40.6 |
| Transportation - airlines | 36.4 | 110.3 |
| Wholesalers | 35.8 | ^a |

^aThe industry group had neither a high nor low rate in this year.

We were not able to identify all the specific reasons for the low or high rates for each industry group because of the limited data in company financial statements. The companies within each industry group experienced a number of deferred tax originations and reversals as well as, in some instances, tax refunds, pretax accounting losses, or permanent differences in taxable and accounting income that in combination caused the low or high rate.

However, we identified some predominant reasons for the high industry group rates. Our analysis indicated that the high rates resulted, in large part, from reversals of previously deferred taxes attributable to installment sales, long-term contracts, and investment tax credits. As explained in chapter 1, we cannot conclude that these reversals were directly the result of TRA 86. However, they are consistent with the expected impact of TRA 86.

TRA 86 changed the rules for determining taxable income from long-term contracts. Before March 1986, a company could use the completed-contract method to account for a long-term contract's revenue and cost. By using the completed-contract method, a company could defer taxes on the income from the contract until it was completed and the work accepted by the customer. Under the new tax law, which was effective for any contract entered into after February 28, 1986, only 60 percent of the revenue and cost of a long-term contract could be accounted for by the completed-contract method.¹ The other 40 percent was to be accounted for by the percentage-of-completion method. Under this method, a percentage of the revenue and cost of the contract is recognized for tax purposes as the work progresses. The percentage completed is determined by dividing contract costs incurred to date by the estimated total cost of the contract. This change in the tax law decreased deferred taxes on long-term contracts by reducing the difference between taxable income and accounting income from such contracts.

TRA 86 also changed the rules for determining taxable income from installment sales. Prior to 1986, under the installment method, the gross profit from installment sales could be recognized later for tax purposes than for accounting purposes. TRA 86 repealed the use of the installment method, and thereby eliminated tax deferrals, for sales financed by revolving credit plans and sales of certain publicly traded property and accelerated the recognition of gain from installment sales of inventory and business or rental real estate.

TRA 86 eliminated the investment tax credit (ITC). Under the Tax Equity and Fiscal Responsibility Act of 1982, taxpayers who chose to take the full amount of ITC had to reduce the tax basis of the asset, or cost for tax purposes, by 50 percent of ITC. The effect of the reduction in tax basis was accounted for as a deferred tax expense that would be reversed over the life of the asset. With the repeal of ITC, one would expect to see net reversals of previously deferred taxes attributable to the basis reductions because there are no new deferral originations to offset the reversals.

The 1988 Low Rate Industry Group

The construction industry group had a U.S. effective tax rate of -2.9 percent in 1988. It was the only group that had a low rate in 1988. Three of the six companies in this industry group had distorted rates due to U.S. pretax accounting losses; one company had a low U.S. rate because it had

¹This percentage was reduced to 30 percent in 1987 for contracts entered into after October 13, 1987, and to 10 percent in 1988 for contracts entered into after June 21, 1988. In 1989, legislation repealed use of the completed-contract method.

claimed a large tax refund, and the other two companies had high U.S. rates due primarily to the reversal of previously deferred taxes on installment sales. The industry's low U.S. effective tax rate is thus not attributable to any one predominant cause.

The 1989 High Rate Industry Groups

Our belief that reversals of certain previously deferred tax expenses may be a primary reason for the high industry group U.S. effective tax rates is based on our analysis of aggregated information from the companies' financial statements. The following discussion pertaining to 1989 effective tax rates illustrates our analysis and the difficulties we encountered in identifying specific reasons for the high industry group U.S. effective tax rates.

Table 3.2 shows the U.S. pretax accounting income, current tax expense, and effective tax rate for each of the 1989 high U.S. effective tax rate industry groups.

Table 3.2: Pretax Income and Current Tax Expense for 1989 High U.S. Effective Tax Rate Industry Groups

Dollars in thousands

| Industry group | U.S. pretax accounting income | U.S. current tax expense | Effective tax rate |
|---------------------------|-------------------------------|--------------------------|--------------------|
| Aerospace | \$3,480,883 | \$1,651,300 | 47.4% |
| Construction | 361,810 | 129,585 | 35.8 |
| Motor vehicles | 6,069,781 | 2,317,394 | 38.2 |
| Petroleum | 9,566,315 | 4,068,123 | 42.5 |
| Retail | 3,344,048 | 1,876,555 | 56.1 |
| Soap and cosmetics | 1,775,096 | 624,290 | 35.2 |
| Tobacco | 1,155,851 | 469,720 | 40.6 |
| Transportation - airlines | 527,180 | 581,531 | 110.3 |
| Total | \$26,280,964 | \$11,718,498 | 44.6 |

The weighted average U.S. effective tax rate for the eight industry groups is 44.6 percent. The eight industry groups incurred net deferred tax expenses and benefits (-) as shown in table 3.3. If they had not had the net U.S. deferred tax benefit of ~\$3 billion, their average U.S. effective tax rate would have been 33.1 percent, 0.9 percentage points below the statutory rate.

Chapter 3
Causes of Low or High Industry Group U.S.
Effective Tax Rates

Table 3.3: Net U.S., State and Local, and Foreign Deferred Tax Expenses and Benefits (-) for 1989 High Rate Industry Groups

Dollars in thousands

| Industry group | U.S. | State and local | Foreign | Total |
|---------------------------|---------------------|------------------------|------------------|---------------------|
| Aerospace | -\$706,200 | -\$28,990 | \$26,900 | -\$708,290 |
| Construction | -18,834 | 3,693 | -16,381 | -31,522 |
| Motor vehicles | -800,534 | -20,907 | 534,738 | -286,703 |
| Petroleum | -907,000 | -40,000 | 167,425 | -779,575 |
| Retail | -626,553 | -30,492 | 51,000 | -606,045 |
| Soap and cosmetics | -55,148 | 785 | 64,396 | 10,033 |
| Tobacco | -47,288 | -909 | 9,942 | -38,255 |
| Transportation - airlines | 137,193 | -26,457 | 0 | 110,736 |
| Total | -\$3,024,364 | -\$143,277 | \$838,020 | -\$2,329,621 |

Companies do not identify reversals of previous deferrals in their financial statements. Instead, they call reversals of previously deferred tax expenses "deferred tax benefits" and vice versa. Therefore, a net deferred tax benefit may be either a net reversal of previously deferred tax expenses or a net origination of deferred tax benefits. To determine the extent to which the -\$3 billion net U.S. deferred tax benefit was composed of such reversals or originations, we examined the nature of the financial transactions that caused the deferrals (see table 3.4). We encountered difficulty because companies did not disclose the extent to which these transactions were associated with U.S., state and local, and foreign taxes. However, because U.S. deferred taxes are primarily deferred tax benefits (-) while foreign deferred taxes are primarily deferred tax expenses, as shown in table 3.3, we concluded that the deferred tax benefits (-) listed in table 3.4 are predominantly attributable to U.S. taxes.

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Table 3.4: Composition of Deferred Tax Expenses and Benefits (-) For 1989 High Rate Industry Groups

| Dollars in thousands | | |
|---|---------------------|-------------------------|
| Deferred tax item | Amount | Percent of total |
| Long-term contracts | -\$938,802 | 40.3% |
| Reserves | -760,722 | 32.7 |
| Installment sales | -564,844 | 24.2 |
| Employee benefits | -485,732 | 20.9 |
| Tax credits (including investment tax credit) | -369,025 | 15.8 |
| Gain/loss on sale of asset | -291,215 | 12.5 |
| Asset writedowns | -250,327 | 10.7 |
| Accelerated depreciation | 1,980,970 | -85.0 |
| Other ^a | -649,924 | 27.9 |
| Net deferred tax benefit | -\$2,329,621 | 100.0% |

^a"Other" is the sum of all components accounting for less than 10 percent, individually, of the total net deferred tax benefit.

Having concluded that the deferred tax benefits were predominantly U.S., we then tried to determine to what extent they were reversals of previously deferred tax expenses or originations of deferred tax benefits. In some instances, we could easily make such a determination. For example, deferred tax benefits associated with installment sales must be reversals of previously deferred tax expenses because deferral originations resulting from installment sales are deferred tax expenses. We made similar determinations for long-term contracts and tax credits. In other instances, we could not determine from the nature of the financial transaction whether the deferred tax benefits were reversals or originations. For instance, a gain or loss on the sale of an asset could be either.

From our analysis, we concluded that the -\$1.9 billion of deferred tax benefits associated with long-term contracts, installment sales, and tax credits (including investment tax credits) were mainly reversals of previously deferred U.S. tax expenses. They accounted for 62 percent of the total U.S. deferred tax benefit (-) and were therefore significant contributors to the industries' high U.S. effective tax rates. However, as table 3.4 shows, reserves, employee benefits, gain/loss on sale of asset, and asset writedowns were also contributors to the high tax rates. However, on the basis of the information presented in the company financial statements, we could not classify them as either reversals of previously deferred taxes or originations of deferred tax benefits.

Conclusion

We concluded that the high U.S. effective tax rates for the eight industry groups in 1989 were, in large part, associated with the reversal of previously deferred tax expenses for long-term contracts, installment sales, and tax credits (including investment tax credits).

Methodology for Computing Effective Tax Rates

This appendix describes how we selected our sample, computed company and industry effective tax rates, and computed company and industry standard deviations of effective tax rates.

Company Selection

We computed effective tax rates for 220 companies in 1988 and 220 companies in 1989. Our goal in company selection was to maintain comparability with previous GAO and Joint Committee on Taxation (JCT) studies. The companies for which we computed 1988 and 1989 effective tax rates were, to the extent possible, the same as those used in our 1990 report. Of the 220 companies used for 1988 and 1989, 193 and 188 were the same as those in our 1990 report.

Companies used in our 1990 report were included in this report if they met the following three criteria:

- they were still listed in the Fortune 500 Industrial or Fortune 500 Service directories,
- their industry classification in the Fortune directories was the same as the prior year, and
- information needed to compute effective tax rates was available.

To ensure that companies met the first criterion, we matched the companies used in our 1990 report with the Fortune directories for 1988 and 1989. We made substitutions for seven companies in 1988 and five companies in 1989 because they did not appear in the 1988 or 1989 directories, or they were acquired by other firms listed in the directories.

To ensure that companies met the second criterion, we matched the industry classifications of the companies used in our 1990 report with industry classifications for 1988 and 1989. We substituted 14 companies in 1988 and 5 companies in 1989 because their industry classifications differed from those of the prior year.

To obtain information needed to compute effective tax rates, we used a three-step process. First, we requested by mail 1988 and/or 1989 annual reports for all the companies on our list. If a company did not respond to our request, we sent a follow-up letter. If we did not receive an answer to either request, we attempted to obtain the company's Form 10-K, which is filed with the Securities and Exchange Commission (SEC) and should contain the required financial information. If we could not obtain the information from SEC, we substituted a Fortune 500 company in the same

industry classification so each industry group would have the same number of companies in the sample from year to year. We made seven substitutions in 1988 and one in 1989 because this three-step process was unsuccessful.

Effective Tax Rate Computation

To be consistent with the methodology used by JCT and us in our 1990 report, we computed effective tax rates by dividing current income tax expense from continuing operations by pretax accounting income from continuing operations. We obtained both amounts from publicly available annual financial statements and made certain adjustments, which are discussed below, to be consistent with JCT's and our prior methodology.

Adjustments to Reported Current Income Tax Expense From Continuing Operations

Net Operating Loss Carryforwards

When a company has a net operating loss (NOL) for tax purposes, it is allowed to carry the loss forward for up to 15 years to offset future taxable income and lower its future tax expense. Under JCT's methodology and the accounting standards in effect when JCT computed its effective tax rates, NOL carryforwards were considered extraordinary items and therefore were not considered part of a company's continuing operations. For this reason, NOL carryforwards did not affect JCT's computations.

In 1988 and 1989, under proposed new accounting standards that some companies elected to adopt before their effective date, companies could subtract NOL carryforwards in computing their current income tax expense from continuing operations.¹ To be consistent with JCT's methodology, we adjusted the current income tax expense from continuing operations for the companies that had elected to adopt the proposed standards by adding back the NOL carryforwards.

Investment Tax Credit

Before the Tax Reform Act of 1986 (TRA 86), companies could account for investment tax credits by using one of two methods: the flow-through method or the deferred method. Under the flow-through method, the

¹Statement of Financial Accounting Standards No. 96: Accounting for Income Taxes, Financial Accounting Standards Board, December 1987. Because of repeated delays, Statement No. 96 never became effective. It was replaced by Statement of Financial Accounting Standards No. 109: Accounting for Income Taxes, Financial Accounting Standards Board, February 1992.

entire credit is used to reduce current tax expense in the year the investment is made. Under the deferred method, the credit is amortized over the productive life of the investment. Although TRA 86 repealed the investment tax credit, carryovers of prior credits to 1988 and/or 1989 had to be considered in computing effective tax rates. To be consistent with prior methodology, we adjusted (1) current income tax expense from continuing operations by subtracting the investment credit carryover if the flow-through method was originally used or (2) deferred tax expense by subtracting the current year's amortization of deferred investment tax credits if the deferred method was used.

**Adjustment to Reported
Pretax Accounting Income
From Continuing
Operations**

State/Local Income Taxes

To be consistent with prior JCT and GAO methodology, we considered state and/or local income taxes to be expenses. Therefore, we adjusted pretax accounting income from continuing operations by subtracting the current portion of any state and/or local income tax expense.

**Standard Deviation
Computation**

The average effective tax rates in this report were weighted by the pretax incomes of the companies. Therefore, the standard deviations of the average effective tax rates were also weighted by the pretax incomes of the companies. Companies or industry groups with a pretax accounting loss were assigned a weight of zero. If a company or an industry group had an effective tax rate with an absolute value over 300 percent, it was considered an outlier for purposes of determining the standard deviation and therefore was not included in the computation.

Comments From Company Officials

We sent letters to the tax directors of all the companies we reviewed to request their comments on the effective tax rates we computed. In the letters, we stated that if the company provided no response, we would assume that the rates we computed were correct.

Responses were received from officials of 79 companies, and we made appropriate changes based on the responses. Following is a summary of the officials' responses:

- Fifteen agreed with the rates computed, and none agreed or disagreed with the methodology.
- Twenty-six provided corrections or additional information, but none agreed or disagreed with the methodology.
- Thirty provided corrections or additional information and disagreed with the methodology.
- Eight had other remarks.

If company officials agreed with the rate we computed, we did nothing. We changed our computed effective tax rates for 31 of the 56 companies that provided corrections or additional information. We do not believe that changes were warranted for the other 25 companies because their suggestions did not conform to our methodology. As stated in chapter 1, we recognize that there are different ways of calculating effective tax rates. We chose our methodology because it is consistent with that of earlier JCT studies and our 1990 report.

U.S. Effective Tax Rates by Industry Group for 1982, 1983, and 1986 Through 1989

| Industry group | Effective tax rates expressed as a percent | | | | | |
|---|--|-------------------|---------------------|--------------------|---------------------|---------------------|
| | JCT ^a | | GAO | | | |
| | 1982 | 1983 | 1986 | 1987 | 1988 | 1989 |
| Aerospace | -0.6 | 14.0 | 15.9 | 30.1 | 68.8 | 47.4 |
| Beverages | 20.5 | 18.7 | 21.6 | 37.7 | 27.5 | 26.7 |
| Broadcasting | 8.9 | 18.5 | 32.1 | 29.3 | 29.9 | 32.1 |
| Chemicals | -17.7 | -1.0 | 13.5 | 36.8 | 25.0 | 25.0 |
| Computers and office equipment | 26.4 | 26.3 | -0.6 | 12.4 | 20.6 | -95.6 ^b |
| Construction | 15.9 | 0.7 | -201.5 ^b | -36.5 ^b | -2.9 | 35.8 |
| Electronics and appliances | 14.3 | 7.4 | 29.2 | 32.0 | 37.0 | 26.9 |
| Financial institutions | -3.8 | 6.4 | 8.6 | 166.7 | 12.7 | 27.4 |
| Food processors | 31.6 | 25.9 | 32.4 | 37.5 | 28.1 | 30.2 |
| Glass, concrete, abrasives, and gypsum | 539.8 ^b | 17.5 | 39.0 | 35.5 | -220.3 ^b | -167.3 ^b |
| Instrument companies | 21.9 | 32.8 | 35.4 | 34.8 | 31.4 | 31.9 |
| Investment companies | 21.3 | 9.3 | 27.7 | 14.1 | 33.6 | 31.9 |
| Metal manufacturing | 10.7 ^b | 1.9 ^b | -2.8 ^b | -19.3 | 68.2 | 28.2 |
| Metal products | 30.2 | 15.1 | 0.3 | 46.5 | 119.2 | 31.1 |
| Mining | 12.7 ^b | 3.9 ^b | 43.2 | 36.1 | 22.7 | 30.6 |
| Motor vehicles | 19.5 ^b | 3.5 | -18.4 | 3.9 | 36.1 | 38.2 |
| Paper and wood products | 36.1 | -0.5 | 11.5 | 17.2 | 20.1 | 29.0 |
| Petroleum | 18.2 | 21.3 | -76.2 | 121.3 | 32.4 | 42.5 |
| Pharmaceuticals | 32.7 | 27.2 | 35.7 | 28.0 | 29.3 | 31.4 |
| Retailing | 20.4 | 20.0 | 29.2 | 46.1 | 45.3 | 56.1 |
| Rubber | 39.0 | 19.6 | 22.6 | 19.0 | 34.2 | 29.9 |
| Soap and cosmetics | 33.3 | 35.6 | 26.1 | 45.8 | 25.0 | 35.2 |
| Telecommunications | 1.6 | 4.8 | 25.7 | 28.3 | 43.3 | 24.7 |
| Tobacco | 36.3 | 33.8 | 30.0 | 28.1 | 33.5 | 40.6 |
| Transportation | | | | | | |
| Airlines | 7.8 ^b | 21.6 ^b | -43.5 | 25.7 | 36.4 | 110.3 |
| Railroads | 4.1 | 3.3 | -113.2 ^b | 15.6 | 11.8 | 15.1 |
| Trucking | 36.9 | 34.5 | 28.4 | 30.7 | 18.2 | 26.1 |
| Utilities (electric and gas) | 15.6 | 7.1 | 14.7 | 18.0 | 16.8 | 26.5 |
| Wholesalers | 36.1 | 34.8 | 37.3 | 39.5 | 35.8 | 30.6 |
| Average (weighted by income) | 16.5 | 16.8 | 18.6 | 27.8 | 31.3 | 32.9 |
| Standard deviation (weighted by income) | 11.5 | 10.0 | 20.1 | 20.1 | 13.1 | 9.9 |

(Table notes on next page)

Appendix III
U.S. Effective Tax Rates by Industry Group
for 1982, 1983, and 1986 Through 1989

^aThe JCT effective tax rate study for 1984 was not published. The study for 1985 was not done.

^bThe tax rate shown is arithmetically distorted due to a pretax accounting loss. An accounting loss causes the sign of the effective tax rate to be negative when a tax is paid or positive when a tax refund is received, which is the opposite of what the signs should indicate.

Worldwide Effective Tax Rates by Industry Group for 1982, 1983, and 1986 Through 1989

| Industry group | Effective tax rates expressed as a percent | | | | | |
|---|--|--------------------|---------------------|--------------------|-------|-------|
| | JCT ^a | | GAO | | | |
| | 1982 | 1983 | 1986 | 1987 | 1988 | 1989 |
| Aerospace | 7.1% | 18.1% | 19.6% | 30.9% | 63.9% | 45.1% |
| Beverages | 28.8 | 27.3 | 28.0 | 36.4 | 29.2 | 26.9 |
| Broadcasting | 13.7 | 21.7 | 33.4 | 31.5 | 30.3 | 32.5 |
| Chemicals | 47.3 | 52.9 | 33.2 | 42.8 | 35.8 | 35.3 |
| Computers and office equipment | 37.1 | 38.1 | 38.6 | 34.4 | 37.8 | 53.3 |
| Construction | 22.6 | 29.3 | 8399.3 | -73.4 ^b | 30.4 | 39.0 |
| Electronics and appliances | 21.4 | 16.4 | 31.8 | 33.3 | 38.5 | 28.7 |
| Financial institutions | 24.3 | 24.3 | 27.8 | -29.3 ^b | 20.7 | 129.0 |
| Food processors | 36.5 | 29.3 | 35.7 | 38.3 | 31.8 | 32.4 |
| Glass, concrete, abrasives, and gypsum | 17.9 | 24.4 | 39.5 | 36.7 | 55.1 | 51.0 |
| Instrument companies | 26.9 | 36.7 | 36.0 | 33.9 | 30.8 | 33.6 |
| Investment companies | 23.3 | 13.8 | 27.1 | 25.8 | 31.3 | 30.4 |
| Metal manufacturing | 7.2 ^b | 5.0 ^b | -5.1 ^b | -0.6 | 44.2 | 26.5 |
| Metal products | 42.8 | 29.3 | 49.0 | 39.3 | 53.7 | 32.9 |
| Mining | 3.2 ^b | -15.3 ^b | 53.5 | 44.5 | 47.0 | 31.2 |
| Motor vehicles | -24.9 ^b | 10.4 | 3.6 | 6.7 | 33.9 | 38.5 |
| Paper and wood products | 42.5 | 7.2 | 13.9 | 18.1 | 21.3 | 28.4 |
| Petroleum | 38.2 | 42.0 | 28.6 | 54.7 | 39.6 | 44.5 |
| Pharmaceuticals | 38.3 | 32.1 | 37.1 | 34.3 | 33.9 | 36.2 |
| Retailing | 21.6 | 21.3 | 29.8 | 42.0 | 44.7 | 54.5 |
| Rubber | 59.6 | 35.0 | 48.9 | 34.8 | 41.9 | 44.7 |
| Soap and cosmetics | 38.0 | 38.9 | 27.9 | 45.3 | 29.7 | 36.7 |
| Telecommunications | 2.3 | 5.6 | 26.4 | 28.9 | 44.0 | 25.1 |
| Tobacco | 32.7 | 32.9 | 32.1 | 29.3 | 36.8 | 37.7 |
| Transportation | | | | | | |
| Airlines | 3.4 ^b | 52.8 ^b | -85.5 | 24.8 | 35.1 | 188.0 |
| Railroads | 4.1 | 3.3 | -113.2 ^b | 15.8 | 12.3 | 15.5 |
| Trucking | 37.2 | 34.6 | 28.7 | 31.0 | 18.6 | 26.1 |
| Utilities (electric and gas) | 15.6 | 7.1 | 14.8 | 18.0 | 16.8 | 26.5 |
| Wholesalers | 34.1 | 35.9 | 37.7 | 40.1 | 36.2 | 30.8 |
| Average (weighted by income) | 30.0 | 29.5 | 28.1 | 35.4 | 34.8 | 37.1 |
| Standard deviation (weighted by income) | 13.3 | 14.2 | 18.6 | 13.3 | 9.5 | 15.6 |

(Table notes on next page)

Appendix IV
Worldwide Effective Tax Rates by Industry
Group for 1982, 1983, and 1986 Through
1989

*The JCT effective tax rate study for 1984 was not published. The study for 1985 was not done.

†The tax rate shown is arithmetically distorted due to a pretax accounting loss. An accounting loss causes the sign of the effective tax rate to be negative when a tax is paid or positive when a tax refund is received, which is the opposite of what the signs should indicate.

Effective Tax Rates by Industry Group for 1988

Dollars in thousands

| Industry group | U.S. income before tax | Foreign income before tax |
|--|------------------------|---------------------------|
| Aerospace | \$4,435,695 | \$970,890 |
| Beverages | 2,469,104 | 1,530,728 |
| Broadcasting | 1,161,576 | 102,600 |
| Chemicals | 5,071,900 | 5,238,900 |
| Computers and office equipment | 4,179,327 | 10,068,083 |
| Construction | 56,825 | 183,115 |
| Electronics and appliances | 6,643,777 | 1,830,262 |
| Financial institutions | 10,278,131 | 3,412,981 |
| Food processing | 4,690,363 | 1,752,454 |
| Glass, concrete, abrasives, and gypsum | -33,947 | 570,530 |
| Instrument companies | 2,687,400 | 2,808,000 |
| Investment companies | 3,170,123 | 787,800 |
| Metal manufacturing | 1,103,881 | 1,201,619 |
| Metal products | 108,310 | 616,812 |
| Mining | 375,537 | 362,977 |
| Motor vehicles | 9,246,131 | 7,743,862 |
| Paper and wood products | 3,389,950 | 508,874 |
| Petroleum | 13,836,420 | 14,059,070 |
| Pharmaceuticals | 3,870,600 | 2,976,000 |
| Retailing | 4,665,810 | 375,248 |
| Rubber | 530,877 | 585,633 |
| Soaps and cosmetics | 1,460,847 | 1,019,512 |
| Telecommunications | 9,012,645 | 316,047 |
| Tobacco | 4,070,132 | 1,063,618 |
| Transportation | | |
| Airlines | 2,762,517 | 117,338 |
| Railroads | 2,335,253 | 14,000 |
| Trucking | 1,583,614 | -30,525 |
| Utilities (electric and gas) | 7,817,207 | 0 |
| Wholesalers | 937,903 | 15,472 |

**Appendix V
Effective Tax Rates by Industry Group for
1988**

| 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 |
| \$5,406,585 | \$3,051,100 | \$402,800 | \$3,453,900 | 68.8% | 41.5% | 63.9% |
| 3,999,832 | 678,267 | 489,928 | 1,168,195 | 27.5 | 32.0 | 29.2 |
| 1,264,176 | 347,100 | 35,400 | 382,500 | 29.9 | 34.5 | 30.3 |
| 10,310,800 | 1,265,500 | 2,429,300 | 3,694,800 | 25.0 | 46.4 | 35.8 |
| 14,247,410 | 862,693 | 4,520,883 | 5,383,576 | 20.6 | 44.9 | 37.8 |
| 239,940 | -1,632 | 74,455 | 72,823 | -2.9 | 40.7 | 30.4 |
| 8,474,039 | 2,460,485 | 798,000 | 3,258,485 | 37.0 | 43.6 | 38.5 |
| 13,691,112 | 1,302,648 | 1,524,474 | 2,827,122 | 12.7 | 44.7 | 20.6 |
| 6,442,817 | 1,317,592 | 733,670 | 2,051,262 | 28.1 | 41.9 | 31.8 |
| 536,583 | 74,788 | 220,995 | 295,783 | -220.3 ^a | 38.7 | 55.1 |
| 5,495,400 | 844,400 | 847,300 | 1,691,700 | 31.4 | 30.2 | 30.8 |
| 3,957,923 | 1,065,424 | 171,256 | 1,236,680 | 33.6 | 21.7 | 31.2 |
| 2,305,500 | 752,700 | 266,300 | 1,019,000 | 68.2 | 22.2 | 44.2 |
| 725,122 | 129,100 | 260,095 | 389,195 | 119.2 | 42.2 | 53.7 |
| 738,514 | 85,212 | 261,933 | 347,145 | 22.7 | 72.2 | 47.0 |
| 16,989,993 | 3,336,338 | 2,415,608 | 5,751,946 | 36.1 | 31.2 | 33.9 |
| 3,898,824 | 681,187 | 147,281 | 828,468 | 20.1 | 28.9 | 21.2 |
| 27,895,490 | 4,477,465 | 6,571,492 | 11,048,957 | 32.4 | 46.7 | 39.6 |
| 6,846,600 | 1,135,815 | 1,186,304 | 2,322,119 | 29.3 | 39.9 | 33.9 |
| 5,041,058 | 2,115,474 | 138,506 | 2,253,980 | 45.3 | 36.9 | 44.7 |
| 1,116,510 | 181,771 | 285,705 | 467,476 | 34.2 | 48.8 | 41.9 |
| 2,480,359 | 365,707 | 370,005 | 735,712 | 25.0 | 36.3 | 29.7 |
| 9,328,692 | 3,900,302 | 207,866 | 4,108,168 | 43.3 | 65.8 | 44.0 |
| 5,133,750 | 1,364,435 | 524,339 | 1,888,774 | 33.5 | 49.3 | 36.8 |
| 2,879,855 | 1,005,366 | 4,192 | 1,009,558 | 36.4 | 3.6 | 35.1 |
| 2,349,253 | 275,571 | 13,100 | 288,671 | 11.8 | 93.6 | 12.3 |
| 1,553,089 | 288,671 | 0 | 288,671 | 18.2 | 0.0 | 18.6 |
| 7,817,207 | 1,312,693 | 0 | 1,312,693 | 16.8 | • | 16.8 |
| 953,375 | 335,503 | 9,101 | 344,604 | 35.8 | 58.8 | 36.1 |

Note: "•" indicates that a rate was not computed because the industry group did not earn any pretax income or pay any taxes.

^aRate shown is arithmetically distorted due to a pretax accounting loss.

Effective Tax Rates by Industry Group for 1989

Dollars in thousands

| Industry group | U.S. Income before tax | Foreign Income before tax |
|--|------------------------|---------------------------|
| Aerospace | \$3,480,883 | \$1,182,570 |
| Beverages | 2,679,377 | 1,798,082 |
| Broadcasting | 1,525,252 | 104,100 |
| Chemicals | 5,905,300 | 4,880,300 |
| Computers and office equipment | -973,610 | 9,980,777 |
| Construction | 361,810 | 198,587 |
| Electronics and appliances | 8,361,390 | 1,917,373 |
| Financial institutions | 5,240,879 | -3,006,442 |
| Food processing | 6,117,090 | 2,601,895 |
| Glass, concrete, abrasives, and gypsum | -40,155 | 552,627 |
| Instrument companies | 2,219,100 | 2,723,800 |
| Investment companies | 2,910,772 | 1,022,900 |
| Metal manufacturing | 1,814,522 | 2,002,484 |
| Metal products | 687,537 | 684,072 |
| Mining | 620,503 | 380,143 |
| Motor vehicles | 6,069,781 | 7,211,638 |
| Paper and wood products | 3,400,244 | 576,774 |
| Petroleum | 9,566,315 | 15,694,709 |
| Pharmaceuticals | 4,263,600 | 2,978,900 |
| Retailing | 3,344,048 | 406,430 |
| Rubber | 430,660 | 505,982 |
| Soaps and cosmetics | 1,775,096 | 1,287,759 |
| Telecommunications | 16,562,147 | 446,283 |
| Tobacco | 1,155,851 | 516,813 |
| Transportation | | |
| Airlines | 527,180 | -217,343 |
| Railroads | 2,509,607 | 44,000 |
| Trucking | 1,592,675 | 0 |
| Utilities (electric and gas) | 8,498,777 | 0 |
| Wholesalers | 1,119,882 | 18,538 |

**Appendix VI
Effective Tax Rates by Industry Group for
1989**

| 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 |
| \$4,663,453 | \$1,651,300 | \$450,900 | \$2,102,200 | 47.4% | 38.1% | 45.1% |
| 4,477,459 | 716,046 | 487,176 | 1,203,222 | 26.7 | 27.1 | 26.9 |
| 1,629,352 | 490,200 | 38,681 | 528,881 | 32.1 | 37.2 | 32.5 |
| 10,785,600 | 1,479,200 | 2,325,600 | 3,804,800 | 25.0 | 47.7 | 35.3 |
| 9,007,167 | 930,979 | 3,869,523 | 4,800,502 | -95.6 ^a | 38.8 | 53.3 |
| 560,397 | 129,585 | 89,208 | 218,793 | 35.8 | 44.9 | 39.0 |
| 10,278,763 | 2,248,049 | 699,500 | 2,947,549 | 26.9 | 36.5 | 28.7 |
| 2,234,437 | 1,436,328 | 1,446,039 | 2,882,367 | 27.4 | -48.1 ^a | 129.0 |
| 8,718,985 | 1,850,178 | 970,645 | 2,820,823 | 30.2 | 37.3 | 32.4 |
| 512,472 | 67,184 | 194,282 | 261,466 | -167.3 ^a | 35.2 | 51.0 |
| 4,942,900 | 707,100 | 954,800 | 1,661,900 | 31.9 | 35.1 | 33.6 |
| 3,933,672 | 929,878 | 264,282 | 1,194,160 | 31.9 | 25.8 | 30.4 |
| 3,817,006 | 512,100 | 499,406 | 1,011,506 | 28.2 | 24.9 | 26.5 |
| 1,371,609 | 213,864 | 237,504 | 451,368 | 31.1 | 34.7 | 32.9 |
| 1,000,646 | 189,722 | 121,932 | 311,654 | 30.6 | 32.1 | 31.1 |
| 13,281,419 | 2,317,394 | 2,795,133 | 5,112,527 | 38.2 | 38.8 | 38.5 |
| 3,977,018 | 984,389 | 144,567 | 1,128,956 | 29.0 | 25.1 | 28.4 |
| 25,261,024 | 4,068,123 | 7,016,014 | 11,084,137 | 42.5 | 44.7 | 43.9 |
| 7,242,500 | 1,337,910 | 1,283,919 | 2,621,829 | 31.4 | 43.1 | 36.2 |
| 3,750,478 | 1,876,555 | 168,657 | 2,045,212 | 56.1 | 41.5 | 54.5 |
| 936,642 | 128,822 | 289,953 | 418,775 | 29.9 | 57.3 | 44.7 |
| 3,062,855 | 624,290 | 498,476 | 1,122,766 | 35.2 | 38.7 | 36.7 |
| 17,008,430 | 4,092,937 | 173,559 | 4,266,496 | 24.7 | 38.9 | 25.1 |
| 1,672,664 | 469,720 | 160,349 | 630,069 | 40.6 | 31.0 | 37.7 |
| 309,837 | 581,531 | 1,075 | 582,606 | 110.3 | -0.5 ^a | 188.0 |
| 2,553,607 | 380,117 | 14,400 | 394,517 | 15.1 | 32.7 | 15.4 |
| 1,592,675 | 416,374 | 0 | 416,374 | 26.1 | • | 26.1 |
| 8,498,777 | 2,249,015 | 0 | 2,249,015 | 26.5 | • | 26.5 |
| 1,138,420 | 343,239 | 7,204 | 350,443 | 30.6 | 38.9 | 30.8 |

Note: "•" indicates that a rate was not computed because the industry group did not earn any pretax income or pay any taxes.

^aRate shown is arithmetically distorted due to a pretax accounting loss.

U.S., Foreign, and Worldwide Effective Tax Rates by Industry Group and Company for 1988

Dollars in thousands

| Industry group/company | U.S. Income before tax | Foreign Income before tax |
|--------------------------------------|------------------------|---------------------------|
| Aerospace | | |
| Allied-Signal Inc. | \$373,000 | \$221,000 |
| The Boeing Company | 820,000 | 0 |
| General Dynamics Corporation | 455,000 | 0 |
| Lockheed Corporation | 564,000 | 16,000 |
| Martin Marietta Corporation | 444,995 | 9,090 |
| McDonnell Douglas Corporation | 444,000 | 36,000 |
| Rockwell International Corporation | 713,700 | 191,000 |
| United Technologies | 621,000 | 497,800 |
| Industry total | \$4,435,695 | \$970,890 |
| Beverages | | |
| Adolph Coors Company | \$74,223 | \$0 |
| Anheuser-Busch Companies, Inc. | 1,093,400 | 0 |
| Brown-Forman Corporation | 143,861 | 23,540 |
| The Coca-Cola Company | 424,820 | 1,142,988 |
| PepsiCo, Inc. | 732,800 | 364,200 |
| Industry total | \$2,469,104 | \$1,530,728 |
| Broadcasting | | |
| Capital Cities/ABC, Inc. | \$629,276 | \$0 |
| CBS Inc. | 413,400 | 0 |
| MCA INC. | 118,900 | 102,600 |
| Industry total | \$1,161,576 | \$102,600 |
| Chemicals | | |
| American Cyanamid Company | \$142,900 | \$292,300 |
| The Dow Chemical Company | 1,756,000 | 2,069,000 |
| E. I. du Pont de Nemours and Company | 1,903,000 | 1,862,000 |
| Monsanto Company | 463,000 | 412,000 |
| Union Carbide Corporation | 762,000 | 336,000 |
| W.R. Grace & Co. | 45,000 | 267,600 |
| Industry total | \$5,071,900 | \$5,238,900 |

**Appendix VII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1988**

| 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 |
| \$594,000 | \$103,000 | \$82,000 | \$185,000 | 27.6% | 37.1% | 31.1% |
| 820,000 | 921,000 | 0 | 921,000 | 112.3 | • | 112.3 |
| 455,000 | 130,500 | 0 | 130,500 | 28.7 | • | 28.7 |
| 580,000 | 4,000 | 13,000 | 17,000 | 0.7 | 81.3 | 2.9 |
| 454,085 | 168,300 | 4,300 | 172,600 | 37.8 | 47.3 | 38.0 |
| 480,000 | 75,000 | 0 | 75,000 | 16.9 | 0.0 | 15.6 |
| 904,700 | 1,373,700 | 70,400 | 1,444,100 | 192.5 | 36.9 | 159.6 |
| 1,118,800 | 275,600 | 233,100 | 508,700 | 44.4 | 46.8 | 45.5 |
| \$5,406,585 | \$3,051,100 | \$402,800 | \$3,453,900 | 68.8% | 41.5% | 63.9% |
| \$74,223 | \$15,608 | \$0 | \$15,608 | 21.0% | • | 21.0% |
| 1,093,400 | 330,500 | 0 | 330,500 | 30.2 | • | 30.2 |
| 167,401 | 43,875 | 1,922 | 45,797 | 30.5 | 8.2 | 27.4 |
| 1,567,808 | 53,084 | 426,106 | 479,190 | 12.5 | 37.3 | 30.6 |
| 1,097,000 | 235,200 | 61,900 | 297,100 | 32.1 | 17.0 | 27.1 |
| \$3,999,832 | \$678,267 | \$489,928 | \$1,168,195 | 27.5% | 32.0% | 29.2% |
| \$629,276 | \$239,600 | \$0 | \$239,600 | 38.1% | • | 38.1% |
| 413,400 | 75,800 | 0 | 75,800 | 18.3 | • | 18.3 |
| 221,500 | 31,700 | 35,400 | 67,100 | 26.7 | 34.5 | 30.3 |
| \$1,264,176 | \$347,100 | \$35,400 | \$382,500 | 29.9% | 34.5% | 30.3% |
| \$435,200 | \$27,500 | \$114,000 | \$141,500 | 19.2% | 39.0% | 32.5% |
| 3,825,000 | 526,000 | 855,000 | 1,381,000 | 30.0 | 41.3 | 36.1 |
| 3,765,000 | 428,000 | 1,102,000 | 1,530,000 | 22.5 | 59.2 | 40.6 |
| 875,000 | 111,000 | 139,000 | 250,000 | 24.0 | 33.7 | 28.6 |
| 1,098,000 | 165,000 | 117,000 | 282,000 | 21.7 | 34.8 | 25.7 |
| 312,600 | 8,000 | 102,300 | 110,300 | 17.8 | 38.2 | 35.3 |
| \$10,310,800 | \$1,265,500 | \$2,429,300 | \$3,694,800 | 25.0% | 46.4% | 35.8% |

(continued)

Appendix VII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1988

Dollars in thousands

| Industry group/company | U.S. Income before tax | Foreign Income before tax |
|---|-------------------------------|----------------------------------|
| Computers and office equipment | | |
| Apple Computer, Inc. | \$296,321 | \$318,000 |
| Control Data Corporation | -2,100 | 17,000 |
| Digital Equipment Corporation | 724,157 | 967,166 |
| Hewlett-Packard Company | 542,000 | 549,000 |
| International Business Machines Corporation | 1,933,000 | 7,088,000 |
| NCR Corporation | 154,149 | 618,217 |
| Unisys Corporation | 652,900 | 271,200 |
| Wang Laboratories, Inc. | -121,100 | 239,500 |
| Industry total | \$4,179,327 | \$10,068,083 |
| Construction | | |
| Centex Corporation | \$34,141 | \$0 |
| Fluor Corporation | 58,082 | 27,052 |
| Halliburton Company | -12,800 | 153,800 |
| Morrison Knudsen Corporation | -58,670 | 3,013 |
| PHM Corporation | 37,872 | 0 |
| The Turner Corporation | -1,800 | -750 |
| Industry total | \$56,825 | \$183,115 |
| Electronics and appliances | | |
| Emerson Electric Co. | \$627,100 | \$192,000 |
| General Electric Company | 3,842,000 | 785,000 |
| Honeywell Inc. | -441,000 | 193,700 |
| Motorola Inc. | 385,000 | 193,000 |
| North American Phillips Corporation | 35,100 | 37,900 |
| Raytheon Company | 688,677 | 16,862 |
| Texas Instruments Incorporated | 417,400 | 91,000 |
| TRW Inc. | 201,000 | 182,000 |
| Westinghouse Electric Corporation | 888,500 | 138,800 |
| Industry total | \$6,643,777 | \$1,830,262 |
| Financial institutions | | |
| Bank of Boston Corporation | \$420,604 | \$59,847 |
| Bank of New England Corporation | 385,501 | 14,600 |

**Appendix VII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1988**

| 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 |
| \$614,321 | \$118,895 | \$46,439 | \$165,334 | 40.1% | 14.6% | 26.9% |
| 14,900 | 500 | 10,400 | 10,900 | -23.8 ^a | 61.2 | 73.2 |
| 1,691,323 | 175,079 | 259,246 | 434,325 | 24.2 | 26.8 | 25.7 |
| 1,091,000 | 230,000 | 234,000 | 464,000 | 42.4 | 42.6 | 42.5 |
| 9,021,000 | 79,000 | 3,562,000 | 3,641,000 | 4.1 | 50.3 | 40.4 |
| 772,366 | 56,219 | 290,498 | 346,717 | 36.5 | 47.0 | 44.9 |
| 924,100 | 202,300 | 93,600 | 295,900 | 31.0 | 34.5 | 32.0 |
| 118,400 | 700 | 24,700 | 25,400 | -0.6 ^a | 10.3 | 21.5 |
| \$14,247,410 | \$862,693 | \$4,520,883 | \$5,383,576 | 20.6% | 44.9% | 37.8% |
| \$34,141 | \$44,621 | \$0 | \$44,621 | 130.7% | • | 130.7% |
| 85,134 | -81,198 | 8,430 | -72,768 | -139.8 | 31.2 | -85.5 |
| 141,000 | 15,700 | 65,900 | 81,600 | -122.7 ^a | 42.8 | 57.9 |
| -55,657 | -20,572 | 425 | -20,147 | 35.1 ^a | 14.1 | 36.2 ^a |
| 37,872 | 32,355 | 0 | 32,355 | 85.4 | • | 85.4 |
| -2,550 | 7,462 | -300 | 7,162 | -414.6 ^a | 40.0 ^a | -280.9 ^a |
| \$239,940 | -\$1,632 | \$74,455 | \$72,823 | -2.9% | 40.7% | 30.4% |
| \$819,100 | \$259,400 | \$78,400 | \$337,800 | 41.4% | 40.8% | 41.2% |
| 4,627,000 | 1,009,000 | 344,000 | 1,353,000 | 26.3 | 43.8 | 29.2 |
| -247,300 | 285,400 | 90,500 | 375,900 | -64.7 ^a | 46.7 | -152.0 ^a |
| 578,000 | 152,000 | 40,000 | 192,000 | 39.5 | 20.7 | 33.2 |
| 73,000 | 3,400 | 2,900 | 6,300 | 9.7 | 7.7 | 8.6 |
| 705,539 | 377,785 | 10,700 | 388,485 | 54.9 | 63.5 | 55.1 |
| 508,400 | 109,400 | 66,000 | 175,400 | 26.2 | 72.5 | 34.5 |
| 383,000 | 181,000 | 73,000 | 254,000 | 90.0 | 40.1 | 66.3 |
| 1,027,300 | 83,100 | 92,500 | 175,600 | 9.4 | 66.6 | 17.1 |
| \$8,474,039 | \$2,460,485 | \$798,000 | \$3,258,485 | 37.0% | 43.6% | 38.5% |
| \$480,451 | \$8,395 | \$67,552 | \$75,947 | 2.0% | 112.9% | 15.8% |
| 400,101 | 46,246 | 5,121 | 51,367 | 12.0 | 35.1 | 12.8 |

(continued)

**Appendix VII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1988**

Dollars in thousands

| Industry group/company | U.S. income before tax | Foreign income before tax |
|-------------------------------------|-----------------------------------|--------------------------------------|
| BankAmerica Corporation | 1,160,000 | -315,000 |
| Bankers Trust New York Corporation | 348,983 | 525,765 |
| The Chase Manhattan Corporation | 1,050,232 | 256,565 |
| Chemical Banking Corporation | 335,100 | 527,800 |
| Citicorp | 1,075,000 | 1,527,000 |
| Continental Bank Corporation | 314,100 | 4,200 |
| First Bank System, Inc. | -321,400 | -16,600 |
| First Chicago Corporation | 720,900 | -100,000 |
| First Interstate Bancorp | 199,126 | 0 |
| J.P. Morgan & Co. Incorporated | 657,400 | 560,400 |
| Manufacturers Hanover Corporation | 786,000 | 476,000 |
| Marine Midland Banks, Inc. | 170,277 | 9,549 |
| Mellon Bank Corporation | -96,000 | 53,000 |
| NCNB Corporation | 335,791 | -17,338 |
| Norwest Corporation | 220,600 | 0 |
| PNC Financial Corp | 522,617 | 64,993 |
| Security Pacific Corporation | 954,100 | 26,700 |
| Wells Fargo & Company | 1,039,200 | -244,500 |
| Industry total | \$10,278,131 | \$3,412,981 |
| Food processing | | |
| Borden, Inc. | \$382,849 | \$128,533 |
| Campbell Soup Company | 311,700 | 62,000 |
| ConAgra, Inc. | 218,605 | 10,491 |
| CPC International Inc. | 181,300 | 304,600 |
| General Mills, Inc. | 386,500 | 28,100 |
| Kellogg Company | 544,000 | 210,300 |
| Occidental Petroleum Corporation | 278,000 | 230,000 |
| The Pillsbury Company | 121,800 | 20,900 |
| The Quaker Oats Company | 282,000 | 109,600 |
| RJR Nabisco, Inc. | 1,506,000 | 219,000 |
| Sara Lee Corporation | 227,922 | 262,054 |
| Chiquita Brands International, Inc. | -613 | 108,976 |
| Whitman Corporation | 250,300 | 57,900 |
| Industry total | \$4,690,363 | \$1,752,454 |

**Appendix VII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1988**

| 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 |
| 845,000 | 78,000 | 87,000 | 165,000 | 6.7 | -27.6 ^a | 19.5 |
| 874,748 | 24,343 | 184,282 | 208,625 | 7.0 | 35.1 | 23.8 |
| 1,306,797 | 18,743 | 184,297 | 203,040 | 1.8 | 71.8 | 15.5 |
| 862,900 | 16,200 | 85,700 | 101,900 | 4.8 | 16.2 | 11.8 |
| 2,602,000 | 67,000 | 488,000 | 555,000 | 6.2 | 32.0 | 21.3 |
| 318,300 | 69,100 | 8,000 | 77,100 | 22.0 | 190.5 | 24.2 |
| -338,000 | 0 | 2,000 | 2,000 | 0.0 | -12.0 ^a | -0.6 ^a |
| 620,900 | 182,300 | 23,100 | 205,400 | 25.3 | -23.1 ^a | 33.1 |
| 199,126 | 47,790 | 15,000 | 62,790 | 24.0 | ^b | 31.5 |
| 1,217,800 | 26,600 | 212,300 | 238,900 | 4.0 | 37.9 | 19.6 |
| 1,262,000 | 253,000 | 98,000 | 351,000 | 32.2 | 20.6 | 27.8 |
| 179,826 | 49,329 | 5,372 | 54,701 | 29.0 | 56.3 | 30.4 |
| -43,000 | 4,000 | 8,000 | 12,000 | -4.2 ^a | 15.1 | -27.9 ^a |
| 318,453 | 69,437 | 2,540 | 71,977 | 20.7 | -14.6 ^a | 22.6 |
| 220,600 | 29,500 | 800 | 30,300 | 13.4 | ^b | 13.7 |
| 587,610 | 121,165 | 6,110 | 127,275 | 23.2 | 9.4 | 21.7 |
| 980,800 | 83,300 | 33,800 | 117,100 | 8.7 | 126.6 | 11.9 |
| 794,700 | 108,200 | 7,500 | 115,700 | 10.4 | -3.1 ^a | 14.6 |
| \$13,691,112 | \$1,302,648 | \$1,524,474 | \$2,827,122 | 12.7% | 44.7% | 20.6% |
| \$511,382 | \$133,400 | \$39,300 | \$172,700 | 34.8% | 30.6% | 33.8% |
| 373,700 | 101,400 | 24,300 | 125,700 | 32.5 | 39.2 | 33.6 |
| 229,096 | 63,552 | 6,524 | 70,076 | 29.1 | 62.2 | 30.6 |
| 485,900 | 48,300 | 107,200 | 155,500 | 26.6 | 35.2 | 32.0 |
| 414,600 | 114,100 | 7,100 | 121,200 | 29.5 | 25.3 | 29.2 |
| 754,300 | 181,600 | 60,700 | 242,300 | 33.4 | 28.9 | 32.1 |
| 508,000 | 38,000 | 188,000 | 226,000 | 13.7 | 81.7 | 44.5 |
| 142,700 | 94,300 | 13,300 | 107,600 | 77.4 | 63.6 | 75.4 |
| 391,600 | 108,800 | 46,600 | 155,400 | 38.6 | 42.5 | 39.7 |
| 1,725,000 | 250,000 | 108,000 | 358,000 | 16.6 | 49.3 | 20.8 |
| 489,976 | 110,094 | 78,908 | 189,002 | 48.3 | 30.1 | 38.6 |
| 108,363 | 1,846 | 34,638 | 36,484 | -301.1 ^a | 31.8 | 33.7 |
| 308,200 | 72,200 | 19,100 | 91,300 | 28.8 | 33.0 | 29.6 |
| \$6,442,817 | \$1,317,592 | \$733,670 | \$2,051,262 | 28.1% | 41.9% | 31.8% |

(continued)

**Appendix VII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1988**

Dollars in thousands

| Industry group/company | U.S. income before tax | Foreign income before tax |
|---|-----------------------------------|--------------------------------------|
| Glass, concrete, abrasives, and gypsum | | |
| American Standard Inc. | -\$200,800 | \$189,000 |
| Manville Corporation | 52,098 | 101,465 |
| Owens-Corning Fiberglas Corporation | 200,000 | 96,000 |
| Owens-Illinois, Inc. | -131,100 | 112,500 |
| USG Corporation | 45,855 | 71,565 |
| Industry total | -\$33,947 | \$570,530 |
| Instrument companies | | |
| Baxter International Inc. | \$341,000 | \$141,000 |
| Eastman Kodak Company | 1,233,000 | 957,000 |
| Minnesota Mining and Manufacturing Company | 1,032,000 | 781,000 |
| Polaroid Corporation | -103,600 | 124,000 |
| Xerox Corporation | 185,000 | 805,000 |
| Industry total | \$2,687,400 | \$2,808,000 |
| Investment companies | | |
| Aetna Life and Casualty Company | \$799,100 | \$3,900 |
| American Express Company | 832,000 | 430,000 |
| Federal National Mortgage Association | 663,000 | 0 |
| Merrill Lynch & Co., Inc. | 494,023 | 53,900 |
| Salomon Inc | 382,000 | 300,000 |
| Industry total | \$3,170,123 | \$787,800 |
| Metal manufacturing | | |
| Aluminum Company of America | \$837,000 | \$798,100 |
| Armco Inc. | 150,100 | -9,100 |
| Bethlehem Steel Corporation | 354,800 | 33,800 |
| Inland Steel Industries, Inc. | 356,181 | 1,319 |
| The LTV Corporation | -876,000 | 4,000 |
| Reynolds Metals Company | 281,800 | 373,500 |
| Industry total | \$1,103,881 | \$1,201,619 |
| Metal products | | |
| Combustion Engineering, Inc. | -\$265,172 | \$23,414 |

**Appendix VII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1988**

| 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 |
| -11,800 | -23,400 | 62,900 | 39,500 | 11.7% ^a | 33.3% | -334.7% ^a |
| 153,563 | 28,742 | 38,609 | 67,351 | 55.2 | 38.1 | 43.9 |
| 296,000 | 88,000 | 46,000 | 134,000 | 44.0 | 47.9 | 45.3 |
| -18,600 | -20,800 | 46,400 | 25,600 | 15.9 ^a | 41.2 | -137.6 ^a |
| 117,420 | 2,246 | 27,086 | 29,332 | 4.9 | 37.8 | 25.0 |
| \$536,583 | \$74,788 | \$220,995 | \$295,783 | -220.3%^a | 38.7% | 55.1% |
| \$482,000 | \$64,000 | \$27,000 | \$91,000 | 18.8% | 19.1% | 18.9% |
| 2,190,000 | 318,000 | 315,000 | 633,000 | 25.8 | 32.9 | 28.9 |
| 1,813,000 | 395,000 | 312,000 | 707,000 | 38.3 | 39.9 | 39.0 |
| 20,400 | 1,400 | 48,300 | 49,700 | -1.4 ^a | 39.0 | 243.6 |
| 990,000 | 66,000 | 145,000 | 211,000 | 35.7 | 18.0 | 21.3 |
| \$5,495,400 | \$844,400 | \$847,300 | \$1,691,700 | 31.4% | 30.2% | 30.8% |
| \$803,000 | \$119,100 | \$12,400 | \$131,500 | 14.9% | 317.9% | 16.4% |
| 1,262,000 | 243,000 | 56,000 | 299,000 | 29.2 | 13.0 | 23.7 |
| 663,000 | 285,000 | 0 | 285,000 | 43.0 | • | 43.0 |
| 547,923 | 58,324 | 19,856 | 78,180 | 11.8 | 36.8 | 14.3 |
| 682,000 | 360,000 | 83,000 | 443,000 | 94.2 | 27.7 | 65.0 |
| \$3,957,923 | \$1,065,424 | \$171,256 | \$1,236,680 | 33.6% | 21.7% | 31.2% |
| \$1,635,100 | \$269,100 | \$243,600 | \$512,700 | 32.2% | 30.5% | 31.4% |
| 141,000 | 53,400 | 6,200 | 59,600 | 35.6 | -68.1 ^a | 42.3 |
| 388,600 | 108,100 | 0 | 108,100 | 30.5 | 0.0 | 27.8 |
| 357,500 | 108,700 | 0 | 108,700 | 30.5 | 0.0 | 30.4 |
| -872,000 | 94,200 | 2,600 | 96,800 | -10.8 ^a | 65.0 | -11.1 ^a |
| 655,300 | 119,200 | 13,900 | 133,100 | 42.3 | 3.7 | 20.3 |
| \$2,305,500 | \$752,700 | \$266,300 | \$1,019,000 | 68.2% | 22.2% | 44.2% |
| -241,758 | \$9,222 | \$22,568 | \$31,790 | -3.5% ^a | 96.4% | -13.1% ^a |

(continued)

Appendix VII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1988

Dollars in thousands

| Industry group/company | U.S. Income before tax | Foreign Income before tax |
|---------------------------------|-------------------------------|----------------------------------|
| Crown Cork & Seal Company, Inc. | 67,470 | 90,600 |
| Emhart Corporation | 107,000 | 99,000 |
| The Gillette Company | 100,900 | 335,400 |
| The Stanley Works | 98,112 | 68,398 |
| Industry total | \$108,310 | \$616,812 |

Mining

| | | |
|--|------------------|------------------|
| Burlington Resources Inc. | \$94,559 | \$0 |
| Cyprus Minerals Company | 215,589 | 0 |
| The Louisiana Land and Exploration Company | -110,900 | -7,800 |
| Maxus Energy Corporation | -113,700 | 7,200 |
| Mitchell Energy & Development Corp. | 14,139 | 0 |
| NERCO, Inc. | 108,200 | 4,900 |
| Union Texas Petroleum Holdings, Inc. | -30,211 | 361,000 |
| Vulcan Materials Company | 197,698 | -2,323 |
| Westmoreland Coal Company | 163 | 0 |
| Industry total | \$375,537 | \$362,977 |

Motor vehicles

| | | |
|------------------------------------|--------------------|--------------------|
| Chrysler Corporation | \$1,314,600 | \$358,600 |
| Dana Corporation | 154,683 | 89,183 |
| Ford Motor Company | 4,389,398 | 3,569,000 |
| Fruehauf Corporation | -100,261 | 17,939 |
| General Motors Corporation | 3,108,100 | 3,564,100 |
| Navistar International Corporation | 181,000 | 83,000 |
| PACCAR Inc | 198,611 | 62,040 |
| Industry total | \$9,246,131 | \$7,743,862 |

Paper and wood products

| | | |
|------------------------------------|--------------------|------------------|
| Boise Cascade Corporation | \$359,777 | \$102,740 |
| Champion International Corporation | 509,967 | 213,695 |
| Georgia-Pacific Corporation | 733,000 | 0 |
| International Paper Company | 1,092,000 | 65,000 |
| Weyerhaeuser Company | 695,206 | 127,439 |
| Industry total | \$3,389,950 | \$508,874 |

**Appendix VII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1988**

| 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 |
| 158,070 | 26,120 | 34,160 | 60,280 | 38.7 | 37.7 | 38.1 |
| 206,000 | 38,000 | 29,400 | 67,400 | 35.5 | 29.7 | 32.7 |
| 436,300 | 21,700 | 145,700 | 167,400 | 21.5 | 43.4 | 38.4 |
| 166,510 | 34,058 | 28,267 | 62,325 | 34.7 | 41.3 | 37.4 |
| \$725,122 | \$129,100 | \$260,095 | \$389,195 | 119.2% | 42.2% | 53.7% |
| \$94,559 | \$9,244 | \$0 | \$9,244 | 9.8% | • | 9.8% |
| 215,589 | 36,714 | 0 | 36,714 | 17.0 | • | 17.0 |
| -118,700 | -31,300 | 8,500 | -22,800 | 28.2 ^a | -109.0 ^a | 19.2 ^a |
| -106,500 | -20,000 | 26,100 | 6,100 | 17.6 ^a | 362.5 | -5.7 ^a |
| 14,139 | 264 | 0 | 264 | 1.9 | • | 1.9 |
| 113,100 | 24,100 | 0 | 24,100 | 22.3 | 0.0 | 21.3 |
| 330,789 | 2,675 | 227,328 | 230,003 | -8.9 ^a | 63.0 | 69.5 |
| 195,375 | 63,966 | 5 | 63,971 | 32.4 | -0.2 ^a | 32.7 |
| 163 | -451 | 0 | 451 | -276.7 | • | -276.7 |
| \$738,514 | \$85,212 | \$261,933 | \$347,145 | 22.7% | 72.2% | 47.0% |
| \$1,673,200 | \$116,000 | \$18,000 | \$134,000 | 8.8% | 5.0% | 8.0% |
| 243,866 | 20,952 | 39,344 | 60,296 | 13.5 | 44.1 | 24.7 |
| 7,958,398 | 1,426,300 | 1,417,500 | 2,843,800 | 32.5 | 39.7 | 35.7 |
| -82,322 | 19,584 | 9,205 | 28,789 | -19.5 ^a | 51.3 | -35.0 ^a |
| 6,672,200 | 1,641,600 | 907,300 | 2,548,900 | 52.8 | 25.5 | 38.2 |
| 264,000 | 59,000 | 8,000 | 67,000 | 32.6 | 9.6 | 25.4 |
| 260,651 | 52,902 | 16,259 | 69,161 | 26.6 | 26.2 | 26.5 |
| \$16,989,993 | \$3,336,338 | \$2,415,608 | \$5,751,946 | 36.1% | 31.2% | 33.9% |
| \$462,517 | \$79,716 | \$46,120 | \$125,836 | 22.2% | 44.9% | 27.2% |
| 723,662 | 41,671 | 77,061 | 118,732 | 8.2 | 36.1 | 16.4 |
| 733,000 | 222,000 | 0 | 222,000 | 30.3 | • | 30.3 |
| 1,157,000 | 177,000 | 20,000 | 197,000 | 16.2 | 30.8 | 17.0 |
| 822,645 | 160,800 | 4,100 | 164,900 | 23.1 | 3.2 | 20.0 |
| \$3,898,824 | \$681,187 | \$147,281 | \$828,468 | 20.1% | 28.9% | 21.2% |

(continued)

**Appendix VII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1988**

Dollars in thousands

| Industry group/company | U.S. Income before tax | Foreign Income before tax |
|------------------------------------|-----------------------------------|--------------------------------------|
| Petroleum | | |
| Amerada Hess Corporation | -\$37,875 | \$186,254 |
| American Petrofina, Incorporated | 202,544 | 0 |
| Amoco Corporation | 2,512,000 | 731,000 |
| Ashland Oil, Inc. | 222,791 | 28,120 |
| Atlantic Richfield Company | 2,417,000 | 239,000 |
| Chevron Corporation | 1,364,000 | 1,473,000 |
| The Coastal Corporation | 217,900 | 31,500 |
| Exxon Corporation | 2,653,000 | 6,229,000 |
| Farmland Industries, Inc. | 50,990 | 0 |
| Kerr-McGee Corporation | 173,000 | -22,000 |
| Mobil Corporation | 1,060,100 | 2,288,900 |
| Pennzoil Company | -339,030 | 36,296 |
| Phillips Petroleum Company | 495,000 | 597,000 |
| Shell Oil Company | 1,788,000 | 0 |
| Sun Company, Inc. | -66,000 | 14,000 |
| Texaco Inc. | 344,000 | 2,012,000 |
| Unocal Corporation | -277,000 | 292,000 |
| USX Corporation | 1,056,000 | -77,000 |
| Industry total | \$13,836,420 | \$14,059,070 |
| Pharmaceuticals | | |
| American Home Products Corporation | \$1,037,500 | \$311,000 |
| Bristol-Myers Squibb Company | 879,600 | 358,700 |
| Johnson & Johnson | 466,000 | 917,000 |
| Merck & Co., Inc. | 1,054,700 | 757,000 |
| Pfizer Inc | 432,800 | 632,300 |
| Industry total | \$3,870,600 | \$2,976,000 |
| Retailing | | |
| American Stores Company | \$186,166 | \$0 |
| Dayton Hudson Corporation | 433,000 | 0 |
| Federated Department Stores, Inc. | 484,782 | 0 |
| J.C. Penney Company, Inc. | 1,117,000 | 0 |
| Kmart Corporation | 1,058,000 | 105,000 |

**Appendix VII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1988**

| Worldwide Income before tax | Current U.S. tax expense | Foreign tax expense | Worldwide tax expense | Effective tax rate expressed as a percent | | Worldwide tax rate on worldwide income |
|-----------------------------------|-----------------------------|------------------------|--------------------------|---|---------------------------------------|--|
| | | | | U.S. tax rate on U.S. income | Foreign tax rate on foreign income | |
| \$148,379 | \$0 | \$55,052 | \$55,052 | 0.0% | 29.6% | 37.1% |
| 202,544 | 51,633 | 0 | 51,633 | 25.5 | • | 25.5 |
| 3,243,000 | 748,000 | 326,000 | 1,074,000 | 29.8 | 44.6 | 33.1 |
| 250,911 | 118,349 | 9,152 | 127,501 | 53.1 | 32.5 | 50.8 |
| 2,656,000 | 734,000 | 107,000 | 841,000 | 30.4 | 44.8 | 31.7 |
| 2,837,000 | 375,000 | 713,000 | 1,088,000 | 27.5 | 48.4 | 38.4 |
| 249,400 | 28,000 | 0 | 28,000 | 12.8 | 0.0 | 11.2 |
| 8,882,000 | 792,000 | 2,666,000 | 3,458,000 | 29.9 | 42.8 | 38.9 |
| 50,990 | 6,124 | 0 | 6,124 | 12.0 | • | 12.0 |
| 151,000 | 66,000 | 11,000 | 77,000 | 38.2 | -50.0 ^a | 51.0 |
| 3,349,000 | 489,000 | 1,247,000 | 1,736,000 | 46.1 | 54.5 | 51.8 |
| -302,734 | 55,359 | 288 | 55,647 | -16.3 ^a | 0.8 | -18.4 ^a |
| 1,092,000 | 77,000 | 314,000 | 391,000 | 15.6 | 52.6 | 35.8 |
| 1,788,000 | 285,000 | 45,000 | 330,000 | 15.9 | ^b | 18.5 |
| -52,000 | 55,000 | 65,000 | 120,000 | -83.3 ^a | 464.3 | -230.8 ^a |
| 2,356,000 | 139,000 | 865,000 | 1,004,000 | 40.4 | 43.0 | 42.6 |
| 15,000 | 40,000 | 113,000 | 153,000 | -14.4 ^a | 38.7 | 1,020.0 |
| 979,000 | 418,000 | 35,000 | 453,000 | 39.6 | -45.5 ^a | 46.3 |
| \$27,895,490 | \$4,477,465 | \$6,571,492 | \$11,048,957 | 32.4% | 46.7% | 39.6% |
| \$1,348,500 | \$252,515 | \$176,704 | \$429,219 | 24.3% | 56.8% | 31.8% |
| 1,238,300 | 262,200 | 167,500 | 429,700 | 29.8 | 46.7 | 34.7 |
| 1,383,000 | 28,000 | 394,000 | 422,000 | 6.0 | 43.0 | 30.5 |
| 1,811,700 | 441,200 | 304,100 | 745,300 | 41.8 | 40.2 | 41.1 |
| 1,065,100 | 151,900 | 144,000 | 295,900 | 35.1 | 22.8 | 27.8 |
| \$6,846,600 | \$1,135,815 | \$1,186,304 | \$2,322,119 | 29.3% | 39.9% | 33.9% |
| \$186,166 | \$118,642 | \$0 | \$118,642 | 63.7% | • | 63.7% |
| 433,000 | 175,000 | 0 | 175,000 | 40.4 | • | 40.4 |
| 484,782 | 195,800 | 0 | 195,800 | 40.4 | • | 40.4 |
| 1,117,000 | 380,000 | 0 | 380,000 | 34.0 | • | 34.0 |
| 1,163,000 | 330,000 | 22,000 | 352,000 | 31.2 | 21.0 | 30.3 |

(continued)

**Appendix VII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1988**

Dollars in thousands

| Industry group/company | U.S. income before tax | Foreign income before tax |
|-------------------------------|-------------------------------|----------------------------------|
| The Kroger Co. | 39,272 | 0 |
| Safeway Inc. | -124,500 | 111,700 |
| Sears, Roebuck and Co. | 843,400 | 157,100 |
| The Southland Corporation | -396,675 | 1,448 |
| Wal-Mart Stores, Inc. | 1,025,365 | 0 |
| Industry total | \$4,665,810 | \$375,248 |

Rubber

| | | |
|------------------------------------|------------------|------------------|
| Ferro Corporation | \$15,133 | \$71,991 |
| The Goodyear Tire & Rubber Company | 166,100 | 347,900 |
| Johnson Controls, Inc. | 142,000 | 26,600 |
| Premark International, Inc. | 67,800 | 126,000 |
| Rubbermaid, Incorporated | 139,844 | 13,142 |
| Industry total | \$530,877 | \$585,633 |

Soaps and cosmetics

| | | |
|--|--------------------|--------------------|
| Avon Products Inc. | \$23,400 | \$188,700 |
| The Clorox Company | 199,822 | 0 |
| Colgate-Palmolive Company | 22,496 | 231,423 |
| International Flavors & Fragrances Inc | 36,129 | 170,389 |
| The Procter & Gamble Company | 1,179,000 | 429,000 |
| Industry total | \$1,460,847 | \$1,019,512 |

Telecommunications

| | | |
|---|--------------------|------------------|
| American Information Technologies Corporation | \$1,747,500 | \$0 |
| AT&T | -3,486,700 | -6,300 |
| Bell Atlantic Corporation | 1,772,900 | 0 |
| BellSouth Corporation | 2,276,600 | 0 |
| Contel Corporation | 459,000 | 9,000 |
| GTE Corporation | 1,441,369 | 319,619 |
| Pacific Telesis Group | 1,713,091 | -6,272 |
| Southwestern Bell Corporation | 1,368,500 | 0 |
| United Telecommunications, Inc. | 120,585 | 0 |
| US WEST, Inc. | 1,599,800 | 0 |
| Industry total | \$9,012,645 | \$316,047 |

**Appendix VII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1988**

| Worldwide income before tax | Current U.S. tax expense | Foreign tax expense | Worldwide tax expense | Effective tax rate expressed as a percent | | Worldwide tax rate on worldwide income |
|-----------------------------------|-----------------------------|------------------------|--------------------------|---|---------------------------------------|--|
| | | | | U.S. tax rate on U.S. income | Foreign tax rate on foreign income | |
| 39,272 | -8,205 | 0 | -8,205 | -20.9 | • | -20.9 |
| -12,800 | 16,559 | 51,050 | 67,609 | -13.3 ^a | 45.7 | -528.2 ^a |
| 1,000,500 | 568,300 | 62,900 | 631,200 | 67.4 | 40.0 | 63.1 |
| -395,227 | -49,450 | 2,556 | -46,894 | 12.5 ^a | 176.5 | 11.9 ^a |
| 1,025,365 | 388,828 | 0 | 388,828 | 37.9 | • | 37.9 |
| \$5,041,058 | \$2,115,474 | \$138,506 | \$2,253,980 | 45.3% | 36.9% | 44.7% |
| \$87,124 | \$10,048 | \$28,618 | \$38,666 | 66.4% | 39.8% | 44.4% |
| 514,000 | 27,000 | 194,200 | 221,200 | 16.3 | 55.8 | 43.0 |
| 168,600 | 81,600 | 11,500 | 93,100 | 57.5 | 43.2 | 55.2 |
| 193,800 | 3,000 | 46,600 | 49,600 | 4.4 | 37.0 | 25.6 |
| 152,986 | 60,123 | 4,787 | 64,910 | 43.0 | 36.4 | 42.4 |
| \$1,116,510 | \$181,771 | \$285,705 | \$467,476 | 34.2% | 48.8% | 41.9% |
| \$212,100 | \$38,200 | \$73,300 | \$111,500 | 163.2% | 38.8% | 52.6% |
| 199,822 | 61,762 | 1,673 | 63,435 | 30.9 | ^b | 31.7 |
| 253,919 | -35,077 | 107,260 | 72,183 | -155.9 | 46.3 | 28.4 |
| 206,518 | 13,822 | 62,772 | 76,594 | 38.3 | 36.8 | 37.1 |
| 1,608,000 | 287,000 | 125,000 | 412,000 | 24.3 | 29.1 | 25.6 |
| \$2,480,359 | \$365,707 | \$370,005 | \$735,712 | 25.0% | 36.3% | 29.7% |
| \$1,747,500 | \$556,600 | \$0 | \$556,600 | 31.9% | • | 31.9% |
| -3,493,000 | 507,000 | 13,000 | 520,000 | -14.5 ^a | -206.3 ^a | -14.9 ^a |
| 1,772,900 | 454,900 | 0 | 454,900 | 25.7 | • | 25.7 |
| 2,276,600 | 705,400 | 0 | 705,400 | 31.0 | • | 31.0 |
| 468,000 | 139,000 | 3,000 | 142,000 | 30.3 | 33.3 | 30.3 |
| 1,760,988 | 237,019 | 191,661 | 428,680 | 16.4 | 60.0 | 24.3 |
| 1,706,819 | 637,000 | 205 | 637,205 | 37.2 | -3.3 ^a | 37.3 |
| 1,368,500 | 533,600 | 0 | 533,600 | 39.0 | • | 39.0 |
| 120,585 | -129,217 | 0 | -129,217 | -107.2 | • | -107.2 |
| 1,599,800 | 259,000 | 0 | 259,000 | 16.2 | • | 16.2 |
| \$9,328,692 | \$3,900,302 | \$207,866 | \$4,108,168 | 43.3% | 65.8% | 44.0% |

(continued)

**Appendix VII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1988**

Dollars in thousands

| Industry group/company | U.S. Income before tax | Foreign Income before tax |
|---|-----------------------------------|--------------------------------------|
| Tobacco | | |
| American Brands, Inc. | \$477,800 | \$473,600 |
| Lorillard, Inc. | 573,328 | 1,200 |
| Philip Morris Companies Inc. | 2,976,000 | 560,000 |
| Universal Corp. | 43,004 | 28,818 |
| Industry total | \$4,070,132 | \$1,063,618 |
| Transportation - Airlines | | |
| Alaska Air Group, Inc. | \$59,104 | \$0 |
| AMR Corporation | 682,980 | 42,220 |
| Delta Air Lines, Inc. | 439,148 | 0 |
| Midway Airlines, Inc. | 6,713 | 0 |
| NWA Inc. | 206,934 | 0 |
| Pan Am Corporation | -170,965 | 75,118 |
| Southwest Airlines Co. | 83,160 | 0 |
| Trans World Airlines, Inc. | 295,895 | 0 |
| UAL Corporation | 908,283 | 0 |
| USAir Group, Inc. | 251,265 | 0 |
| Industry total | \$2,762,517 | \$117,338 |
| Transportation - Railroads | | |
| Burlington Northern Inc. | \$338,696 | \$0 |
| CSX Corporation | -79,900 | 14,000 |
| Norfolk Southern Corporation | 972,757 | 0 |
| Santa Fe Pacific Corporation | 231,700 | 0 |
| Union Pacific Corporation | 872,000 | 0 |
| Industry total | \$2,335,253 | \$14,000 |
| Transportation - Trucking | | |
| Carolina Freight Corporation | \$13,985 | \$0 |
| Federal Express Corporation | 327,638 | -30,525 |
| Roadway Services, Inc. | 113,983 | 0 |
| United Parcel Service of America, Inc. | 1,027,050 | 0 |
| Yellow Freight System, Inc. of Delaware | 100,958 | 0 |
| Industry total | \$1,583,614 | -\$30,525 |

**Appendix VII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1988**

| 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 |
| \$951,400 | \$227,000 | \$118,100 | \$345,100 | 47.5% | 24.9% | 36.3% |
| 574,528 | 193,319 | 97 | 193,416 | 33.7 | 8.1 | 33.7 |
| 3,536,000 | 935,000 | 402,000 | 1,337,000 | 31.4 | 71.8 | 37.8 |
| 71,822 | 9,116 | 4,142 | 13,258 | 21.2 | 14.4 | 18.5 |
| \$5,133,750 | \$1,364,435 | \$524,339 | \$1,888,774 | 33.5% | 49.3% | 36.8% |
| \$59,104 | \$27,377 | \$0 | \$27,377 | 46.3% | • | 46.3% |
| 725,200 | 153,400 | 1,000 | 154,400 | 22.5 | 2.4 | 21.3 |
| 439,148 | 286,617 | 0 | 286,617 | 65.3 | • | 65.3 |
| 6,713 | 2,773 | 0 | 2,773 | 41.3 | • | 41.3 |
| 206,934 | 45,466 | 2,834 | 48,300 | 22.0 | ^b | 23.3 |
| -95,847 | 0 | 358 | 358 | 0.0 | 0.5 | -0.4 ^a |
| 83,160 | 19,751 | 0 | 19,751 | 23.8 | • | 23.8 |
| 295,895 | 39,000 | 0 | 39,000 | 13.2 | • | 13.2 |
| 908,283 | 340,982 | 0 | 340,982 | 37.5 | • | 37.5 |
| 251,265 | 90,000 | 0 | 90,000 | 35.8 | • | 35.8 |
| \$2,879,855 | \$1,005,366 | \$4,192 | \$1,009,558 | 36.4% | 3.6% | 35.1% |
| \$338,696 | \$25,245 | \$0 | \$25,245 | 7.5% | • | 7.5% |
| -65,900 | -59,000 | 13,100 | -45,900 | 73.8 ^a | 93.6 | 69.7 ^a |
| 972,757 | 185,426 | 0 | 185,426 | 19.1 | • | 19.1 |
| 231,700 | -2,100 | 0 | -2,100 | -0.9 | • | -0.9 |
| 872,000 | 126,000 | 0 | 126,000 | 14.4 | • | 14.4 |
| \$2,349,253 | \$275,571 | \$13,100 | \$288,671 | 11.8% | 93.6% | 12.3% |
| \$13,985 | \$2,846 | \$0 | \$2,846 | 20.4% | • | 20.4% |
| 297,113 | 81,929 | 0 | 81,929 | 25.0 | 0.0 | 27.6 |
| 113,983 | 31,845 | 0 | 31,845 | 27.9 | • | 27.9 |
| 1,027,050 | 151,678 | 0 | 151,678 | 14.8 | • | 14.8 |
| 100,958 | 20,373 | 0 | 20,373 | 20.2 | • | 20.2 |
| \$1,553,089 | \$288,671 | \$0 | \$288,671 | 18.2% | 0.0% | 18.6% |

(continued)

**Appendix VII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1988**

Dollars in thousands

| Industry group/company | U.S. Income before tax | Foreign Income before tax |
|--|-----------------------------------|--------------------------------------|
| Utilities (electric and gas) | | |
| American Electric Power Company, Inc. | \$942,383 | \$0 |
| Commonwealth Edison Company | 1,120,401 | 0 |
| Consolidated Edison Company of New York, Inc. | 900,402 | 0 |
| Entergy Corporation | 724,167 | 0 |
| Pacific Gas & Electric Company | -49,817 | 0 |
| Public Service Enterprise Group Incorporated | 752,058 | 0 |
| SCEcorp | 1,227,058 | 0 |
| The Southern Company | 1,337,000 | 0 |
| Texas Utilities Company | 863,555 | 0 |
| Industry total | \$7,817,207 | \$0 |
| Wholesalers | | |
| Alco Standard Corporation | \$113,577 | \$12,403 |
| Avnet, Inc. | 79,194 | 0 |
| Bergen Brunswick Corporation | 52,580 | 0 |
| Fleming Companies, Inc. | 106,136 | 0 |
| Genuine Parts Company | 269,108 | 3,069 |
| National Intergroup, Inc. | -45,211 | 0 |
| Super Valu Stores, Inc. | 184,053 | 0 |
| SYSCO Corporation | 122,354 | 0 |
| Wetterau Incorporated | 56,112 | 0 |
| Industry total | \$937,903 | \$15,472 |

**Appendix VII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1988**

| Worldwide Income before tax | Current U.S. tax expense | Foreign tax expense | Worldwide tax expense | Effective tax rate expressed as a percent | | Worldwide tax rate on worldwide Income |
|-----------------------------------|-----------------------------|------------------------|--------------------------|---|---------------------------------------|--|
| | | | | U.S. tax rate on U.S. Income | Foreign tax rate on foreign Income | |
| \$942,383 | \$161,529 | \$0 | \$161,529 | 17.1% | • | 17.1% |
| 1,120,401 | 110,797 | 0 | 110,797 | 9.9 | • | 9.9 |
| 900,402 | 293,100 | 0 | 293,100 | 32.6 | • | 32.6 |
| 724,167 | 17,144 | 0 | 17,144 | 2.4 | • | 2.4 |
| -49,817 | 133,864 | 0 | 133,864 | -268.7 ^a | • | -268.7 ^a |
| 752,058 | 75,853 | 0 | 75,853 | 10.1 | • | 10.1 |
| 1,227,058 | 241,917 | 0 | 241,917 | 19.7 | • | 19.7 |
| 1,337,000 | 138,000 | 0 | 138,000 | 10.3 | • | 10.3 |
| 863,555 | 140,489 | 0 | 140,489 | 16.3 | • | 16.3 |
| \$7,817,207 | \$1,312,693 | \$0 | \$1,312,693 | 16.8% | • | 16.8% |
| \$125,980 | \$19,125 | \$5,107 | \$24,232 | 16.8% | 41.2% | 19.2% |
| 79,194 | 24,751 | 0 | 24,751 | 31.3 | • | 31.3 |
| 52,580 | 17,865 | 0 | 17,865 | 34.0 | • | 34.0 |
| 106,136 | 57,008 | 0 | 57,008 | 53.7 | • | 53.7 |
| 272,177 | 86,238 | 1,534 | 87,772 | 32.0 | 50.0 | 32.2 |
| -45,211 | 300 | 2,460 | 2,760 | -0.7 ^a | ^b | -6.1 ^a |
| 184,053 | 63,071 | 0 | 63,071 | 34.3 | • | 34.3 |
| 122,354 | 40,291 | 0 | 40,291 | 32.9 | • | 32.9 |
| 56,112 | 26,854 | 0 | 26,854 | 47.9 | • | 47.9 |
| \$953,375 | \$335,503 | \$9,101 | \$344,604 | 35.8% | 58.8% | 36.1% |

Note: "•" indicates that a rate was not computed because the company did not earn any pretax income or pay any taxes.

^aRate shown is arithmetically distorted due to a pretax accounting loss.

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

U.S., Foreign, and Worldwide Effective Tax Rates by Industry Group and Company for 1989

Dollars in thousands

| Industry group/company | U.S. Income before tax | Foreign Income before tax |
|--------------------------------------|------------------------|---------------------------|
| Aerospace | | |
| Allied-Signal, Inc. | \$486,000 | \$233,000 |
| The Boeing Company | 922,000 | 0 |
| General Dynamics Corporation | 448,200 | 0 |
| Lockheed Corporation | -60,000 | 20,000 |
| Martin Marietta Corporation | 415,883 | -130 |
| McDonnell Douglas Corporation | -171,000 | 36,000 |
| Rockwell International Corporation | 859,500 | 267,200 |
| United Technologies | 580,300 | 626,500 |
| Industry total | \$3,480,883 | \$1,182,570 |
| Beverages | | |
| Adolph Coors Company | \$20,054 | \$0 |
| Anheuser-Busch Companies, Inc. | 1,163,400 | 0 |
| Brown-Forman Corporation | 180,024 | 33,878 |
| The Coca-Cola Company | 510,499 | 1,257,104 |
| PepsiCo, Inc. | 805,400 | 507,100 |
| Industry total | \$2,679,377 | \$1,798,082 |
| Broadcasting | | |
| Capital Cities/ABC, Inc. | \$776,027 | \$0 |
| CBS Inc. | 438,000 | 0 |
| MCA Inc. | 255,500 | 104,100 |
| Turner Broadcasting System, Inc. | 55,725 | 0 |
| Industry total | \$1,525,252 | \$104,100 |
| Chemicals | | |
| American Cyanamid Company | \$180,800 | \$260,900 |
| The Dow Chemical Company | 2,028,000 | 1,824,000 |
| E. I. du Pont de Nemours and Company | 2,410,000 | 1,861,000 |
| Monsanto Company | 552,000 | 445,000 |
| Union Carbide Corporation | 590,000 | 262,000 |
| W.R. Grace & Co. | 144,500 | 227,400 |
| Industry total | \$5,905,300 | \$4,880,300 |

**Appendix VIII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1989**

| 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 |
| \$719,000 | \$78,000 | \$77,000 | \$155,000 | 16.0% | 33.0% | 21.6% |
| 922,000 | 512,000 | 0 | 512,000 | 55.5 | • | 55.5 |
| 448,200 | 220,200 | 0 | 220,200 | 49.1 | • | 49.1 |
| -40,000 | 201,000 | 8,000 | 209,000 | -335.0 ^a | 40.0 | -522.5 ^a |
| 415,753 | 109,400 | 0 | 109,400 | 26.3 | 0.0 | 26.3 |
| -135,000 | 38,000 | 0 | 38,000 | -22.2 ^a | 0.0 | -28.1 ^a |
| 1,126,700 | 327,500 | 118,100 | 445,600 | 38.1 | 44.2 | 39.5 |
| 1,206,800 | 165,200 | 247,800 | 413,000 | 28.5 | 39.6 | 34.2 |
| \$4,663,453 | \$1,651,300 | \$450,900 | \$2,102,200 | 47.4% | 38.1% | 45.1% |
| \$20,054 | \$23,826 | \$0 | \$23,826 | 118.8% | • | 118.8% |
| 1,163,400 | 293,700 | 0 | 293,700 | 25.2 | • | 25.2 |
| 213,902 | 53,909 | 4,296 | 58,205 | 29.9 | 12.7 | 27.2 |
| 1,767,603 | 122,911 | 393,380 | 516,291 | 24.1 | 31.3 | 29.2 |
| 1,312,500 | 221,700 | 89,500 | 311,200 | 27.5 | 17.6 | 23.7 |
| \$4,477,459 | \$716,046 | \$487,176 | \$1,203,222 | 26.7% | 27.1% | 26.9% |
| \$776,027 | \$317,400 | \$0 | \$317,400 | 40.9% | • | 40.9% |
| 438,000 | 116,100 | 0 | 116,100 | 26.5 | • | 26.5 |
| 359,600 | 56,700 | 35,500 | 92,200 | 22.2 | 34.1 | 25.6 |
| 55,725 | 0 | 3,181 | 3,181 | 0.0 | ^b | 5.7 |
| \$1,629,352 | \$490,200 | \$38,681 | \$528,881 | 32.1% | 37.2% | 32.5% |
| \$441,700 | \$78,900 | \$95,800 | \$174,700 | 43.6% | 36.7% | 39.6% |
| 3,852,000 | 701,000 | 684,000 | 1,385,000 | 34.6 | 37.5 | 36.0 |
| 4,271,000 | 449,000 | 1,188,000 | 1,637,000 | 18.6 | 63.8 | 38.3 |
| 997,000 | 138,000 | 142,000 | 280,000 | 25.0 | 31.9 | 28.1 |
| 852,000 | 80,000 | 127,000 | 207,000 | 13.6 | 48.5 | 24.3 |
| 371,900 | 32,300 | 88,800 | 121,100 | 22.4 | 39.1 | 32.6 |
| \$10,785,600 | \$1,479,200 | \$2,325,600 | \$3,804,800 | 25.0% | 47.7% | 35.3% |

(continued)

**Appendix VIII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1989**

Dollars in thousands

| Industry group/company | U.S. income before tax | Foreign income before tax |
|---|-----------------------------------|--------------------------------------|
| Computers and office equipment | | |
| Apple Computer, Inc. | \$339,910 | \$367,000 |
| Control Data Corporation | -598,200 | -72,200 |
| Digital Equipment Corporation | 512,580 | 890,377 |
| Hewlett-Packard Company | 407,000 | 719,000 |
| International Business Machines Corporation | -958,000 | 7,496,000 |
| NCR Corporation | 155,000 | 571,000 |
| Unisys Corporation | -644,800 | 87,400 |
| Wang Laboratories, Inc. | -187,100 | -77,800 |
| Industry total | -\$973,610 | \$9,980,777 |
| Construction | | |
| Centex Corporation | \$57,566 | \$0 |
| Fluor Corporation | 85,908 | 77,899 |
| Halliburton Company | 122,400 | 116,400 |
| Morrison Knudsen Corporation | 44,088 | 3,935 |
| PHM Corporation | 47,841 | 0 |
| The Turner Corporation | 4,007 | 353 |
| Industry total | \$361,810 | \$198,587 |
| Electronics and appliances | | |
| Emerson Electric Co. | \$685,700 | \$221,000 |
| General Electric Company | 4,825,000 | 773,000 |
| Honeywell Inc. | 456,600 | 177,500 |
| Motorola Inc. | 309,000 | 304,000 |
| North American Phillips Corporation | -224,200 | 32,200 |
| Raytheon Company | 743,990 | 13,673 |
| Texas Instruments Incorporated | 300,300 | 50,000 |
| TRW Inc. | 198,000 | 190,000 |
| Westinghouse Electric Corporation | 1,067,000 | 156,000 |
| Industry total | \$8,361,390 | \$1,917,373 |
| Financial institutions | | |
| Bank of Boston Corporation | \$12,551 | \$87,929 |
| Bank of New England Corporation | -1,357,255 | 5,300 |

**Appendix VIII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1989**

| 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 |
| \$706,910 | \$141,648 | \$44,271 | \$185,919 | 41.7% | 12.1% | 26.3% |
| -670,400 | 1,500 | 16,200 | 17,700 | -0.3 ^a | -22.4 ^a | -2.6 ^a |
| 1,402,957 | 136,331 | 211,652 | 347,983 | 26.6 | 23.8 | 24.8 |
| 1,126,000 | 70,000 | 233,000 | 303,000 | 17.2 | 32.4 | 26.9 |
| 6,538,000 | 476,000 | 3,025,000 | 3,501,000 | -49.7 ^a | 40.4 | 53.5 |
| 726,000 | 67,000 | 238,000 | 305,000 | 43.2 | 41.7 | 42.0 |
| -557,400 | 38,500 | 45,700 | 84,200 | -6.0 ^a | 52.3 | -15.1 ^a |
| -264,900 | 0 | 55,700 | 55,700 | 0.0 | -71.6 ^a | -21.0 ^a |
| \$9,007,167 | \$930,979 | \$3,869,523 | \$4,800,502 | -95.6^a | 38.8% | 53.3% |
| \$57,566 | \$25,192 | \$0 | \$25,192 | 43.8% | • | 43.8% |
| 163,807 | 58,820 | 7,976 | 66,796 | 68.5 | 10.2 | 40.8 |
| 238,800 | 57,200 | 80,200 | 137,400 | 46.7 | 68.9 | 57.5 |
| 48,023 | -11,877 | 891 | -10,986 | -26.9 | 22.6 | -22.9 |
| 47,841 | 210 | 0 | 210 | 0.4 | • | 0.4 |
| 4,360 | 40 | 141 | 181 | 1.0 | 39.9 | 4.2 |
| \$560,397 | \$129,585 | \$89,208 | \$218,793 | 35.8% | 44.9% | 39.0% |
| \$906,700 | \$249,300 | \$89,000 | \$338,300 | 36.4% | 40.3% | 37.3% |
| 5,598,000 | 1,030,000 | 288,000 | 1,318,000 | 21.3 | 37.3 | 23.5 |
| 634,100 | 183,200 | 54,700 | 237,900 | 40.1 | 30.8 | 37.5 |
| 613,000 | 117,000 | 29,000 | 146,000 | 37.9 | 9.5 | 23.8 |
| -192,000 | -16,000 | 3,100 | -12,900 | 7.1 ^a | 9.6 | 6.7 ^a |
| 757,663 | 324,249 | 7,700 | 331,949 | 43.6 | 56.3 | 43.8 |
| 350,300 | 102,300 | 43,000 | 145,300 | 34.1 | 86.0 | 41.5 |
| 388,000 | 17,000 | 82,000 | 99,000 | 8.6 | 43.2 | 25.5 |
| 1,223,000 | 241,000 | 103,000 | 344,000 | 22.6 | 66.0 | 28.1 |
| \$10,278,763 | \$2,248,049 | \$699,500 | \$2,947,549 | 26.9% | 36.5% | 28.7% |
| \$100,480 | -\$24,584 | \$87,840 | \$63,256 | -195.9% | 99.9% | 63.0% |
| -1,351,955 | -75,637 | 1,854 | -73,783 | 5.6 ^a | 35.0 | 5.5 ^a |

(continued)

**Appendix VIII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1989**

Dollars in thousands

| Industry group/company | U.S. Income before tax | Foreign Income before tax |
|-------------------------------------|-----------------------------------|--------------------------------------|
| BankAmerica Corporation | 1,674,000 | -395,000 |
| Bankers Trust New York Corporation | -1,306,600 | 476,800 |
| The Chase Manhattan Corporation | 607,000 | -1,095,000 |
| Chemical Banking Corporation | 134,700 | -610,900 |
| Citicorp | 1,035,000 | 427,000 |
| Continental Bank Corporation | 269,400 | 25,600 |
| First Bank System, Inc. | -12,000 | 6,300 |
| First Chicago Corporation | 657,900 | -188,000 |
| First Interstate Bancorp | -141,854 | 0 |
| J.P. Morgan & Co. Incorporated | 495,000 | -1,651,000 |
| Manufacturers Hanover Corporation | -547,000 | 164,000 |
| Marine Midland Banks, Inc. | -6,942 | 13,144 |
| Mellon Bank Corporation | 316,000 | -117,000 |
| NCNB Corporation | 467,557 | 35,067 |
| Norwest Corporation | 297,200 | 0 |
| PNC Financial Corp | 594,922 | -113,882 |
| Security Pacific Corporation | 1,046,900 | 55,600 |
| Wells Fargo & Company | 1,004,400 | -132,400 |
| Industry total | \$5,240,879 | -\$3,006,442 |
| Food processing | | |
| Borden, Inc. | -\$145,159 | \$144,007 |
| Campbell Soup Company | 180,600 | -95,000 |
| ConAgra, Inc. | 295,950 | -37 |
| CPC International Inc. | 238,300 | 310,500 |
| General Mills, Inc. | 458,600 | 35,400 |
| Kellogg Company | 441,500 | 206,900 |
| Occidental Petroleum Corporation | 283,000 | 144,000 |
| Philip Morris Companies Inc. | 3,798,000 | 978,000 |
| The Quaker Oats Company | 210,600 | 103,800 |
| RJR Nabisco, Inc. | -293,000 | 332,000 |
| Sara Lee Corporation | 347,640 | 278,717 |
| Chiquita Brands International, Inc. | 15,259 | 93,808 |
| Whitman Corporation | 285,800 | 69,800 |
| Industry total | \$6,117,090 | \$2,601,895 |

**Appendix VIII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1989**

| 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 |
| 1,279,000 | 249,000 | 81,000 | 330,000 | 14.9 | -20.5 ^a | 25.8 |
| -829,800 | 6,100 | 45,200 | 51,300 | -0.5 ^a | 9.5 | -6.2 ^a |
| -488,000 | 11,000 | 115,000 | 126,000 | 1.8 | -10.5 ^a | -25.8 ^a |
| -476,200 | -31,800 | 41,200 | 9,400 | -23.6 | -6.7 ^a | -2.0 ^a |
| 1,462,000 | 104,000 | 795,000 | 899,000 | 10.0 | 186.2 | 61.5 |
| 295,000 | 10,600 | 6,000 | 16,600 | 3.9 | 23.4 | 5.6 |
| -5,700 | 0 | 1,400 | 1,400 | 0.0 | 22.2 | -24.6 ^a |
| 469,900 | 63,600 | 16,300 | 79,900 | 9.7 | -8.7 ^a | 17.0 |
| -141,854 | -13,385 | 23,445 | 10,060 | 9.4 ^a | ^b | -7.1 ^a |
| -1,156,000 | -15,000 | 105,000 | 90,000 | -3.0 | -6.4 ^a | -7.8 ^a |
| -383,000 | 164,000 | 67,000 | 231,000 | -30.0 ^a | 40.9 | -60.3 ^a |
| 6,202 | 2,231 | 5,084 | 7,315 | -32.1 ^a | 38.7 | 117.9 |
| 199,000 | 18,000 | 6,000 | 24,000 | 5.7 | -5.1 ^a | 12.1 |
| 502,624 | 125,728 | 4,198 | 129,926 | 26.9 | 12.0 | 25.8 |
| 297,200 | 93,200 | 400 | 93,600 | 31.4 | ^b | 31.5 |
| 481,040 | 96,675 | 3,218 | 99,893 | 16.3 | -2.8 ^a | 20.8 |
| 1,102,500 | 173,700 | 39,300 | 213,000 | 16.6 | 70.7 | 19.3 |
| 872,000 | 478,900 | 1,600 | 480,500 | 47.7 | -1.2 ^a | 55.1 |
| \$2,234,437 | \$1,436,328 | \$1,446,039 | \$2,882,367 | 27.4% | -48.1%^a | 129.0% |
| -1,152 | \$76,800 | \$65,100 | \$141,900 | -52.9% ^a | 45.2% | -12317.7% ^a |
| 85,600 | 118,800 | 25,000 | 143,800 | 65.8 | -26.3 ^a | 168.0 |
| 295,913 | 81,639 | 7,722 | 89,361 | 27.6 | -20870.3 ^a | 30.2 |
| 548,800 | 77,500 | 127,300 | 204,800 | 32.5 | 41.0 | 37.3 |
| 494,000 | 145,300 | 9,300 | 154,600 | 31.7 | 26.3 | 31.3 |
| 648,400 | 163,200 | 57,200 | 220,400 | 37.0 | 27.6 | 34.0 |
| 427,000 | 73,000 | 40,000 | 113,000 | 25.8 | 27.8 | 26.5 |
| 4,776,000 | 1,089,000 | 370,000 | 1,459,000 | 28.7 | 37.8 | 30.5 |
| 314,400 | 31,700 | 37,900 | 69,600 | 15.1 | 36.5 | 22.1 |
| 39,000 | -180,000 | 111,000 | -69,000 | 61.4 ^a | 33.4 | -176.9 |
| 626,357 | 89,336 | 78,510 | 167,846 | 25.7 | 28.2 | 26.8 |
| 109,067 | 17,403 | 20,013 | 37,416 | 114.1 | 21.3 | 34.3 |
| 355,600 | 66,500 | 21,600 | 88,100 | 23.3 | 30.9 | 24.8 |
| \$8,718,985 | \$1,850,178 | \$970,645 | \$2,820,823 | 30.2% | 37.3% | 32.4% |

(continued)

**Appendix VIII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1989**

Dollars in thousands

| Industry group/company | U.S. Income before tax | Foreign Income before tax |
|---|-----------------------------------|--------------------------------------|
| Glass, concrete, abrasives, and gypsum | | |
| American Standard Inc. | -\$179,300 | \$175,200 |
| Manville Corporation | 123,245 | 126,027 |
| Owens-Corning Fiberglas Corporation | 156,000 | 97,000 |
| Owens-Illinois, Inc. | -117,100 | 96,400 |
| USG Corporation | -23,000 | 58,000 |
| Industry total | -\$40,155 | \$552,627 |
| Instrument companies | | |
| Baxter International Inc. | \$425,000 | \$167,000 |
| Eastman Kodak Company | 59,000 | 847,000 |
| Minnesota Mining and Manufacturing Company | 1,120,000 | 916,000 |
| Polaroid Corporation | 58,100 | 150,800 |
| Xerox Corporation | 557,000 | 643,000 |
| Industry total | \$2,219,100 | \$2,723,800 |
| Investment companies | | |
| Aetna Life and Casualty Company | \$833,700 | -\$13,700 |
| American Express Company | 1,165,000 | 288,000 |
| Federal National Mortgage Association | 1,104,000 | 0 |
| Merrill Lynch & Co., Inc. | -256,928 | 73,600 |
| Salomon Inc | 65,000 | 675,000 |
| Industry total | \$2,910,772 | \$1,022,900 |
| Metal manufacturing | | |
| Aluminum Company of America | \$626,100 | \$1,539,700 |
| Armco Inc. | 146,400 | 50,300 |
| Bethlehem Steel Corporation | 237,200 | 17,500 |
| Inland Steel Industries, Inc. | 166,922 | 2,584 |
| LTV Corporation | 277,700 | 3,600 |
| Reynolds Metals Company | 360,200 | 388,800 |
| Industry total | \$1,814,522 | \$2,002,484 |
| Metal products | | |
| Crown Cork & Seal Company, Inc. | \$56,975 | \$87,800 |

**Appendix VIII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1989**

| 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 |
| -4,100 | \$10,900 | \$38,100 | \$49,000 | -6.1% ^a | 21.7% | -1195.1% ^a |
| 249,272 | 45,484 | 49,782 | 95,266 | 36.9 | 39.5 | 38.2 |
| 253,000 | 46,000 | 48,000 | 94,000 | 29.5 | 49.5 | 37.2 |
| -20,700 | -12,200 | 37,400 | 25,200 | 10.4 ^a | 38.8 | -121.7 ^a |
| 35,000 | -23,000 | 21,000 | -2,000 | 100.0 ^a | 36.2 | -5.7 |
| \$512,472 | \$67,184 | \$194,282 | \$261,466 | -167.3%^a | 35.2% | 51.0% |
| \$592,000 | \$104,000 | \$33,000 | \$137,000 | 24.5% | 19.8% | 23.1% |
| 906,000 | 87,000 | 290,000 | 377,000 | 147.5 | 34.2 | 41.6 |
| 2,036,000 | 388,000 | 433,000 | 821,000 | 34.6 | 47.3 | 40.3 |
| 208,900 | 8,100 | 63,800 | 71,900 | 13.9 | 42.3 | 34.4 |
| 1,200,000 | 120,000 | 135,000 | 255,000 | 21.5 | 21.0 | 21.3 |
| \$4,942,900 | \$707,100 | \$954,800 | \$1,661,900 | 31.9% | 35.1% | 33.6% |
| \$820,000 | \$196,100 | \$27,100 | \$223,200 | 23.5% | -197.8% ^a | 27.2% |
| 1,453,000 | 280,000 | 101,000 | 381,000 | 24.0 | 35.1 | 26.2 |
| 1,104,000 | 358,000 | 0 | 358,000 | 32.4 | • | 32.4 |
| -183,328 | 38,778 | 43,182 | 81,960 | -15.1 ^a | 58.7 | -44.7 ^a |
| 740,000 | 57,000 | 93,000 | 150,000 | 87.7 | 13.8 | 20.3 |
| \$3,933,672 | \$929,878 | \$264,282 | \$1,194,160 | 31.9% | 25.8% | 30.4% |
| \$2,165,800 | \$212,400 | \$446,000 | \$658,400 | 33.9% | 29.0% | 30.4% |
| 196,700 | 50,200 | 9,500 | 59,700 | 34.3 | 18.9 | 30.4 |
| 254,700 | 77,900 | 0 | 77,900 | 32.8 | 0.0 | 30.6 |
| 169,506 | 49,800 | 6 | 49,806 | 29.8 | 0.2 | 29.4 |
| 281,300 | 87,200 | 0 | 87,200 | 31.4 | 0.0 | 31.0 |
| 749,000 | 34,600 | 43,900 | 78,500 | 9.6 | 11.3 | 10.5 |
| \$3,817,006 | \$512,100 | \$499,406 | \$1,011,506 | 28.2% | 24.9% | 26.5% |
| \$144,775 | \$19,927 | \$22,905 | \$42,832 | 35.0% | 26.1% | 29.6% |

(continued)

Appendix VIII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1989

Dollars in thousands

| Industry group/company | U.S. income before tax | Foreign income before tax |
|--------------------------|------------------------|---------------------------|
| The Gillette Company | 117,000 | 346,700 |
| Illinois Tool Works Inc. | 138,092 | 119,802 |
| Masco Corporation | 253,170 | 65,470 |
| The Stanley Works | 122,300 | 64,300 |
| Industry total | \$687,537 | \$684,072 |

Mining

| | | |
|--|------------------|------------------|
| ASARCO Incorporated | \$211,037 | \$80,900 |
| The Louisiana Land and Exploration Company | 60,800 | 8,300 |
| Maxus Energy Corporation | -14,900 | 29,300 |
| Mitchell Energy & Development Corp. | 1,429 | 0 |
| NERCO, Inc. | 87,400 | 6,600 |
| Oryx Energy Company | 81,000 | 0 |
| Union Texas Petroleum Holdings, Inc. | -14,687 | 258,000 |
| Vulcan Materials Company | 194,837 | -2,957 |
| Westmoreland Coal Company | 13,587 | 0 |
| Industry total | \$620,503 | \$380,143 |

Motor vehicles

| | | |
|------------------------------------|--------------------|--------------------|
| Chrysler Corporation | \$266,000 | \$273,000 |
| Dana Corporation | 87,151 | 134,893 |
| Eaton Corporation | 228,400 | 99,400 |
| Ford Motor Company | 2,256,100 | 3,192,600 |
| General Motors Corporation | 2,873,699 | 3,431,000 |
| Navistar International Corporation | 69,000 | 19,000 |
| PACCAR Inc | 289,431 | 61,745 |
| Industry total | \$6,069,781 | \$7,211,638 |

Paper and wood products

| | | |
|------------------------------------|--------------------|------------------|
| Boise Cascade Corporation | \$347,866 | \$72,090 |
| Champion International Corporation | 471,879 | 242,312 |
| Georgia-Pacific Corporation | 1,030,000 | 0 |
| International Paper Company | 1,229,000 | 98,000 |
| Weyerhaeuser Company | 321,499 | 164,372 |
| Industry total | \$3,400,244 | \$576,774 |

**Appendix VIII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1989**

| 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 |
| 463,700 | 39,900 | 123,500 | 163,400 | 34.1 | 35.6 | 35.2 |
| 257,894 | 46,217 | 47,829 | 94,046 | 33.5 | 39.9 | 36.5 |
| 318,640 | 74,320 | 18,470 | 92,790 | 29.4 | 28.2 | 29.1 |
| 186,600 | 33,500 | 24,800 | 58,300 | 27.4 | 38.6 | 31.2 |
| \$1,371,609 | \$213,864 | \$237,504 | \$451,368 | 31.1% | 34.7% | 32.9% |
| \$291,937 | \$40,500 | \$6,471 | \$46,971 | 19.2% | 8.0% | 16.1% |
| 69,100 | 26,200 | 2,100 | 28,300 | 43.1 | 25.3 | 41.0 |
| 14,400 | 13,700 | 51,000 | 64,700 | -91.9 ^a | 174.1 | 449.3 |
| 1,429 | 791 | 0 | 791 | 55.4 | • | 55.4 |
| 94,000 | 16,300 | 0 | 16,300 | 18.6 | 0.0 | 17.3 |
| 81,000 | 23,000 | 0 | 23,000 | 28.4 | • | 28.4 |
| 243,313 | 6,704 | 62,181 | 68,885 | -45.6 ^a | 24.1 | 28.3 |
| 191,880 | 61,093 | 180 | 61,273 | 31.4 | -6.1 ^a | 31.9 |
| 13,587 | 1,434 | 0 | 1,434 | 10.6 | • | 10.6 |
| \$1,000,646 | \$189,722 | \$121,932 | \$311,654 | 30.6% | 32.1% | 31.1% |
| \$539,000 | \$333,000 | \$25,000 | \$358,000 | 125.2% | 9.2% | 66.4% |
| 222,044 | 23,210 | 52,971 | 76,181 | 26.6 | 39.3 | 34.3 |
| 327,800 | 71,500 | 44,700 | 116,200 | 31.3 | 45.0 | 35.4 |
| 5,448,700 | 745,700 | 1,250,000 | 1,995,700 | 33.1 | 39.2 | 36.6 |
| 6,304,699 | 1,017,000 | 1,401,000 | 2,418,000 | 35.4 | 40.8 | 38.4 |
| 88,000 | 26,000 | 6,000 | 32,000 | 37.7 | 31.6 | 36.4 |
| 351,176 | 100,984 | 15,462 | 116,446 | 34.9 | 25.0 | 33.2 |
| \$13,281,419 | \$2,317,394 | \$2,795,133 | \$5,112,527 | 38.2% | 38.8% | 38.5% |
| \$419,956 | \$91,458 | \$24,892 | \$116,350 | 26.3% | 34.5% | 27.7% |
| 714,191 | 53,031 | 80,475 | 133,506 | 11.2 | 33.2 | 18.7 |
| 1,030,000 | 316,000 | 0 | 316,000 | 30.7 | • | 30.7 |
| 1,327,000 | 332,000 | 35,000 | 367,000 | 27.0 | 35.7 | 27.7 |
| 485,871 | 191,900 | 4,200 | 196,100 | 59.7 | 2.6 | 40.4 |
| \$3,977,018 | \$984,389 | \$144,567 | \$1,128,956 | 29.0% | 25.1% | 28.4% |

(continued)

**Appendix VIII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1989**

Dollars in thousands

| Industry group/company | U.S. income before tax | Foreign income before tax |
|------------------------------------|-------------------------------|----------------------------------|
| Petroleum | | |
| Amerada Hess Corporation | \$372,632 | \$143,978 |
| American Petrofina, Incorporated | 141,199 | 0 |
| Amoco Corporation | 1,741,000 | 870,000 |
| Ashland Oil, Inc. | 88,593 | 43,992 |
| Atlantic Richfield Company | 2,647,000 | 331,000 |
| Chevron Corporation | -635,000 | 1,861,000 |
| CITGO Petroleum Corporation | 232,118 | 0 |
| The Coastal Corporation | 217,800 | 56,500 |
| Exxon Corporation | 213,000 | 5,077,000 |
| Kerr-McGee Corporation | 182,000 | 17,000 |
| Mobil Corporation | 977,000 | 2,717,000 |
| Pennzoil Company | 366,973 | -10,761 |
| Phillips Petroleum Company | -141,000 | 663,000 |
| Shell Oil Company | 1,986,000 | 0 |
| Sun Company, Inc. | 95,000 | 103,000 |
| Texaco Inc. | -324,000 | 3,341,000 |
| Unocal Corporation | 208,000 | 351,000 |
| USX Corporation | 1,198,000 | 130,000 |
| Industry total | \$9,566,315 | \$15,694,709 |
| Pharmaceuticals | | |
| American Home Products Corporation | \$1,068,000 | \$346,300 |
| Bristol-Myers Squibb Company | 880,000 | 336,000 |
| Johnson & Johnson | 502,000 | 1,002,000 |
| Merck & Co., Inc. | 1,499,400 | 709,600 |
| Pfizer Inc | 314,200 | 585,000 |
| Industry total | \$4,263,600 | \$2,978,900 |
| Retailing | | |
| American Stores Company | \$224,815 | \$0 |
| Dayton Hudson Corporation | 632,000 | 0 |
| Federated Department Stores, Inc. | -437,312 | 0 |
| J.C. Penney Company, Inc. | 1,086,000 | 0 |
| Kmart Corporation | 368,000 | 89,000 |

**Appendix VIII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1989**

| Worldwide Income before tax | Current U.S. tax expense | Foreign tax expense | Worldwide tax expense | Effective tax rate expressed as a percent | | Worldwide tax rate on worldwide Income |
|-----------------------------------|-----------------------------|------------------------|--------------------------|---|---------------------------------------|--|
| | | | | U.S. tax rate on U.S. Income | Foreign tax rate on foreign Income | |
| \$516,610 | \$132,878 | \$52,362 | \$185,240 | 35.7% | 36.4% | 35.9% |
| 141,199 | 26,901 | 0 | 26,901 | 19.1 | • | 19.1 |
| 2,611,000 | 691,000 | 333,000 | 1,024,000 | 39.7 | 38.3 | 39.2 |
| 132,585 | 24,280 | 7,890 | 32,170 | 27.4 | 17.9 | 24.3 |
| 2,978,000 | 1,074,000 | 116,000 | 1,190,000 | 40.6 | 35.0 | 40.0 |
| 1,226,000 | 248,000 | 1,152,000 | 1,400,000 | -39.1 ^a | 61.9 | 114.2 |
| 232,118 | 39,481 | 0 | 39,481 | 17.0 ^c | • | 17.0 |
| 274,300 | 11,000 | 0 | 11,000 | 5.1 | 0.0 | 4.0 |
| 5,290,000 | 318,000 | 2,194,000 | 2,512,000 | 149.3 | 43.2 | 47.5 |
| 199,000 | 60,000 | 23,000 | 83,000 | 33.0 | 135.3 | 41.7 |
| 3,694,000 | 248,000 | 1,615,000 | 1,863,000 | 25.4 | 59.4 | 50.4 |
| 356,212 | 71,583 | -238 | 71,345 | 19.5 | 2.2 ^a | 20.0 |
| 522,000 | 59,000 | 374,000 | 433,000 | -41.8 ^a | 56.4 | 83.0 |
| 1,986,000 | 413,000 | 83,000 | 496,000 | 20.8 | ^b | 25.0 |
| 198,000 | 33,000 | 68,000 | 101,000 | 34.7 | 66.0 | 51.0 |
| 3,017,000 | 163,000 | 832,000 | 995,000 | -50.3 ^a | 24.9 | 33.0 |
| 559,000 | 26,000 | 146,000 | 172,000 | 12.5 | 41.6 | 30.8 |
| 1,328,000 | 429,000 | 20,000 | 449,000 | 35.8 | 15.4 | 33.8 |
| \$25,261,024 | \$4,068,123 | \$7,016,014 | \$11,084,137 | 42.5% | 44.7% | 43.9% |
| \$1,414,300 | \$283,810 | \$189,719 | \$473,529 | 26.6% | 54.8% | 33.5% |
| 1,216,000 | 457,000 | 236,000 | 693,000 | 51.9 | 70.2 | 57.0 |
| 1,504,000 | 30,000 | 404,000 | 434,000 | 6.0 | 40.3 | 28.9 |
| 2,209,000 | 476,300 | 303,200 | 779,500 | 31.8 | 42.7 | 35.3 |
| 899,200 | 90,800 | 151,000 | 241,800 | 28.9 | 25.8 | 26.9 |
| \$7,242,500 | \$1,337,910 | \$1,283,919 | \$2,621,829 | 31.4% | 43.1% | 36.2% |
| \$224,815 | \$132,942 | \$0 | \$132,942 | 59.1% | • | 59.1% |
| 632,000 | 231,000 | 0 | 231,000 | 36.6 | • | 36.6 |
| -437,312 | -50,100 | 0 | -50,100 | 11.5 ^a | • | 11.5 ^a |
| 1,086,000 | 431,000 | 0 | 431,000 | 39.7 | • | 39.7 |
| 457,000 | 287,000 | 17,000 | 304,000 | 78.0 | 19.1 | 66.5 |

(continued)

**Appendix VIII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1989**

Dollars in thousands

| Industry group/company | U.S. income before tax | Foreign income before tax |
|-------------------------------|-------------------------------|----------------------------------|
| The Kroger Co. | -17,732 | 0 |
| Safeway Inc. | -26,100 | 116,300 |
| Sears, Roebuck and Co. | 1,581,200 | 198,000 |
| The Southland Corporation | -1,333,240 | 3,130 |
| Wal-Mart Stores, Inc. | 1,266,417 | 0 |
| Industry total | \$3,344,048 | \$406,430 |

Rubber

| | | |
|------------------------------------|------------------|------------------|
| Cooper Tire & Rubber Company | \$88,544 | \$0 |
| The Goodyear Tire & Rubber Company | 159,400 | 302,700 |
| Premark International, Inc. | 34,900 | 106,000 |
| Raychem Corporation | -20,990 | 83,387 |
| Rubbermaid, Incorporated | 168,806 | 13,895 |
| Industry total | \$430,660 | \$505,982 |

Soaps and cosmetics

| | | |
|--|--------------------|--------------------|
| Avon Products Inc. | \$54,800 | \$229,100 |
| The Clorox Company | 217,017 | 0 |
| Colgate-Palmolive Company | 152,070 | 293,219 |
| International Flavors & Fragrances Inc | 48,209 | 171,440 |
| The Procter & Gamble Company | 1,303,000 | 594,000 |
| Industry total | \$1,775,096 | \$1,287,759 |

Telecommunications

| | | |
|---|---------------------|------------------|
| American Information Technologies Corporation | \$1,715,700 | \$0 |
| AT&T | 3,766,200 | 31,800 |
| Bell Atlantic Corporation | 1,469,300 | 0 |
| BellSouth Corporation | 2,320,400 | 0 |
| Contel Corporation | 372,000 | 21,000 |
| GTE Corporation | 1,602,350 | 401,320 |
| Pacific Telesis Group | 1,820,297 | -7,837 |
| Southwestern Bell Corporation | 1,446,800 | 0 |
| United Telecommunications, Inc. | 513,000 | 0 |
| US WEST, Inc. | 1,536,100 | 0 |
| Industry total | \$16,562,147 | \$446,283 |

**Appendix VIII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1989**

| Worldwide Income before tax | Current U.S. tax expense | Foreign tax expense | Worldwide tax expense | Effective tax rate expressed as a percent | | Worldwide tax rate on worldwide income |
|-----------------------------------|-----------------------------|------------------------|--------------------------|---|---------------------------------------|--|
| | | | | U.S. tax rate on U.S. income | Foreign tax rate on foreign income | |
| -17,732 | -25,162 | 0 | -25,162 | 141.9 ^a | • | 141.9 ^a |
| 90,200 | 6,300 | 69,900 | 76,200 | -24.1 ^a | 60.1 | 84.5 |
| 1,779,200 | 464,000 | 76,200 | 540,200 | 29.3 | 38.5 | 30.4 |
| -1,330,110 | -15,391 | 5,557 | -9,834 | 1.2 ^a | 177.5 | 0.7 ^a |
| 1,266,417 | 414,966 | 0 | 414,966 | 32.8 | • | 32.8 |
| \$3,750,478 | \$1,876,555 | \$168,657 | \$2,045,212 | 56.1% | 41.5% | 54.5% |
| \$88,544 | \$27,503 | \$0 | \$27,503 | 31.1% | • | 31.1% |
| 462,100 | 26,200 | 208,300 | 234,500 | 16.4 | 68.8 | 50.7 |
| 140,900 | 14,400 | 44,400 | 58,800 | 41.3 | 41.9 | 41.7 |
| 62,397 | -1,743 | 30,880 | 29,137 | 8.3 ^a | 37.0 | 46.7 |
| 182,701 | 62,462 | 6,373 | 68,835 | 37.0 | 45.9 | 37.7 |
| \$936,642 | \$128,822 | \$289,953 | \$418,775 | 29.9% | 57.3% | 44.7% |
| \$283,900 | \$12,800 | \$113,500 | \$126,300 | 23.4% | 49.5% | 44.5% |
| 217,017 | 64,990 | 3,359 | 68,349 | 29.9 | ^b | 31.5 |
| 445,289 | 16,980 | 125,937 | 142,917 | 11.2 | 42.9 | 32.1 |
| 219,649 | 21,520 | 59,680 | 81,200 | 44.6 | 34.8 | 37.0 |
| 1,897,000 | 508,000 | 196,000 | 704,000 | 39.0 | 33.0 | 37.1 |
| \$3,062,855 | \$624,290 | \$498,476 | \$1,122,766 | 35.2% | 38.7% | 36.7% |
| \$1,715,700 | \$559,800 | \$0 | \$559,800 | 32.6% | • | 32.6% |
| 3,798,000 | 481,000 | 16,000 | 497,000 | 12.8 | 50.3 | 13.1 |
| 1,469,300 | 306,700 | 0 | 306,700 | 20.9 | • | 20.9 |
| 2,320,400 | 719,100 | 0 | 719,100 | 31.0 | • | 31.0 |
| 393,000 | 132,000 | 5,000 | 137,000 | 35.5 | 23.8 | 34.9 |
| 2,003,670 | 569,737 | 151,943 | 721,680 | 35.6 | 37.9 | 36.0 |
| 1,812,460 | 563,000 | 616 | 563,616 | 30.9 | -7.9 ^a | 31.1 |
| 1,446,800 | 486,400 | 0 | 486,400 | 33.6 | • | 33.6 |
| 513,000 | 41,900 | 0 | 41,900 | 8.2 | • | 8.2 |
| 1,536,100 | 233,300 | 0 | 233,300 | 15.2 | • | 15.2 |
| \$17,008,430 | \$4,092,937 | \$173,559 | \$4,266,496 | 24.7% | 38.9% | 25.1% |

(continued)

**Appendix VIII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1989**

Dollars in thousands

| Industry group/company | U.S. Income before tax | Foreign income before tax |
|---|-----------------------------------|--------------------------------------|
| Tobacco | | |
| American Brands, Inc. | \$556,300 | \$470,500 |
| Lorillard, Inc. | 571,938 | 1,200 |
| Universal Corp. | 27,613 | 45,113 |
| Industry total | \$1,155,851 | \$516,813 |
| Transportation - Airlines | | |
| Alaska Air Group, Inc. | \$65,528 | \$0 |
| AMR Corporation | 656,759 | 44,541 |
| Delta Air Lines, Inc. | 667,649 | 0 |
| Midway Airlines, Inc. | -20,873 | 0 |
| Pan Am Corporation | -189,690 | -261,884 |
| Southwest Airlines Co. | 107,967 | 0 |
| Texas Air Corporation | -885,628 | 0 |
| Trans World Airlines, Inc. | -300,239 | 0 |
| UAL Corporation | 504,068 | 0 |
| USAir Group, Inc. | -78,361 | 0 |
| Industry total | \$527,180 | -\$217,343 |
| Transportation - Railroads | | |
| Burlington Northern Inc. | \$379,650 | \$0 |
| CSX Corporation | 635,400 | 44,000 |
| Norfolk Southern Corporation | 902,857 | 0 |
| Santa Fe Pacific Corporation | -301,300 | 0 |
| Union Pacific Corporation | 893,000 | 0 |
| Industry total | \$2,509,607 | \$44,000 |
| Transportation - Trucking | | |
| Carolina Freight Corporation | \$790 | \$0 |
| Federal Express Corporation | 288,714 | 0 |
| Roadway Services, Inc. | 143,423 | 0 |
| United Parcel Service of America, Inc. | 1,137,307 | 0 |
| Yellow Freight System, Inc. of Delaware | 22,441 | 0 |
| Industry total | \$1,592,675 | \$0 |

**Appendix VIII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1989**

| Worldwide Income before tax | Current U.S. tax expense | Foreign tax expense | Worldwide tax expense | Effective tax rate expressed as a percent | | Worldwide tax rate on worldwide income |
|-----------------------------------|-----------------------------|------------------------|--------------------------|---|---------------------------------------|--|
| | | | | U.S. tax rate on U.S. income | Foreign tax rate on foreign income | |
| \$1,026,800 | \$289,500 | \$153,000 | \$442,500 | 52.0% | 32.5% | 43.1% |
| 573,138 | 172,564 | 313 | 172,877 | 30.2 | 26.1 | 30.2 |
| 72,726 | 7,656 | 7,036 | 14,692 | 27.7 | 15.6 | 20.2 |
| \$1,672,664 | \$469,720 | \$160,349 | \$630,069 | 40.6% | 31.0% | 37.7% |
| \$65,528 | \$26,599 | \$0 | \$26,599 | 40.6% | • | 40.6% |
| 701,300 | 110,800 | 800 | 111,600 | 16.9 | 1.8 | 15.9 |
| 667,649 | 258,522 | 0 | 258,522 | 38.7 | • | 38.7 |
| -20,873 | 423 | 0 | 423 | -2.0 ^a | • | -2.0 ^a |
| -451,574 | 0 | 275 | 275 | 0.0 | -0.1 ^a | -0.1 ^a |
| 107,967 | 19,388 | 0 | 19,388 | 18.0 | • | 18.0 |
| -885,628 | 0 | 0 | 0 | 0.0 | • | 0.0 |
| -300,239 | -11,300 | 0 | -11,300 | 3.8 ^a | • | 3.8 ^a |
| 504,068 | 222,204 | 0 | 222,204 | 44.1 | • | 44.1 |
| -78,361 | -45,105 | 0 | -45,105 | 57.6 ^a | • | 57.6 ^a |
| \$309,837 | \$581,531 | \$1,075 | \$582,606 | 110.3% | -0.5^a | 188.0% |
| \$379,650 | \$67,823 | \$0 | \$67,823 | 17.9% | • | 17.9% |
| 679,400 | 25,000 | 14,400 | 39,400 | 3.9 | 32.7 | 5.8 |
| 902,857 | 196,394 | 0 | 196,394 | 21.8 | • | 21.8 |
| -301,300 | -10,100 | 0 | -10,100 | 3.4 ^a | • | 3.4 ^a |
| 893,000 | 101,000 | 0 | 101,000 | 11.3 | • | 11.3 |
| \$2,553,607 | \$380,117 | \$14,400 | \$394,517 | 15.1% | 32.7% | 15.4% |
| \$790 | \$3,144 | \$0 | \$3,144 | 398.0% | • | 398.0% |
| 288,714 | 85,508 | 0 | 85,508 | 29.6 | • | 29.6 |
| 143,423 | 49,366 | 0 | 49,366 | 34.4 | • | 34.4 |
| 1,137,307 | 257,116 | 0 | 257,116 | 22.6 | • | 22.6 |
| 22,441 | 21,240 | 0 | 21,240 | 94.6 | • | 94.6 |
| \$1,592,675 | \$416,374 | \$0 | \$416,374 | 26.1% | • | 26.1% |

(continued)

**Appendix VIII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1989**

Dollars in thousands

| Industry group/company | U.S. income before tax | Foreign income before tax |
|--|-----------------------------------|--------------------------------------|
| Utilities (electric and gas) | | |
| American Electric Power Company, Inc. | \$971,298 | \$0 |
| Commonwealth Edison Company | 1,068,385 | 0 |
| Consolidated Edison Company of New York, Inc. | 918,125 | 0 |
| Entergy Corporation | -416,045 | 0 |
| Pacific Gas & Electric Company | 1,430,538 | 0 |
| Public Service Enterprise Group Incorporated | 785,678 | 0 |
| SCEcorp | 1,279,553 | 0 |
| The Southern Company | 1,430,000 | 0 |
| Texas Utilities Company | 1,031,245 | 0 |
| Industry total | \$8,498,777 | \$0 |
| Wholesalers | | |
| Alco Standard Corporation | \$122,807 | \$16,370 |
| Avnet, Inc. | 80,093 | 0 |
| Bergen Brunswig Corporation | 73,741 | 0 |
| Fleming Companies, Inc. | 132,197 | 0 |
| Genuine Parts Company | 299,111 | 2,168 |
| National Intergroup, Inc. | -32,478 | 0 |
| Super Valu Stores, Inc. | 208,494 | 0 |
| SYSCO Corporation | 167,884 | 0 |
| Wetterau Incorporated | 68,033 | 0 |
| Industry total | \$1,119,882 | \$18,538 |

**Appendix VIII
U.S., Foreign, and Worldwide Effective Tax
Rates by Industry Group and Company for
1989**

| 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 |
| \$971,298 | \$562,237 | \$0 | \$562,237 | 57.9% | • | 57.9% |
| 1,068,385 | 261,532 | 0 | 261,532 | 24.5 | • | 24.5 |
| 918,125 | 256,500 | 0 | 256,500 | 27.9 | • | 27.9 |
| -416,045 | 0 | 0 | 0 | 0.0 | • | 0.0 |
| 1,430,538 | 457,014 | 0 | 457,014 | 31.9 | • | 31.9 |
| 785,678 | 100,635 | 0 | 100,635 | 12.8 | • | 12.8 |
| 1,279,553 | 253,469 | 0 | 253,469 | 19.8 | • | 19.8 |
| 1,430,000 | 237,000 | 0 | 237,000 | 16.6 | • | 16.6 |
| 1,031,245 | 120,628 | 0 | 120,628 | 11.7 | • | 11.7 |
| \$8,498,777 | \$2,249,015 | \$0 | \$2,249,015 | 26.5% | • | 26.5% |
| \$139,177 | \$10,329 | \$6,930 | \$17,259 | 8.4% | 42.3% | 12.4% |
| 80,093 | 25,522 | 0 | 25,522 | 31.9 | • | 31.9 |
| 73,741 | 27,233 | 0 | 27,233 | 36.9 | • | 36.9 |
| 132,197 | 39,032 | 0 | 39,032 | 29.5 | • | 29.5 |
| 301,279 | 102,519 | 274 | 102,793 | 34.3 | 12.6 | 34.1 |
| -32,478 | 10 | 0 | 10 | -0.0 ^a | • | -0.0 ^a |
| 208,494 | 71,088 | 0 | 71,088 | 34.1 | • | 34.1 |
| 167,884 | 39,754 | 0 | 39,754 | 23.7 | • | 23.7 |
| 68,033 | 27,752 | 0 | 27,752 | 40.8 | • | 40.8 |
| \$1,138,420 | \$343,239 | \$7,204 | \$350,443 | 30.6% | 38.9% | 30.8% |

Note: "•" indicates that a rate was not computed because the company did not earn any pretax income or pay any taxes.

^aRate shown is arithmetically distorted due to a pretax accounting loss.

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

Federal Government Receipts by Major Category as a Percentage of Total Receipts

| Fiscal year | Personal tax and nontax receipts | Corporate profits tax accruals | Indirect business tax and nontax accruals | Contributions for social insurance |
|--------------------|---|---------------------------------------|--|---|
| 1980 | 46.3% | 13.1% | 6.7% | 33.9% |
| 1981 | 46.2 | 11.1 | 8.7 | 33.9 |
| 1982 | 48.0 | 8.0 | 8.0 | 36.0 |
| 1983 | 45.0 | 8.7 | 8.0 | 38.3 |
| 1984 | 42.2 | 10.6 | 8.0 | 39.2 |
| 1985 | 43.4 | 9.7 | 7.6 | 39.4 |
| 1986 | 43.4 | 9.9 | 6.6 | 40.1 |
| 1987 | 44.1 | 11.1 | 6.4 | 38.4 |
| 1988 | 42.3 | 11.3 | 6.2 | 40.2 |
| 1989 | 43.5 | 11.1 | 5.9 | 39.4 |

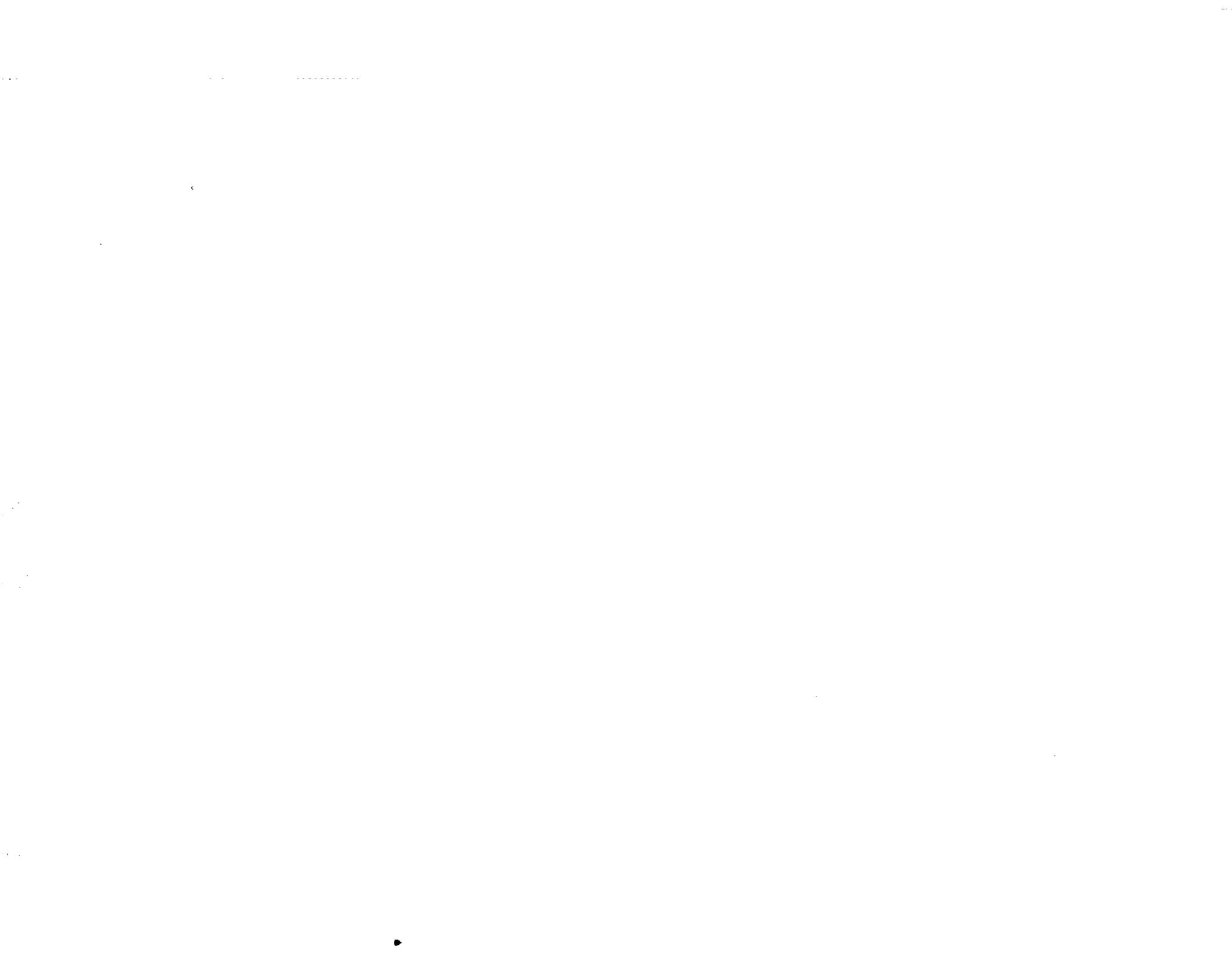
Note: Components may not add to 100 percent due to rounding.

Source: Calculated from the Economic Report of the President, February 1992, table B-79, p. 391.

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