

The Impact of Allocations as a Tool for Statistical Editing of Corporate Taxpayer Administrative Records

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Abstract

Data files from the Statistics of Income Corporation sample for two recent years are analyzed to identify incidents in which taxpayer reported data have been perfected through the use of a procedure known as allocation. The perfection involves moving amounts to more specific areas of the statistical record from where it is initially reported by the taxpayer on the tax return. The characteristics of tax returns in which use of this procedure is most prevalent are examined.

Key Words: Allocations, Data Editing, Corporate Tax Returns

1. Introduction

The Statistics of Income (SOI) Corporation Program annually collects and publishes data based upon a sample of corporation income tax returns in accordance with the Division's mandate contained in The Revenue Act of 1916. These data, used by tax policy researchers, are perfected through an on-line statistical editing program. This paper describes a long-standing process, known as allocation, which is a critical part of this on-line program and is key to enriching the SOI Corporation data used for analytical and statistical purposes. Two recent tax years are examined - 2005 with over \$10.5 trillion allocated and 2006 with about \$12.8 trillion allocated. Absent this process, data presented in this paper would be subject to significant overstatement or understatement. Due to the amounts involved, it is instructive to look at some of the characteristics of returns that are subject to this process as well as the proportion of published SOI corporate data accounted for by allocation.

2. Overview of the Allocation Process

Allocation is one of the many statistical processes applied to corporate income tax return records selected for the SOI sample, pertaining to all corporate U.S. income tax forms processed by SOI, i.e. Forms 1120, 1120A, 1120S, 1120F, 1120L, 1120PC, 1120 RIC, and 1120 REIT. The process is built into the Corporation on-line edit system. It is necessary to identify a number of items reported by the taxpayer and determine how SOI processing would classify them. This could be due to taxpayers possibly "lumping" items in "other" lines of the tax return or SOI rules which govern the interpretation of reported data items. Allocations are performed at the consolidated return level for corporations with more than twenty subsidiaries; otherwise, these are done at the level of reviewing subsidiary data.

Most returns include attachments that provide the terminology and dollar amounts for each item that is included in “Other” lines on the tax return such as Other Income, Other Deductions, Other Assets, or Other Liabilities. In an effort to standardize the variability among taxpayer reporting on these attachments, SOI maintains on-line allocation dictionaries to assist tax examiners in converting taxpayer terminology to a more standardized line item as found on the tax return. For example, when “director’s fees” are listed on an attachment for other deductions, the allocation system moves the amount to the salaries and wages line of the SOI record and subtracts the same amount from other deductions. Within the balance sheet, for example, when “accounts receivable from affiliates” are listed on an attachment for other current assets, the amount is “moved” to the notes and accounts receivable line. The same amount is subtracted from other current assets on the SOI record. The allocation process also enables SOI to provide its customers additional granularity that would otherwise not be available. For example, items as Amortization and Intangible Drilling Costs, per taxpayer instructions, are reported on the “Other Costs” or “Other Deduction” lines of the tax return. During editing of the SOI record, these items are allocated and broken out as unique items.

These procedures continue an SOI tradition of providing additional data enhancements to our customers at the Office of Tax Analysis of the Department of Treasury, the Joint Committee on Taxation of the U.S. Congress, and the Bureau of Economic Analysis of the Department of Commerce, as well as to other researchers who utilize SOI corporate data. To the extent possible, the allocation process helps to ensure that amounts reported for “other” line items are not overstated and that the standard tax return line items are not understated. It also helps to ensure consistency from year to year in SOI corporate income tax data.

The areas of the return reviewed for allocation include income and deductions, the Schedule A for cost of goods sold, as well as the balance sheet. Two lines comprising the income/deduction statements (Other Income and Other Deductions); two lines on the Schedule A (Other Costs and Additional Inventory Costs - Section 263A); and five lines on the balance sheet (Other Current Assets, Other Investments, Other Assets, Other Current Liabilities and Other Liabilities) are generally line items from which reported amounts are often moved elsewhere. These movements are done through on-line tools. While previous examples described movements within a particular schedule, allocation is also utilized between different schedules/statements of the return. For example, not only are amounts allocated from other costs to purchases on the Schedule A, but significant amounts are moved from other costs to specific deduction line items reported on the deduction statement (page one of Form 1120). For example, taxes reported in other costs of the Schedule A are allocated to taxes paid on the deduction statement. Conversely, movements will go from other deductions to purchases and/or other costs on records in manufacturing industries for which a cost of goods was created during SOI processing.

3. Checks and Balances

The frequency and amount of allocations require that procedures and tools be in place to ensure data integrity, both before and after an allocation. Some of the more significant of these include:

Computerized statistical consistency tests and validity checks are run to ensure that all total amounts within the SOI return record are in balance prior to and after the allocation.

Specific tests are also run during allocation to ensure that data "movements" are consistent with other characteristics of the return. For example, tests may flag data changes that could be inconsistent with the industry classification, such as cost of goods sold for a company in a finance sector. Other examples include checks that interest paid is the largest reported deduction item for a commercial bank and that notes and accounts receivable are one of the largest reported balance sheet items for a bank holding company. Additional checks ensure that total lines do not become negative as the result of moving negative amounts. This becomes particularly important for allocations on a consolidated return with eliminations between subsidiaries and the corporate parent. (A consolidated return contains the combined financial data of two or more corporations with a common corporate parent). All computerized flags must be reviewed for possible correction;

Allocations performed on the record in a prior SOI year can be reviewed using a lookup utility for year to year data comparisons;

Computerized adjustments are made to respective totals and lines subjected to allocation to keep the affected schedules/statements of the return in balance;

Complete documentation of the entire allocation process is maintained;

Look-up tools, such as online dictionaries, aide in the process of converting taxpayer terminology to a more specific line item on the tax return. The online dictionaries are regularly updated when new terms are identified as patterns of taxpayer reporting.

Terminology that is unclear as well as amounts generally exceeding a certain threshold are allocated based upon review by SOI economists and statisticians. Such allocations are documented in the microdata record, for year to year comparisons and maintenance of the online dictionaries.

SOI has incorporated enhancements possible with recently available electronically filed data. Separate processes to capture these electronic data enables matching of terminology on the electronic record to terminology maintained in the SOI data dictionaries, thereby making electronic allocation possible in the future. This will in turn reduce the amount of manual review of data and allow more standardization of terms among data dictionaries.

4. Perspectives on the Allocation Process

Table 1 shows amounts allocated by size of total assets. Nearly \$9.3 trillion for 2005 (\$11.5 trillion for 2006) of the total amount allocated comes from returns with assets greater than \$500 million. Nearly \$8.3 trillion for 2005 (\$10.5 trillion for 2006) came from returns with assets of \$2.5 billion or more. Sub-classifications within Table 2 and continued throughout the remaining tables show that most allocation is performed among items reported on the balance sheet, followed by the income and deductions area and then by the Schedule A for Cost of Goods. Nearly three-quarters of the balance sheet movements are due to accounts payable, mortgages less than one year, other investments, and notes and accounts receivable. The majority of those for the Schedule A are due to Purchases; while business receipts, salaries and wages, and amortization account for much of the allocation within the income and deduction area. Most all of the increase in balance sheet allocation was in the highest asset category between 2005 and 2006. In cost

of goods, the increase between the two years is fairly evenly split between the two highest asset categories. For the income statement, amounts allocated among all asset breakouts was down compared to the previous year except for the highest asset category, which increased by about \$75 billion over 2005.

Table 2 closely parallels the previous table in that it looks at amounts allocated based upon whether the return is classified as a "critical case" for SOI statistical processing purposes. These returns are among the largest in the SOI corporate program and their presence is vital to the statistical integrity of the sample. Critical case returns are classified based on a combination of assets and industry classification.¹ For both tax years, over 70% of the total amount is allocated on return records that are among the largest of the critical cases (super-critical cases).

Table 3 shows amounts allocated based on whether the return is an 1120 consolidated return. Consolidated returns contain the combined financial data of two or more corporations with a common corporate parent. It should be noted that amounts for consolidated returns with a common 1120-L (life insurance) or 1120-PC (property and casualty) parent are included in the column for "All Other Returns". Nearly \$8.0 trillion of the total \$10.5 trillion for 2005 and \$10.3 trillion of the total \$12.8 trillion for 2006 was allocated for 1120 consolidated returns.

5. Numbers of Allocations

While the focus thus far has been on the volume of allocations in dollars, it is also instructive to examine the number of allocations to give a sense of the frequency of data movements. Table A contains these volumes for Tax Years 2005 and 2006 by the same classifiers used for examining the dollar amounts.

Table A: Number of Allocations by Return Characteristics Tax Years 2005-2006

	2005	2006
By size of total assets (in thousands)		
Under \$50,000	290,631	246,792
\$50,000 under \$500,000	224,416	236,597
\$500,000 under \$2,500,000	96,767	104,363
\$2,500,00 or more	86,753	94,072
By type of return		
1120 Consolidated	340,497	366,258
All other returns	358,070	315,566
By critical case		
Supercritical	79,414	87,547
Other critical	161,792	2,854

¹ For further information, see Davitian, Lucy (2005), "Corporation Supercritical Cases: How do Imputed Returns on the Corporate File Compare to the Actual Return," American Statistical Association Conference.

Noncritical	457,361	591,423
By area of return		
Balance sheet	272,845	278,298
Cost of goods	35,304	34,764
Income/deduction	390,418	368,762
Total number of allocations	698,567	681,824

We find, for example, that while certainly most of the dollar amounts were concentrated among returns in the two largest asset categories, over 70% of the total number of movements occurs in returns with assets \$500 million and below. Analysis by whether a return is a "critical case" reveals that while over 70% of the dollar amounts are allocated among the largest of the critical cases, the numbers of data movements were predominantly among the noncritical records. Numbers of allocations for Form 1120 consolidated and all other returns are somewhat split, despite the fact that most of the amounts are concentrated among consolidated records. Over 50% of the total numbers of allocations come from the income/deduction areas of the return, even though the balance sheet accounts for the largest share of total allocation in dollars - over 80%. Analysis by frequency, therefore, provides a different perspective and points to the need for further research to better correlate the relationship between amounts of allocations and their frequencies.

Based on these data, for instance, it seems reasonable that higher asset returns, super-critical returns, as well as consolidated returns have on average higher amounts allocated each time the process is performed. Conversely, lower asset returns, non-critical, and non-consolidated returns have significantly more allocations performed, yet the amounts moved on average would be lower. Characteristics of returns as well as patterns of taxpayer reporting would certainly affect the expediency with which items are identified for movement. In addition, returns selected for the SOI corporate sample each year with certainty would have similar patterns of reporting itemized amounts, thus allowing a tax examiner to perhaps combine items for fewer movements.

6. Summary

The allocation process, to the tune of over \$10.5 trillion for Tax Year 2005 and over \$12.8 trillion for Tax Year 2006, has historically contributed to the richness of SOI corporate data. It is one of the many reasons SOI data are considered perfected and valued for tax policy analysis. Most allocation is performed on records with assets greater than \$500 million. Similarly, most allocation is performed on consolidated returns, many of which are considered critical for statistical processing to the SOI corporate sample. Amounts allocated in many cases comprise a significant proportion of published SOI data. Further research correlating the amount and number of allocations would be helpful from a resource standpoint. Continual improvements and enhancements as described in this article contribute to the efficiency and accuracy of the process.

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Table 1. Allocations by Size of Total Assets, Tax Year 2005

[All figures are estimates based on samples—money amounts and size of total assets are in thousands of dollars]

Allocated to	Size of total assets						\$2,500,000 or more
	Total	Under \$50,000	\$50,000 under \$100,000	\$100,000 under \$250,000	\$250,000 under \$500,000	\$500,000 under \$2,500,000	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
BALANCE SHEET ALLOCATION							
Total balance sheet allocations	9,252,322,347	294,096,835	82,326,378	178,274,297	219,711,640	832,099,318	7,645,813,879
Cash	140,557,415	14,147,608	2,234,185	3,808,598	3,126,374	9,233,624	108,007,026
Notes and accounts receivable[1]	2,627,124,123	40,076,298	17,578,915	40,737,704	48,608,087	154,276,422	2,325,846,698
Inventories	19,120,706	2,753,382	529,644	554,500	644,368	2,783,975	11,854,837
Investments in government obligations	256,150,117	2,383,009	2,255,124	5,927,030	6,540,119	23,642,742	215,402,093
Tax-exempt securities	294,725,395	1,720,224	1,452,360	4,520,456	7,271,259	25,438,631	254,322,465
Other current assets	86,232,449	2,229,330	1,718,431	3,632,368	8,059,594	27,107,753	43,484,973
Loans to shareholders	452,520	330,259	56,543	65,699	18	0	0
Mortgage and real estate loans	84,798,297	4,088,302	1,063,763	2,735,199	2,072,708	4,124,497	70,713,828
Other investments	1,436,983,039	70,554,057	15,455,136	27,256,335	28,565,646	138,722,207	1,156,429,658
Depreciable assets	105,679,840	12,622,197	2,463,660	3,293,091	2,927,652	12,794,262	71,578,978
Less accumulated depreciation	3,314,410	47,100	993	4,239	497	68,646	3,193,117
Depletable assets	-13,127,879	-8,804,446	-1,419,266	-1,622,789	-1,340,289	-2,536,748	2,595,658
Land	7,480,636	5,091,533	365,871	273,745	423,702	1,280,439	45,345
Intangible assets (amortizable)	77,140,460	2,074,650	283,217	589,250	1,023,901	5,466,374	67,703,068
Less accumulated amortization	5,318,441	421,978	23,254	93,677	64,982	718,432	3,996,119
Other assets	18,201,092	869,886	270,044	360,985	947,508	3,139,826	12,612,842
Accounts payable	1,618,406,908	39,552,190	10,299,498	27,437,247	37,938,966	177,525,512	1,325,653,496
Mortgages, notes, and bonds payable in less than 1 year	1,147,561,260	51,467,861	8,975,919	14,360,507	19,174,562	70,541,959	983,040,452
Other current liabilities	502,294,718	4,368,295	7,993,863	24,159,502	32,248,832	91,403,690	342,120,537
Loans from shareholders	1,244,355	492,786	176	1,865	-41,984	164,021	627,491
Mortgages, notes, and bonds payable in 1 year or more	808,337,020	46,363,923	10,068,325	19,259,197	20,760,087	82,032,719	629,852,769
Other liabilities	2,190,365	76,332	202	9,643	1,306	166,411	1,936,472
Capital stock	3,983,868	544,807	433,673	537,691	193,694	986,789	1,287,213
Additional paid-in capital	321,542	290,541	15,640	0	14,111	1,250	0
Retained earnings, appropriated	11,859,335	217,956	10,437	59,873	60,513	798,720	10,711,836
Retained earnings, unappropriated	5,962,939	116,165	195,553	211,538	425,430	2,217,346	2,796,907
Less cost of treasury stock	8,978	610	1,219	7,148	0	0	0
SCHEDULE A ALLOCATION [2]							
Total Schedule A allocations	255,838,224	75,957,673	7,623,264	10,766,725	16,406,733	33,005,571	112,078,259
Inventory, beginning of year	3,540,214	230,012	61,099	-36,840	205,039	1,793,178	1,287,725
Purchases	209,914,459	62,177,302	6,179,857	8,697,023	9,516,574	26,831,768	96,511,935
Cost of labor	34,119,979	9,977,286	977,537	1,631,338	6,419,584	3,799,932	11,314,302
Additional inventory costs (section 263A)	-33,988	2,981	-8,235	30,735	-2,993	6,466	-62,941
Other costs	8,297,561	3,570,092	413,006	444,468	268,529	574,226	3,027,239

Footnotes at end of table.

Table 1. Allocations by Size of Total Assets, Tax Year 2005—Continued

[All figures are estimates based on samples—money amounts and size of total assets are in thousands of dollars]

Allocated to	Size of total assets						\$2,500,000 or more
	Total	Under \$50,000	\$50,000 under \$100,000	\$100,000 under \$250,000	\$250,000 under \$500,000	\$500,000 under \$2,500,000	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
INCOME/DEDUCTION ALLOCATION							
Total income/deduction allocations	969,916,825	248,466,542	23,327,267	36,469,074	32,989,233	109,917,794	518,746,915
Business receipts	325,349,196	47,454,639	3,909,977	7,866,028	8,053,558	29,559,730	228,505,263
Interest received	6,038,118	869,489	167,256	175,105	203,485	879,150	3,743,633
Rents	3,098,161	892,226	51,166	103,610	69,327	226,263	1,755,570
Royalties	2,381,673	262,598	52,475	303,830	146,782	515,816	1,100,172
Net gain, noncapital assets	-574,632	429,339	29,233	78,967	110,586	329,021	-1,551,778
Total dividends	760,816	159,757	7,277	15,230	8,376	117,107	453,068
Other income	-48,168	-19	-59	-12,046	-36,044	0	0
Compensation of officers	539,846	503,811	11,667	32,347	-1,573	5,873	-12,279
Salaries and wages	110,723,874	51,759,605	2,411,660	3,886,755	2,792,638	8,627,051	41,246,164
Repairs	15,133,389	5,901,665	304,044	386,827	340,760	1,416,487	6,783,606
Bad Debts	1,952,190	166,912	14,837	46,657	41,972	106,394	1,575,418
Rent paid on business property	71,692,663	42,209,168	2,867,876	3,477,604	2,312,202	7,008,782	13,817,032
Taxes paid	78,689,861	30,521,676	3,169,555	4,161,865	3,443,230	10,354,312	27,039,224
Interest paid	5,330,735	1,924,979	110,757	162,951	93,824	537,465	2,500,759
Charitable contributions	460,172	186,704	5,692	7,506	6,232	77,962	176,075
Amortization	132,813,606	12,457,355	2,817,537	5,247,676	5,955,292	20,229,517	86,106,229
Depreciation	85,097,522	16,773,533	3,610,775	5,496,169	4,759,749	14,043,915	40,413,381
Depletion	3,393,447	243,416	56,102	172,293	62,744	174,827	2,684,064
Advertising	11,817,461	2,606,962	141,708	225,337	304,857	662,042	7,876,556
Pension, profit-sharing, etc. plans	11,307,407	2,278,353	252,124	414,416	319,947	1,181,432	6,861,136
Employee benefit programs	72,970,527	29,522,757	3,050,952	3,505,290	3,234,605	8,530,674	25,126,250
Employee stock option dividends	1,122,599	98,959	23,402	39,552	4,209	40,901	915,576
Intangible drilling costs	30,304,541	1,384,019	271,838	685,144	815,468	5,335,998	21,812,075
Other deductions	-438,179	-141,363	-10,582	-10,037	-52,994	-42,925	-180,279
Total all allocations	10,478,077,397	618,521,050	113,276,908	225,510,096	269,107,606	975,022,684	8,276,639,052

[1] Net of allowance for bad debts.

[2] Schedule A is entitled "Cost of Goods Sold."

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Table 1. Allocations by Size of Total Assets, Tax Year 2006
 [All figures are estimates based on samples—money amounts and size of total assets are in thousands of dollars]

Allocated to	Size of total assets						
	Total	Under \$50,000	\$50,000 under	\$100,000 under	\$250,000 under	\$500,000 under	\$2,500,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
BALANCE SHEET ALLOCATION							
Total balance sheet allocations	11,481,902,245	323,755,574	85,912,444	178,107,064	227,592,778	881,569,962	9,784,964,423
Cash	144,926,368	14,613,279	2,571,616	4,023,869	3,351,310	13,106,002	107,260,293
Notes and accounts receivable[1]	2,679,008,214	36,188,762	15,078,741	35,256,462	43,238,509	160,143,472	2,389,102,267
Inventories	22,061,442	3,672,339	563,724	834,564	811,497	2,438,442	13,740,876
Investments in government obligations	289,468,259	2,584,529	2,327,301	5,042,975	5,614,840	24,287,134	249,611,479
Tax-exempt securities	317,844,384	1,983,229	1,421,681	3,768,893	7,384,495	29,081,297	274,204,790
Other current assets	87,757,555	2,188,753	1,505,774	4,766,720	6,681,283	22,188,019	50,427,006
Loans to shareholders	511,230	337,129	72,511	101,621	-635	599	5
Mortgage and real estate loans	109,860,323	4,464,962	1,174,979	2,002,903	1,946,283	4,666,116	95,605,079
Other investments	1,996,698,058	73,825,777	16,074,654	27,759,030	31,860,046	134,304,670	1,712,873,882
Depreciable assets	139,151,706	13,754,713	2,675,551	4,182,137	4,974,429	17,368,081	96,196,795
Less accumulated depreciation	3,090,907	16,425	1,873	73	6,954	47,907	3,017,674
Depletable assets	5,287,084	385,977	105,372	268,454	8,453	459,177	4,059,652
Land	9,882,406	6,281,656	456,936	421,076	62,890	2,237,906	421,943
Intangible assets (amortizable)	96,036,257	2,693,002	313,404	904,314	958,138	5,207,318	85,960,080
Less accumulated amortization	25,881,522	327,532	30,243	44,956	56,630	158,845	252,633,317
Other assets	22,262,443	941,200	107,682	259,231	770,812	2,400,249	17,783,269
Accounts payable	2,378,686,023	37,517,574	14,085,688	28,696,538	42,415,118	198,011,373	2,057,959,731
Mortgages, notes, and bonds payable in less than 1 year	1,456,988,904	61,556,967	8,752,905	16,024,461	18,332,121	72,263,467	1,280,058,983
Other current liabilities	463,760,123	4,559,709	7,654,655	22,474,330	30,397,676	83,701,417	314,972,336
Loans from shareholders	8,175,417	570,913	24,611	1,793	35,272	113,492	7,429,336
Mortgages, notes, and bonds payable in 1 year or more	1,200,014,124	54,058,097	10,408,382	20,594,760	27,908,332	104,228,940	982,815,614
Other liabilities	2,163,348	74,022	2,187	71,824	646	605,042	1,409,627
Capital stock	4,496,777	687,211	312,914	202,490	603,829	2,208,550	481,783
Additional paid-in capital	204,997	166,274	19,928	4,539	11,111	3,145	0
Retained earnings, appropriated	15,161,160	131,677	40,218	50,669	44,791	844,417	14,049,387
Retained earnings, unappropriated	2,520,469	171,358	128,678	348,382	117,948	1,494,885	259,218
Less cost of treasury stock	2,745	2,509	237	0	0	0	0
SCHEDULE A ALLOCATION [2]							
Total Schedule A allocations	304,139,591	85,661,156	7,283,713	11,249,299	14,245,383	46,878,779	138,821,261
Inventory, beginning of year	4,051,229	-129,656	1,619	67,287	124,919	1,982,464	2,004,596
Purchases	254,521,021	72,186,668	6,267,076	8,727,082	7,797,266	36,984,684	122,558,244
Cost of labor	37,538,318	11,033,541	738,016	2,167,546	6,166,205	6,916,671	10,516,338
Additional inventory costs (section 263A)	87,496	4,193	12,135	15,370	9,533	27,546	18,720
Other costs	7,941,527	2,566,410	264,866	272,014	147,460	967,414	3,723,363

Footnotes at end of table.

Table 1. Allocations by Size of Total Assets, Tax Year 2006—Continued
 [All figures are estimates based on samples—money amounts and size of total assets are in thousands of dollars]

Allocated to	Size of total assets						
	Total	Under \$50,000	\$50,000 under	\$100,000 under	\$250,000 under	\$500,000 under	\$2,500,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
INCOME/DEDUCTION ALLOCATION							
Total income/deduction allocations	1,019,009,437	235,229,423	22,257,517	32,371,122	29,012,099	106,729,861	593,409,415
Business receipts	387,816,520	47,440,564	4,815,399	7,485,356	7,902,247	31,562,184	288,610,771
Interest received	4,849,634	807,268	123,920	183,457	178,386	536,028	3,020,574
Rents	3,795,801	861,329	46,655	81,366	100,876	226,538	2,479,039
Royalties	2,673,739	341,466	80,748	68,685	130,250	261,729	1,790,860
Net gain, noncapital assets	3,912,120	1,164,854	36,192	82,952	234,651	341,242	2,052,230
Total dividends	1,043,636	131,006	4,195	10,164	46,751	33,549	817,972
Other income	-6,923	-17	-1,543	0	0	-3	-5,360
Compensation of officers	554,361	447,030	9,348	14,352	-617	23,691	60,558
Salaries and wages	112,819,355	50,777,082	2,855,566	3,427,984	2,831,383	9,077,991	43,849,350
Repairs	14,182,079	5,988,400	307,015	379,091	382,151	1,533,938	5,591,484
Bad Debts	1,834,377	169,878	29,443	33,303	44,810	107,098	1,449,845
Rent paid on business property	77,470,905	44,466,809	3,023,308	3,586,584	2,500,714	8,364,276	15,529,212
Taxes paid	86,648,855	30,646,506	3,468,136	4,516,161	3,370,327	11,490,853	33,156,872
Interest paid	7,098,834	1,858,390	183,389	160,939	93,688	326,433	4,475,995
Charitable contributions	537,999	187,955	9,914	7,921	10,955	121,765	199,489
Amortization	153,160,616	13,214,486	2,829,082	5,477,455	6,126,485	21,456,784	104,056,325
Depreciation	5,287,084	385,977	105,372	268,454	8,453	459,177	4,059,652
Depletion	1,996,475	119,277	68,466	191,664	77,961	274,634	1,264,473
Advertising	14,650,828	2,327,772	214,812	437,880	183,967	1,101,149	10,385,247
Pension, profit-sharing, etc. plans	17,100,350	2,530,742	255,255	438,457	350,169	1,600,096	11,925,631
Employee benefit programs	71,543,726	30,151,429	3,263,040	4,727,520	3,336,817	10,244,677	19,820,244
Employee stock option dividends	1,761,474	96,020	40,197	20,449	5,174	58,094	1,541,541
Intangible drilling costs	48,729,970	1,492,030	491,563	781,820	1,106,526	7,529,736	37,328,295
Other deductions	-452,381	-376,831	-1,957	-10,890	-10,024	-1,799	-50,881
Total all allocations	12,805,051,273	644,646,153	115,453,674	221,727,485	270,850,261	1,035,178,602	10,517,195,099

[1] Net of allowance for bad debts.

[2] Schedule A is entitled "Cost of Goods Sold."

Table 2. Allocations by Critical Case Classification, Tax Year 2005

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

Allocated to	Level of critical case			
	Total	Supercritical	Other critical	Noncritical
	(1)	(2)	(3)	(4)
BALANCE SHEET ALLOCATION				
Total balance sheet allocations	9,252,322,347	7,098,297,993	1,123,335,871	1,030,688,483
Cash	140,557,415	82,022,122	33,561,520	24,973,773
Notes and accounts receivable [1]	2,627,124,123	2,217,028,446	218,451,928	191,643,748
Inventories	19,120,706	12,159,531	3,173,210	3,787,965
Investments in government obligations	256,150,117	195,817,039	30,577,254	29,755,824
Tax-exempt securities	294,725,395	216,598,245	55,394,693	22,732,457
Other current assets	86,232,449	34,177,409	19,710,529	32,344,511
Loans to shareholders	452,520	0	65,718	386,803
Mortgage and real estate loans	84,798,297	54,816,077	20,535,779	9,446,441
Other investments	1,436,983,039	1,104,283,146	179,177,032	153,522,860
Depreciable assets	105,679,840	71,344,323	17,406,444	16,929,073
Less accumulated depreciation	3,314,410	3,013,502	252,351	48,556
Depletable assets	-13,127,879	2,409,279	-5,072,548	-10,464,611
Land	7,480,636	45,345	1,974,617	5,460,673
Intangible assets (amortizable)	77,140,460	67,707,474	6,902,742	2,530,244
Less accumulated amortization	5,318,441	3,949,368	914,503	454,570
Other assets	18,201,092	12,750,435	3,748,844	1,701,813
Accounts payable	1,618,406,908	1,234,113,467	157,515,749	226,777,693
Mortgages, notes, and bonds payable in less than 1 year	1,147,561,260	925,695,109	129,965,341	91,900,810
Other current liabilities	502,294,718	261,175,188	107,519,888	133,599,641
Loans from shareholders	1,244,355	771,089	-19,697	492,963
Mortgages, notes, and bonds payable in 1 year or more	808,337,020	586,365,843	136,720,751	85,250,426
Other liabilities	2,190,365	1,926,114	185,704	78,547
Capital stock	3,983,868	577,213	721,920	2,684,736
Additional paid-in capital	321,542	0	1,250	320,292
Retained earnings, appropriated	11,859,335	9,325,250	1,668,698	865,387
Retained earnings, unappropriated	5,962,939	226,978	2,281,651	3,454,310
Less cost of treasury stock	8,977	0	0	8,977
SCHEDULE A ALLOCATION [2]				
Total Schedule A allocations	255,838,225	115,829,989	53,373,230	86,635,007
Inventory, beginning of year	3,540,214	1,395,494	1,782,719	362,001
Purchases	209,914,459	99,048,181	39,361,186	71,505,093
Cost of labor	34,119,979	11,841,142	11,043,528	11,235,309
Additional inventory costs (section 263A)	-33,988	-61,437	21,151	6,298
Other costs	8,297,561	3,606,609	1,164,646	3,526,306
INCOME/DEDUCTION ALLOCATION				
Total income/deduction allocations	969,916,825	512,044,762	164,071,991	293,800,071
Business receipts	325,349,196	228,667,399	37,556,597	59,125,199
Interest received	6,038,118	3,839,852	1,002,066	1,196,200
Rents	3,098,161	1,278,761	750,963	1,068,437
Royalties	2,381,673	1,375,939	665,838	339,896
Net gain, noncapital assets	-574,632	-1,535,650	411,819	549,198
Total dividends	760,816	321,994	206,687	232,134
Other income	-48,168	0	-537	-47,631
Compensation of officers	539,846	-7,064	26,423	520,487
Salaries and wages	110,723,874	32,530,014	18,100,273	60,093,586
Repairs	15,133,389	6,891,711	1,943,319	6,298,359
Bad debts	1,952,190	1,482,688	180,968	288,534
Rent paid on business property	71,692,663	14,003,474	12,004,585	45,684,604
Taxes paid	78,689,861	27,895,344	15,974,760	34,819,757
Interest paid	5,330,735	2,419,401	995,769	1,915,565
Charitable contributions	460,172	181,274	75,915	202,983
Amortization	132,813,606	87,548,282	27,803,060	17,462,264
Depreciation	85,097,522	40,874,618	21,610,063	22,612,841
Depletion	3,393,447	2,684,530	409,058	299,858
Advertising	11,817,461	7,218,668	1,609,577	2,989,216
Pension, profit-sharing, etc. plans	11,307,407	6,605,926	1,933,734	2,767,747
Employee benefit programs	72,970,527	24,504,687	14,763,725	33,702,115
Employee stock option dividends	1,122,599	828,292	138,646	155,661
Intangible drilling costs	30,304,541	22,509,202	6,055,981	1,739,359
Other deductions	-438,179	-74,581	-147,299	-216,300
Total all allocations	10,478,077,397	7,726,172,744	1,340,781,092	1,411,123,562

[1] Net of allowance for bad debts.

[2] Schedule A is entitled "Cost of Goods Sold."

Table 2. Allocations by Critical Case Classification, Tax Year 2006

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

Allocated to	Level of critical case			
	Total	Supercritical	Other critical	Noncritical
	(1)	(2)	(3)	(4)
BALANCE SHEET ALLOCATION				
Total balance sheet allocations	11,481,902,245	9,223,395,672	23,484,581	2,235,021,991
Cash	144,926,368	90,984,789	178,504	53,763,075
Notes and accounts receivable [1]	2,679,008,214	2,299,920,133	1,604,314	377,483,766
Inventories	22,061,442	13,669,968	28,606	8,362,868
Investments in government obligations	289,468,259	225,718,274	6,733	63,743,252
Tax-exempt securities	317,844,384	230,970,548	0	86,873,836
Other current assets	87,757,555	40,423,357	304,838	47,029,361
Loans to shareholders	511,230	5	0	511,225
Mortgage and real estate loans	109,860,323	78,967,390	0	30,892,933
Other investments	1,996,698,058	1,658,841,034	4,697,244	333,159,780
Depreciable assets	139,151,706	94,223,609	512,778	44,415,319
Less accumulated depreciation	3,090,907	2,845,487	0	245,420
Depletable assets	5,287,084	4,067,439	72,284	1,147,361
Land	9,882,406	274,461	0	9,607,945
Intangible assets (amortizable)	96,036,257	87,582,228	25,668	8,428,360
Less accumulated amortization	25,881,522	25,148,745	487	732,291
Other assets	22,262,443	17,483,180	12,500	4,766,763
Accounts payable	2,378,686,023	1,940,128,748	1,974,364	436,582,910
Mortgages, notes, and bonds payable in less than 1 year	1,456,988,904	1,214,619,881	11,037,341	231,331,682
Other current liabilities	463,760,123	233,158,998	51,312	230,549,814
Loans from shareholders	8,175,417	7,456,082	2,388	716,947
Mortgages, notes, and bonds payable in 1 year or more	1,200,014,124	942,733,471	2,959,242	254,321,411
Other liabilities	2,163,348	1,441,627	0	721,721
Capital stock	4,496,777	354,796	0	4,141,981
Additional paid-in capital	204,997	0	0	204,997
Retained earnings, appropriated	15,161,160	12,117,635	15,978	3,027,547
Retained earnings, unappropriated	2,520,469	263,788	0	2,256,680
Less cost of treasury stock	2,745	0	0	2,745
SCHEDULE A ALLOCATION [2]				
Total Schedule A allocations	304,139,591	146,940,744	399,865	156,798,982
Inventory, beginning of year	4,051,229	2,072,573	36,567	1,942,089
Purchases	254,521,021	129,592,556	325,271	124,603,193
Cost of labor	37,538,318	11,456,911	28,067	26,053,340
Additional inventory costs (section 263A)	87,496	21,409	0	66,087
Other costs	7,941,527	3,797,295	9,961	4,134,272
INCOME/DEDUCTION ALLOCATION				
Total income/deduction allocations	1,019,009,437	585,978,859	2,965,017	430,065,561
Business receipts	387,816,520	287,131,842	877,437	99,807,242
Interest received	4,849,634	3,004,987	6,288	1,838,359
Rents	3,795,801	2,347,453	1,160	1,447,188
Royalties	2,673,739	1,793,742	10,785	869,213
Net gain, noncapital assets	3,912,120	1,486,074	0	2,426,046
Total dividends	1,043,636	639,617	7	404,013
Other income	-6,923	-5,360	0	-1,563
Compensation of officers	554,361	56,202	14,954	483,206
Salaries and wages	112,819,355	34,063,374	84,717	78,671,264
Repairs	14,182,079	5,848,216	39,689	8,294,173
Bad debts	1,834,377	1,372,126	1,657	460,594
Rent paid on business property	77,470,905	17,476,416	138,875	59,855,614
Taxes paid	86,648,855	34,047,851	581,228	52,019,776
Interest paid	7,098,834	4,199,113	-5,042	2,904,762
Charitable contributions	537,999	256,344	169	281,486
Amortization	153,160,616	105,316,513	780,451	47,063,652
Depreciation	5,287,084	4,067,439	72,284	1,147,361
Depletion	1,996,475	1,293,141	16,125	687,209
Advertising	14,650,828	9,691,941	18,712	4,940,175
Pension, profit-sharing, etc. plans	17,100,350	11,748,161	49,896	5,302,293
Employee benefit programs	71,543,726	20,933,860	255,317	50,354,550
Employee stock option dividends	1,761,474	1,519,407	0	242,067
Intangible drilling costs	48,729,970	37,740,337	20,309	10,969,324
Other deductions	-452,381	-49,937	0	-402,444
Total all allocations	12,805,051,273	9,956,315,276	26,849,463	2,821,886,534

[1] Net of allowance for bad debts.

[2] Schedule A is entitled "Cost of Goods Sold."

Table 3. Allocations for Form 1120 Consolidated Returns and All Other Returns, Tax Year 2005

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

Allocated to	Total	Form 1120 consolidated returns	All other returns
	(1)	(2)	(3)
BALANCE SHEET ALLOCATION			
Total balance sheet allocations	9,252,322,347	7,211,065,029	2,041,257,318
Cash	140,557,415	79,236,250	61,321,165
Notes and accounts receivable [1]	2,627,124,123	2,307,951,967	319,172,157
Inventories	19,120,706	14,400,126	4,720,580
Investments in government obligations	256,150,117	147,134,335	109,015,782
Tax-exempt securities	294,725,395	14,222,115	280,503,280
Other current assets	86,232,449	20,514,448	65,718,000
Loans to shareholders	452,520	102,596	349,924
Mortgage and real estate loans	84,798,297	69,694,556	15,103,741
Other investments	1,436,983,039	1,141,568,331	295,414,708
Depreciable assets	105,679,840	82,566,638	23,113,201
Less accumulated depreciation	3,314,410	1,799,350	1,515,059
Depletable assets	-13,127,879	-4,099,122	-9,028,757
Land	7,480,636	1,217,486	6,263,149
Intangible assets (amortizable)	77,140,460	70,833,700	6,306,760
Less accumulated amortization	5,318,441	4,522,139	796,302
Other assets	18,201,092	14,540,568	3,660,524
Accounts payable	1,618,406,908	1,204,490,608	413,916,300
Mortgages, notes, and bonds payable in less than 1 year	1,147,561,260	944,622,699	202,938,562
Other current liabilities	502,294,718	417,643,024	84,651,694
Loans from shareholders	1,244,355	767,548	476,807
Mortgages, notes, and bonds payable in 1 year or more	808,337,020	668,316,771	140,020,250
Other liabilities	2,190,365	2,123,930	66,435
Capital stock	3,983,868	1,953,118	2,030,750
Additional paid-in capital	321,542	565	320,977
Retained earnings, appropriated	11,859,335	4,518,198	7,341,137
Retained earnings, unappropriated	5,962,939	415,804	5,547,136
Less cost of treasury stock	8,978	7,281	1,697
SCHEDULE A ALLOCATION [2]			
Total Schedule A allocations	255,838,225	170,362,477	85,475,748
Inventory, beginning of year	3,540,214	3,183,694	356,520
Purchases	209,914,459	138,317,667	71,596,793
Cost of labor	34,119,979	24,458,312	9,661,667
Additional inventory costs (section 263A)	-33,988	-29,316	-4,672
Other costs	8,297,561	4,432,120	3,865,440
INCOME/DEDUCTION ALLOCATION			
Total income/deduction allocations	969,916,825	606,435,616	363,481,209
Business receipts	325,349,196	255,115,834	70,233,362
Interest received	6,038,118	4,547,408	1,490,710
Rents	3,098,161	1,419,662	1,678,499
Royalties	2,381,673	2,152,667	229,006
Net gain, noncapital assets	-574,632	-1,095,964	521,332
Total dividends	760,816	546,100	214,716
Other income	-48,168	-596	-47,572
Compensation of officers	539,846	-5,555	545,402
Salaries and wages	110,723,874	6,974,617	103,749,256
Repairs	15,133,389	8,250,854	6,882,535
Bad debts	1,952,190	1,730,415	221,775
Rent paid on business property	71,692,663	26,289,864	45,402,800
Taxes paid	78,689,861	40,996,955	37,692,906
Interest paid	5,330,735	1,740,118	3,590,617
Charitable contributions	460,172	125,858	334,314
Amortization	132,813,606	116,176,001	16,637,605
Depreciation	85,097,522	60,403,648	24,693,875
Depletion	3,393,447	2,877,543	515,904
Advertising	11,817,461	4,610,234	7,207,228
Pension, profit-sharing, etc. plans	11,307,407	6,299,748	5,007,659
Employee benefit programs	72,970,527	38,193,983	34,776,544
Employee stock option dividends	1,122,599	934,550	188,049
Intangible drilling costs	30,304,541	28,205,258	2,099,283
Other deductions	-438,179	-53,584	-384,595
Total all allocations	10,478,077,397	7,987,863,122	2,490,214,275

[1] Net of allowance for bad debts.

[2] Schedule A is entitled "Cost of Goods Sold."

Table 3. Allocations for Form 1120 Consolidated Returns and All Other Returns, Tax Year 2006

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

Allocated to	Total	Form 1120 consolidated returns	All other returns
	(1)	(2)	(3)
BALANCE SHEET ALLOCATION			
Total balance sheet allocations	11,481,902,245	9,113,792,721	2,368,109,524
Cash	144,926,368	73,203,438	71,722,930
Notes and accounts receivable [1]	2,679,008,214	2,692,164,015	-13,155,801
Inventories	22,061,442	16,284,136	5,777,307
Investments in government obligations	289,468,259	145,841,054	143,627,205
Tax-exempt securities	317,844,384	17,067,200	300,777,184
Other current assets	87,757,555	21,860,126	65,897,429
Loans to shareholders	511,230	95,222	416,008
Mortgage and real estate loans	109,860,323	79,960,238	29,900,085
Other investments	1,996,698,058	1,692,918,869	303,779,189
Depreciable assets	139,151,706	109,383,982	29,767,724
Less accumulated depreciation	3,090,907	2,897,741	193,166
Depletable assets	5,287,084	-5,961,590	11,248,673
Land	9,882,406	1,980,983	7,901,423
Intangible assets (amortizable)	96,036,257	90,423,506	5,612,751
Less accumulated amortization	25,881,522	25,484,224	397,298
Other assets	22,262,443	18,700,826	3,561,617
Accounts payable	2,378,686,023	1,911,481,649	467,204,373
Mortgages, notes, and bonds payable in less than 1 year	1,456,988,904	1,184,321,554	272,667,350
Other current liabilities	463,760,123	0	463,760,123
Loans from shareholders	8,175,417	7,600,702	574,715
Mortgages, notes, and bonds payable in 1 year or more	1,200,014,124	1,012,748,302	187,265,821
Other liabilities	2,163,348	2,110,907	52,441
Capital stock	4,496,777	1,770,897	2,725,880
Additional paid-in capital	204,997	0	204,997
Retained earnings, appropriated	15,161,160	11,081,547	4,079,612
Retained earnings, unappropriated	2,520,469	373,193	2,147,276
Less cost of treasury stock	2,745	0	2,745
SCHEDULE A ALLOCATION [2]			
Total Schedule A allocations	304,139,591	208,649,949	95,489,642
Inventory, beginning of year	4,051,229	4,200,690	-149,461
Purchases	254,521,021	172,353,711	82,167,309
Cost of labor	37,538,318	26,988,759	10,549,560
Additional inventory costs (section 263A)	87,496	56,786	30,710
Other costs	7,941,527	5,050,003	2,891,524
INCOME/DEDUCTION ALLOCATION			
Total income/deduction allocations	1,019,009,437	546,159,392	472,850,045
Business receipts	387,816,520	311,535,627	76,280,894
Interest received	4,849,634	4,227,202	622,433
Rents	3,795,801	2,583,905	1,211,896
Royalties	2,673,739	2,436,680	237,059
Net gain, noncapital assets	3,912,120	1,437,625	2,474,495
Total dividends	1,043,636	866,836	176,801
Other income	-6,923	-5,360	-1,563
Compensation of officers	554,361	9,081	545,281
Salaries and wages	112,819,355	5,612,270	107,207,085
Repairs	14,182,079	7,366,267	6,815,811
Bad debts	1,834,377	1,573,064	261,313
Rent paid on business property	77,470,905	28,908,389	48,562,516
Taxes paid	86,648,855	47,729,418	38,919,437
Interest paid	7,098,834	1,266,345	5,832,489
Charitable contributions	537,999	266,818	271,181
Amortization	153,160,616	25,484,224	127,676,392
Depreciation	5,287,084	2,041,133	3,245,950
Depletion	1,996,475	1,570,186	426,289
Advertising	14,650,828	5,649,024	9,001,804
Pension, profit-sharing, etc. plans	17,100,350	11,109,185	5,991,165
Employee benefit programs	71,543,726	36,983,842	34,559,884
Employee stock option dividends	1,761,474	1,620,576	140,898
Intangible drilling costs	48,729,970	45,899,787	2,830,183
Other deductions	-452,381	-12,732	-439,649
Total all allocations	12,805,051,273	9,868,602,062	2,936,449,211

[1] Net of allowance for bad debts.

[2] Schedule A is entitled "Cost of Goods Sold."