

Which Industries Pay Corporate Income Taxes?

By Eric Toder

Recent news stories have focused on large corporations that pay little or no income tax. At the same time, however, the United States still collects significant amounts of revenue from the corporate income tax. Over the 10-year period, 1999-2008, total corporate income tax liability after credits amounted to \$2.3 trillion, an average of about \$234 billion per year.

Three-fourths of this tax liability was incurred by firms in four sectors: manufacturing, finance and insurance, wholesale and retail trade, and management of companies (holding companies). Another 10 percent came from firms in information and construction. These sectors accounted for 92 percent of the net worth of corporations and about 80 percent of business receipts and net receipts (receipts less interest payments). There were signifi-

cant differences across sectors in the relationships between tax shares and shares of net assets and receipts. Manufacturing firms paid a significantly higher share of taxes than their share of net worth, but about the same as their share of receipts. Finance and insurance companies paid very little tax in relation to their net worth, but a larger share of taxes than their share of receipts. Retailers and wholesalers paid a much higher share of taxes than their share of net worth, but low taxes in relation to receipts, reflecting low capital intensity in that sector.

These data show how much corporate income tax different sectors pay relative to their economic importance, measured either by net wealth or by total revenues. But they reveal little about effective income tax rates — taxes paid as a share of economic profits. Although the IRS Statistics of Income Division does report taxable profits by industry, available data from tax returns do not show the extent to which firms use preferences to lower reported profits.

Shares of Corporate Taxes, Net Worth, and Receipts by Industry

Industry	Taxes After Credits	Net Worth	Business Receipts	Net Receipts*
Manufacturing	28.0%	15.1%	29.4%	28.2%
Finance and Insurance	19.4%	57.3%	8.5%	12.0%
Wholesale and Retail Trade	15.7%	4.8%	30.2%	28.0%
Holding Companies	11.9%	8.6%	0.8%	2.4%
Information	7.8%	5.8%	4.3%	4.3%
Construction	2.3%	0.9%	6.3%	5.8%
All Other	14.8%	7.8%	20.6%	19.4%

*Total receipts less interest payments.

Source: Internal Revenue Service, Statistics of Income Division, Table 14b, "Corporation Income Tax Returns, Selected Balance Sheet, Income Statement and Tax Items by North American Industry Classification System (NAICS) Industrial Sector, Income Years 1999-2008."



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