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Abstract

Corporate profits in the U.S. National Income and Product Accounts (NIPAs) measure the income, before deducting income taxes, of organizations classified as corporations. These organizations consist of all entities required to file federal corporate income tax returns including all private corporations and S corporations. Currently in the NIPAs, all corporate profits are combined with no separate distinction for C corporations and S corporations, but taxes on corporate profits only represent taxes paid by C corporations. This paper proposes a methodology for splitting NIPA profits before taxes (PBT), corporate taxes, and dividends between S corporations and C corporations. NIPA Table 7.16, “Relation of Corporate Profits, Taxes, and Dividends in the National Income and Product Accounts to Corresponding Measures as Published by the Internal Revenue Service,” provides a walkthrough of IRS data to NIPA estimates of corporate profits, taxes, and dividends. We use this same framework to estimate S corporations. We first identify the items that are relevant to S corporations, then determine the methodology for separately estimating the S corporation portion.

1. Introduction

Corporate profits in the U.S. National Income and Product Accounts (NIPAs) measure the income, before deducting income taxes, of organizations classified as corporations. These organizations consist of all entities required to file federal corporate income tax returns including all private corporations and S corporations. From 1980 to 2017, the number of S corporations increased by over 4 million returns, and as a result, users of BEA’s data have expressed an interest in separate NIPA-based estimates of S corporations. Currently in the NIPAs, all corporate profits are combined with no separate distinction for C corporations and S corporations, but taxes on corporate profits only represent taxes paid by C corporations. This could be a disparity in the NIPAs, as taxes on profits of S corporations ultimately paid

by individual shareholders would show up in personal taxes in the NIPAs although it's not separately identifiable.

This paper proposes a methodology for splitting NIPA profits before taxes (PBT), corporate taxes, and dividends between S corporations and C corporations. The following sections will describe the methodology, present prototype estimates for the years 2012-2017 and discuss future steps in developing separate S corporation estimates.

2. Background on S-Corporations

As defined by the Internal Revenue Service (IRS), S corporations are corporations that elect to pass corporate income, losses, deductions, and credits through to their shareholders for federal tax purposes. Shareholders of S corporations report the pass-through of income and losses on their individual tax returns and taxes are assessed at their individual income tax rates. This allows S corporations to avoid double taxation on the corporate income in contrast to C corporations, which are taxed at the corporate level and again at the individual level from the profits distributed to corporation owners. This difference not only impacts decisions on how to incorporate a business but also when evaluating implicit corporate tax rates. S corporations are responsible for tax on certain built-in gains and passive income at the entity level.

To qualify for S corporation status, the corporation must meet the following requirements:

- Be a domestic corporation
- Have only allowable shareholders
 - May be individuals, certain trusts, and estates
 - May not be partnerships, corporations or non-resident alien shareholders
- Have no more than 100 shareholders
- Have only one class of stock
- Not be an ineligible corporation (i.e. certain financial institutions, insurance companies, and domestic international sales corporations).

S corporations have not always existed; they were added to the Internal Revenue Code by the Technical Amendments Act of 1958. For statistical purposes, the IRS Statistics of Income (SOI) has always included them as part of total corporations. This is the aggregation that comprises the base of NIPA corporate profits.

S corporations report on a separate tax form, the 1120-S, which has existed since the addition of S corporations in 1958 and originally was very similar to the standard corporation Form 1120. However, with the passage of The Tax Reform Act of 1986, Form 1120-S underwent a major overhaul. Changes to Form 1120-S for 1987 resulted in several income and expense measures being removed from page 1 of the form and passed directly through to shareholders via Schedule K. In this respect, Form 1120-S has been altered to parallel the partnership tax return Form 1065.

3. Existing Economic Statistics of S Corporations

S corporations have been growing as a legal form of organization over the past several years. Table 1 displays a few statistics from SOI comparing S corporations to total corporations. Specifically, it compares the number of returns, business receipts, and net income for every five years starting in 2000 and every year starting in 2015 through 2017. Table 1 reveals three interesting takeaways. First, the number of S corporation returns is growing over time from 56.7 percent of total corporations in 2000 to 73.3 percent in 2015. Second, S corporation share of total corporate business receipts has also increased but at a slower rate from 20.5 percent in 2000 to 27.3 percent in 2015. Third, S corporation share of net income has increased at an even slower rate from 20.1 percent in 2000 to 22.5 percent in 2015.

Employment data on S corporations is also of interest. Table 3 shows employment data for total and S corporations for 2017 from the Census Bureau’s Statistics of U.S. Businesses (SUSB) data.¹ Here are a few observations. First, S corporations tend to be smaller companies. Per the 2017 SUSB data, 89.9% of S corporation firms have less than 20 employees. Only 1.4% of S corporation firms have more than 100 employees (Table A).

Table A: S-Corporation Number of Employees by Firm, 2017

ENTERPRISE EMPLOYMENT SIZE	NUMBER OF FIRMS	SHARE OF TOTAL
1: Total	3,091,502	
2: <5	1,925,692	62.3%
3: 5-9	519,355	16.8%
4: 10-19	332,866	10.8%
5: <20	2,777,913	89.9%
6: 20-99	269,728	8.7%
7: 100-499	37,632	1.2%
8: <500	3,085,273	99.8%
9: 500+	6,229	0.2%
SOURCE: Census Bureau Statistics of U.S. Businesses		

¹ The SUSB series excludes data on nonemployer businesses, private households, railroads, agricultural production, and most government entities.

Second, small businesses (commonly defined as firms employing fewer than 500 employees) tend to structure as S corporations. S corporations account for 76.8% of corporations with less than 500 employees, compared to 37.3% of corporations with over 500 employees (Table B).

Table B: Corporations with more than 500 Employees

LEGAL FORM OF ORGANIZATION (LFO) DESCRIPTION	ENTERPRISE EMPLOYMENT SIZE	NUMBER OF FIRMS	SHARE
Total Corporations	<500	4,018,164	
C-Corporation	<500	932,891	23.2%
S-Corporation	<500	3,085,273	76.8%
Total Corporations	500+	16,692	
C-Corporation	500+	10,463	62.7%
S-Corporation	500+	6,229	37.3%
SOURCE: Census Bureau Statistics of U.S. Businesses			

Finally, while S corporations make up 76.6% of all corporations, they only account for 38% of total corporate employment and 29.8% of total corporate payroll (Table C).

Table C: Employment by Legal Form

LEGAL FORM OF ORGANIZATION (LFO) DESCRIPTION				SHARE OF TOTAL		
	NUMBER OF FIRMS	EMPLOYMENT	ANNUAL PAYROLL (\$1,000)	NUMBER OF FIRMS	EMPLOYMENT	ANNUAL PAYROLL (\$1,000)
Total Corporations	4,034,856	90,436,523	4,974,854,658			
C-Corporation	943,354	55,856,671	3,493,494,628	23.4%	61.8%	70.2%
S-Corporation	3,091,502	34,579,852	1,481,360,030	76.6%	38.2%	29.8%
SOURCE: Census Bureau Statistics of U.S. Businesses						

4. NIPA Estimates of S Corporations, 2012-2017

4.1 Methodology

The IRS publishes and provides BEA selected unpublished data from the 1120-S which is consistent with the IRS source data used for the NIPA corporate profits estimates. NIPA Table 7.16, "Relation of

Corporate Profits, Taxes, and Dividends in the National Income and Product Accounts to Corresponding Measures as Published by the Internal Revenue Service,” provides a walkthrough of IRS data to NIPA estimates of corporate profits, taxes, and dividends.² We use this same framework to estimate S corporations. We first identify the items that are relevant to S corporations, then determine the methodology for separately estimating the S corporation portion.

For many corporate line items drawn from the IRS, separate S corporation data do exist. However, for items not drawn directly from IRS data, we must find other means to split S corporations out from total corporations. Table 2 shows prototype estimates of S corporations in the style of NIPA 7.16 with a column added to show the methodology used to derive the S corporation estimate. The line items in Table 2 can be categorized into three categories:

- 1) S corporation activity and direct IRS source data available;
- 2) S corporation activity and proxy ratios used to estimate S corporation portion;
- 3) item not relevant to S corporations.

The items within the first category - items that are relevant to S corporations with direct IRS data - include Total receipts less total deductions, IRS (Table 2, line 1); Depletion on domestic minerals (Table 2, line 8); Bad debt expense (Table 2, line 12); Gains, net of losses from sale of property (Table 2, line 15); and state and local corporate income taxes (Table 2, line 10). IRS “Total receipts less total deductions” is the starting point for NIPA profits before tax and accounts for roughly 80% of profits before tax for most years.

Much of the discussion will be focused on the items within the second category, line items for which there is S corporation activity but no corresponding SOI data. For example, the corporate misreporting adjustment (Table 2, line 2) is based on audit or other income-related data where separate S and C corporation data does not exist. For misreporting, we have derived a proxy ratio based on data from the 2011-2013 IRS Tax Gap Study and applied that ratio as a constant multiplier of S corporation total receipts less total deductions. A proxy ratio was also developed for the pension adjustment (Table 2, line 19) as well as several other smaller adjustments, such as the Costs of trading or issuing corporate securities (Table 2, line 18). The proxy for the pension adjustment is based on IRS reported deductions for pension sharing plans for S and total corporations.

Post-tabulation amendments and revisions (Table 2, line 3) is an aggregate of several smaller adjustments. The largest of these adjustments are the S corporation adjustment and the intangible amortization adjustment. The S corporation adjustment (whose purpose is to restate profits of small business corporations to reflect the income and expenses that are passed to shareholders rather than reported by the corporation) is directly from SOI and 100% attributable to S corporations. The intangible amortization adjustment (whose purpose is to reflect the exclusion of the amortization of intangible assets as an expense in calculating NIPA profits) is split to S corporations using the same methodology developed for depreciation-related adjustments discussed below.

The adjustments that are labeled “CCADJ Methodology” in Table 2 are necessary to convert estimates of business income and depreciation measured on a tax-accounting basis to estimates measured on

² For a discussion of the NIPA corporate profits methodology, see [NIPA Handbook: Chapter 13 Corporate Profits](#).

national accounts basis. The NIPAs treat expenditures for asset classes such as intellectual property products and mining exploration, shafts, and wells as capital formation (fixed investment) in the NIPAs. In contrast, the IRS permits most of these expenditures to be charged as current expense. The SOI based estimates must therefore be adjusted to be consistent with the NIPA definitions of fixed investment. To estimate the share of investment assigned to C and S corporations, we use estimates of investment by industry and legal form of organization from a special tabulation of the Census Bureau's Annual Capital Expenditures Survey (ACES), shares of SOI-reported business income reported by C and S corporations, and other sources.

The tax-basis estimates of income must also be adjusted to reflect the NIPA treatment of disasters such as hurricanes. In the NIPAs, the loss of capital as a result of a catastrophic disaster and the insurance payouts that result from them do not affect income associated with current production. In contrast, the IRS allows all uninsured disaster losses to be charged as current business expenses in "other deductions" on Form 4684. The NIPA adjustment consists of (1) the estimated net of the value of losses recorded as depreciation (a current business expense) and (2) the insurance payouts made by insurance companies as a charge against profits less the income received by the claim holders. BEA estimates these damages and insurance payouts based on several sources. These adjustments are allocated to C and S corporations based on shares of SOI-reported business depreciation reported by C and S corporations, and other sources.³

The items in the third category include items that are not relevant to S corporations because they either are not S corporation activities (i.e. income of Federal Reserve Banks) or are passed directly to the shareholders and not included in Total Receipts less Total Deductions. These items are indicated by "zero by definition" on Table 2. In addition, there are a few items where the S corporation activity is so small it's not measurable. These items are marked as "assume 0 S-corp activity" on Table 2.

Table 2 shows prototype estimates of S corporations for 2012-2017 based on Table 7.16 and the method used to estimate it. Table 4 shows corporate profits with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj) -- BEA's featured measure of profits from current production-- broken out for total corporations, S corporations and C corporations. The derivation of S corporation CCAdj was discussed earlier and IVA was derived using SOI End-of-Year Inventory levels as a proxy.

Taxes

Despite the popular assumption that S corporations pay no federal taxes, in that taxes on S corporation income are paid by the individual shareholders, there are three special taxes that S corporations are subject to as an entity and that are not passed to shareholders. They are the excessive net passive income tax, the built-in gains tax, and the LIFO recapture tax. The details of these taxes are beyond the scope of this paper, but the main takeaway is that all three taxes were imposed by Congress to prevent C corporations from reducing or eliminating certain taxes by making an S corporation election. Hence,

³ In the 2009 comprehensive update, BEA introduced a new treatment of major disasters (those in which either the associated property losses or the insurance payouts exceed 0.1 percent of GDP) that records them as "changes in the volume of assets" rather than as CFC; see Eugene P. Seskin and Shelly Smith, "Preview of the 2009 Comprehensive Revision of the NIPAs: Changes in Definitions and Presentations," Survey 89 (March 2009): 11-15.

these taxes are only applicable to S corporations that used to be C corporations. As a result, a relatively small amount of S corporation federal taxes are included in the reconciliation table (Table 2, line 22).

Only two tax adjustments are relevant to S corporations: the "Audit tax" (Table 2, within line 23) and State and local taxes on corporate income (Table 2, line 24). The other tax adjustments shown in table 7.16 are zero either from a definitional standpoint or zero because they are passed through to shareholders.

There is a nonzero value for "Audit tax" based on the assumption that S corporations miscalculate federal taxes owed for the same reasons that C corporations miscalculate federal taxes owed. Because there are no hard data on the amount of misreporting on federal taxes directly owed by S corporations, we are applying the ratio of total corporate "Audit tax" to total IRS corporate tax received and applying this ratio to the IRS S corporation tax received to derive the misreporting of S corporation federal taxes.

The State and local taxes on corporate income adjustment is also nonzero for S corporations because this item is a deduction when determining S corporation income and not passed through to the shareholder. S corporations are subject to state and local income taxes in states that do not recognize S corporations as a legal entity and tax them like C corporations. It is, in fact, the same adjustment that was removed from S corporation income (Table 2, line 10), but for taxes, it is added back in.

Dividends

S corporation dividends are tabulated separately by SOI. Due to the structure of S corporations, such as the rule that they can have no foreign shareholders, none of the dividend adjustments shown on the published version of table 7.16 apply to S corporations, so all of the dividend adjustment lines are zero in Table 2.

4.2 Results

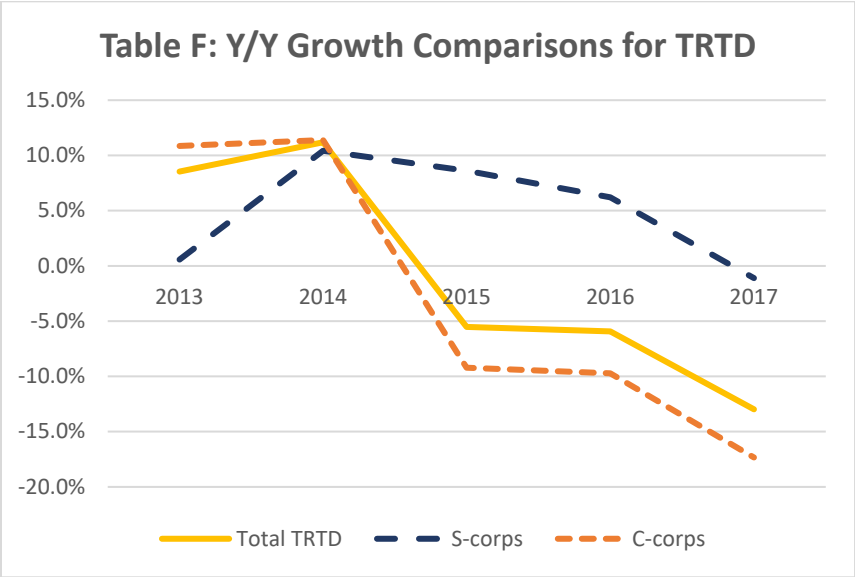
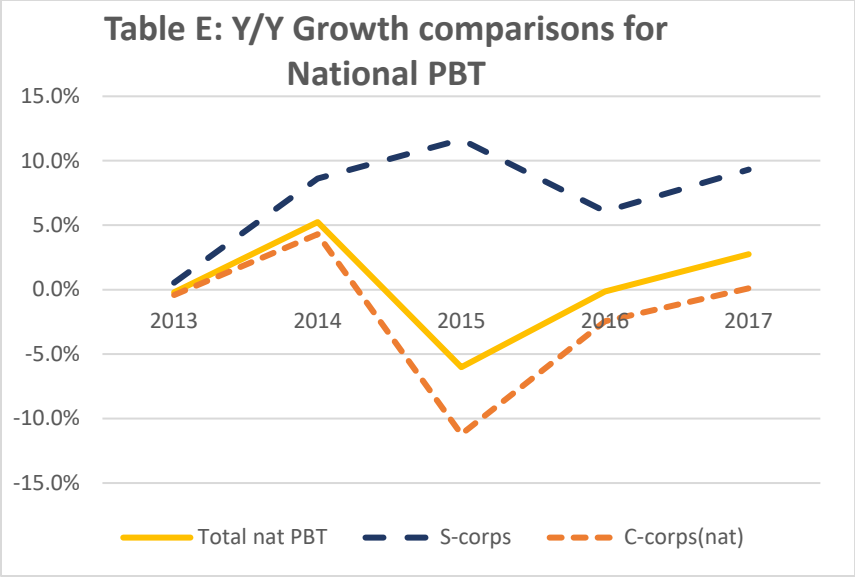
The prototype S corporation estimates for 2012-2017 show some interesting trends and provide additional insights. Table D shows S and C corporations as a share of total corporations for SOI Total Receipts less Total Deductions and national NIPA profits before taxes with IVA and CCAdj for the time frame. These two series represent the starting and ending point in the calculation of both total NIPA corporate profits and NIPA S corporations. Looking at the table we can see that the S corporation share of total corresponds closely for both data series. For total receipts less deductions the S corporation share of total grows from 23% in 2012 to 31% in 2017, an increase of 8 percentage points. For NIPA profits before taxes with IVA and CCAdj the S corporation share grows from 27% in 2012 to 35% in 2017, an increase of 8 percentage points.

Table D: S and C Corporations Share of Total

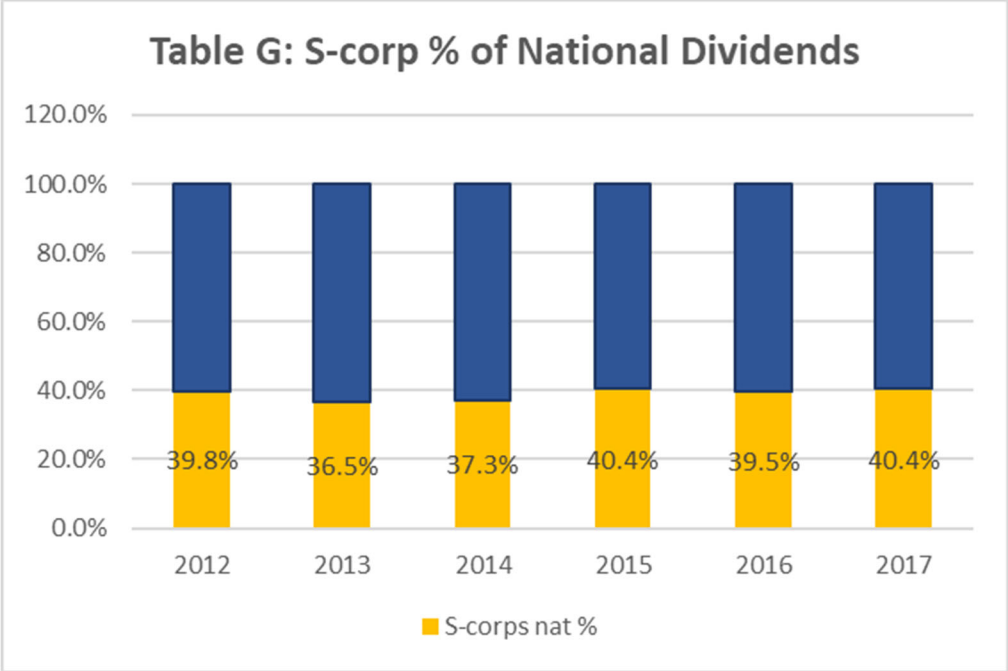
Total Receipts less Total Deductions Shares of Total						
	2012	2013	2014	2015	2016	2017
S-corporations	23%	21%	21%	24%	27%	31%
C-corporations	77%	79%	79%	76%	73%	69%
National PBT with IVA & CCADJ Shares of Total						
	2012	2013	2014	2015	2016	2017
S-corporations	27%	27%	29%	34%	35%	35%
C-corporations	73%	73%	71%	66%	65%	65%

Another interesting comparison we can make is annual growth rates over time of national PBT, Total Receipts less Total Deductions, and national dividends for S corporations and C corporations. These charts can be found below. Looking at the annual growth rates of national PBT (Table E) and Total Receipts less Total Deductions (Table F), we see that the S and C corporation rates are similar over the time period except for 2015 and 2016. There is a sharp decrease in C corporations for both national PBT and Total Receipts less Total Deductions in 2015 that is not present for S corporations. This divergence can be partially attributed to a decrease in certain industries that are primarily comprised of C corporations and as a result, the decrease is not reflected in S corporations.⁴ For perspective, Table 5 shows the industry split between S and C corporations for 2014. The adjustment to depreciate expenditures for intellectual property products also contributes to the 2015 divergence, which shows a nearly \$10 billion increase for S corporations (Table 2 line 13). This increase results from the ACES detail showing a larger contribution of S corporation activity in 2015, along with larger investment flows from the private fixed investment estimates from the NIPAs. The combination of increasing investment flows is amplified by a sizable growth rate in the ratio of S corporations in 2015.

⁴ Due to IRS disclosure rules we cannot mention specific industries.



Looking at S corporation dividends as a share of total national dividends (Table G) we see more consistency over time. Over the span of 2012-2017 the share of S corporation dividends has remained close to 39% despite the growth in income.



The results show that S corporations have grown not only in numbers but in size and significance in the overall corporation story. As previously discussed, S corporations are operationally a pass-through entity in that their income and tax liability are passed through to their shareholders. Because of this there is much value in separating S corporation estimates as they can tell a different story than C corporations -- not only from an income perspective but also from a tax perspective.

5. Next Steps

For these prototype estimates, national level estimates of S corporations were prepared for 2012 through 2017. Next steps: Develop industry level estimates for the same time frame and then expand the time series to earlier years. Estimates beyond 2017 would be produced as source data becomes available. The time frame and specifics of these next steps would depend on feedback from the user community as well as available BEA resources.

6. Tables & Figures (attached)

References

- BEA. 2020. "NIPA Handbook Chapter 6: Private Fixed Investment"
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- BEA. 2019. "NIPA Handbook Chapter 13: Corporate Profits"
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"<https://www.irs.gov/statistics/soi-tax-stats-corporation-complete-report>"
- U.S. Census Bureau. 2019. "County Business Patterns: 2017"
"<https://www.census.gov/data/datasets/2017/econ/cbp/2017-cbp.html>"

Table 1: S Corporations: Total Returns, Business Receipts, and Net Income

	2000	2005	2010	2015	2016	2017
Number of returns, Total Corporations	5,045,274	5,671,257	5,813,725	6,119,565	6,188,676	6,325,114
Number of returns, S Corporations	2,860,478	3,684,086	4,127,554	4,487,336	4,592,042	4,725,684
S Corporations / Total Corporations	56.7%	65.0%	71.0%	73.3%	74.2%	74.7%
Business Receipts, Total Corporations	\$17,636,551,349	\$21,800,290,496	\$23,058,234,713	\$27,491,762,734	\$27,575,145,184	\$29,179,992,898
Business Receipts, S Corporations	\$3,557,650,166	\$5,147,016,759	\$5,567,202,247	\$7,346,364,503	\$7,519,683,357	\$7,938,822,660
S Corporations / Total Corporations	20.2%	23.6%	24.1%	26.7%	27.3%	27.2%
Net Income (less deficit), Total Corporations	\$986,952,279	\$2,026,794,190	\$1,356,495,792	\$2,033,654,723	\$1,913,217,132	\$1,655,958,437
Net Income (less deficit), S Corporations	\$198,535,888	\$361,042,566	\$334,093,927	\$559,607,011	\$581,173,550	\$578,057,058
S Corporations / Total Corporations	20.1%	17.8%	24.6%	27.5%	30.4%	34.9%

Source: IRS Statistics of Income

Table 2: NIPA Table 7.16 for S Corporations

[Millions of dollars]
Bureau of Economic Analysis

	Level						Methodology
	2012	2013	2014	2015	2016	2017	
1 Total receipts less total deductions, IRS	380,468	382,644	422,494	458,815	487,245	481,874	Direct SOI S-corp data
Plus:							
2 Adjustment for misreporting on income tax returns	60,875	61,223	67,599	73,410	77,959	77,100	Proxy ratio based on IRS Tax Gap Study
3 Posttabulation amendments and revisions ¹	-11,987	-14,021	-12,765	-6,961	-9,492	48,446	Various methods
4 Income of organizations not filing corporation income tax returns	0	0	0	0	0	0	Zero by definition
5 Federal Reserve banks	0	0	0	0	0	0	
6 Federally sponsored credit agencies ²	0	0	0	0	0	0	
7 Other ³	0	0	0	0	0	0	
8 Depletion on domestic minerals	814	775	709	848	635	705	Direct SOI S-corp data
9 Adjustment to depreciate expenditures for mining exploration, shafts, and wells	3,869	3,279	2,197	2,388	1,386	1,470	CCAdj Methodology
10 State and local taxes on corporate income	1,490	1,498	1,490	1,585	1,558	1,677	Direct SOI S-corp data
11 Interest payments of regulated investment companies	0	0	0	0	0	0	Zero by definition
12 Bad debt expense	12,239	12,037	11,913	12,030	12,799	12,808	Direct SOI S-corp data
13 Adjustment to depreciate expenditures for intellectual property products ⁴	46,886	51,285	50,860	60,512	60,074	61,559	CCAdj Methodology
14 Disaster adjustments (net) ⁵	-476	0	0	0	0	-1,762	CCAdj Methodology/proxy ratio
Less:							
Tax-return measures of:							
15 Gains, net of losses, from sale of property	20,642	17,916	21,372	21,236	20,861	22,141	Direct SOI S-corp data
16 Dividends received from domestic corporations	0	0	0	0	0	0	Zero by definition
17 Income on equities in foreign corporations and branches (to U.S. corporations)	0	0	0	0	0	0	Assume 0 S-corp activity
18 Costs of trading or issuing corporate securities ⁶	4,984	4,999	5,084	4,408	4,128	4,633	Proxy ratio based on SOI capital gains & losses
19 Excess of employer expenses over actual employer contributions for defined benefit employee pension plans ⁷	-4,128	-1,097	1,661	259	-3,339	-10,230	Proxy ratio based on SOI pension deductions
20 Plus: Income received from equities in foreign corporations and branches by all U.S. residents, net of corresponding payments	0	0	0	0	0	0	Assume 0 S-corp activity
21 Equals: Profits before taxes, NIPAs	472,679	476,902	516,381	576,726	610,513	667,332	Derived
22 Federal income and excess profits taxes, IRS	310	127	438	324	191	251	Direct SOI S-corp data
Plus:							
23 Posttabulation amendments and revisions, including results of audit and renegotiation and carryback refunds	12	4	12	8	4	7	Proxy ratio based on SOI corporate taxes paid
24 State and local taxes on corporate income	1,490	1,498	1,490	1,585	1,558	1,677	Direct SOI S-corp data
25 Taxes paid by domestic corporations to foreign governments on income earned abroad	0	0	0	0	0	0	
Less:							
26 U.S. tax credits claimed for foreign taxes paid	0	0	0	0	0	0	
27 Investment tax credit ⁸	0	0	0	0	0	0	
28 Other tax credits ⁹	0	0	0	0	0	0	
29 Equals: Taxes on corporate income, NIPAs	1,812	1,629	1,940	1,917	1,753	1,935	Derived
30 Profits after tax, NIPAs (21-29)	469,413	472,090	512,523	572,496	607,498	664,064	Derived
31 Dividends paid in cash or assets, IRS	377,695	368,493	408,957	471,038	469,934	513,177	Direct SOI S-corp data
Plus:							
32 Posttabulation amendments and revisions ⁹	0	0	0	0	0	0	
33 Dividends paid by Federal Reserve banks and certain federally sponsored credit agencies ²	0	0	0	0	0	0	
34 U.S. receipts of dividends from abroad, net of payments to abroad	0	0	0	0	0	0	
35 Earnings remitted to foreign residents from their unincorporated U.S. affiliates	0	0	0	0	0	0	
36 Interest payments of regulated investment companies	0	0	0	0	0	0	
Less:							
37 Dividends received by U.S. corporations	0	0	0	0	0	0	
38 Earnings of U.S. residents remitted by their unincorporated foreign affiliates	0	0	0	0	0	0	
39 Equals: Net corporate dividend payments, NIPAs	377,695	368,493	408,957	471,038	469,934	513,177	Direct SOI S-corp data

Legend / Footnotes:

1. Consists largely of an adjustment to expense all meals and entertainment, of oilwell bonus payments written off, of adjustments for insurance carriers and savings a
 2. Consists of the Farm Credit System beginning with 1947 and the Federal Home Loan banks beginning with 1952.
 3. Consists of nonprofit organizations serving business and of credit unions.
 4. Intellectual property products consists of software, research and development, and entertainment, literary, and artistic originals.
 5. Consists of disaster losses valued at historic-cost less net insurance receipts for disaster-related losses valued at replacement-cost.
 6. Includes the imputed financial service charge paid by corporations to domestic securities dealers who do not charge an explicit commission.
 7. Employer expenses for defined benefit employee pension plans include actual employer contributions, imputed employer contributions, and imputed interest for unfunded (or overfunded) actuarial liability.
 8. Beginning with 1984, the investment tax credit is included in other tax credits (line 29).
 9. Consists largely of an adjustment to remove capital gains distributions of regulated investment companies.
- IRS Internal Revenue Service
NIPAs National income and product accounts

Table 3: Number of Firms, Number of Establishments, Employment, and Annual Payroll by Legal Form of Organization and Enterprise Employment Size: 2017

LEGAL FORM OF ORGANIZATION (LFO) DESCRIPTION	ENTERPRISE EMPLOYMENT SIZE	NUMBER OF FIRMS	NUMBER OF ESTABLISHMENTS	EMPLOYMENT	ANNUAL PAYROLL (\$1,000)
C-Corporation	1: Total	943,354	2,091,595	55,856,671	3,493,494,628
C-Corporation	2: <5	516,736	518,556	868,051	50,138,754
C-Corporation	3: 5-9	167,044	170,643	1,106,251	52,037,061
C-Corporation	4: 10-19	114,622	124,387	1,545,278	77,921,032
C-Corporation	5: <20	798,402	813,586	3,519,580	180,096,847
C-Corporation	6: 20-99	109,035	164,284	4,284,073	247,282,475
C-Corporation	7: 100-499	25,454	114,270	4,717,860	312,761,450
C-Corporation	8: <500	932,891	1,092,140	12,521,513	740,140,772
C-Corporation	9: 500+	10,463	999,455	43,335,158	2,753,353,856
S-Corporation	1: Total	3,091,502	3,395,523	34,579,852	1,481,360,030
S-Corporation	2: <5	1,925,692	1,927,898	2,986,628	153,959,965
S-Corporation	3: 5-9	519,355	525,021	3,434,153	140,364,614
S-Corporation	4: 10-19	332,866	349,566	4,467,466	181,984,072
S-Corporation	5: <20	2,777,913	2,802,485	10,888,247	476,308,651
S-Corporation	6: 20-99	269,728	353,334	10,260,764	436,472,042
S-Corporation	7: 100-499	37,632	130,033	6,662,003	305,076,186
S-Corporation	8: <500	3,085,273	3,285,852	27,811,014	1,217,856,879
S-Corporation	9: 500+	6,229	109,671	6,768,838	263,503,151

SOURCE: Census Bureau Statistics of U.S. Businesses

Table 4: National Estimates of S Corporations
 [Millions of dollars]

	Levels					
	2012	2013	2014	2015	2016	2017
1 Total national profits before taxes (PBT)	2,156,103	2,151,523	2,264,473	2,128,264	2,125,018	2,183,205
2 S-corporations PBT	472,679	476,902	516,381	576,726	610,513	667,332
3 C-corporations PBT	1,683,424	1,674,621	1,748,092	1,551,538	1,514,505	1,515,873
4 Total inventory valuation adjustment (IVA)	-11,449	14,379	2,131	56,296	-676	-52,674
5 S-Corporations IVA	-2,931	3,740	556	14,694	-179	-13,907
6 C-Corporations IVA	-8,518	10,639	1,575	41,602	-497	-38,767
7 Total capital consumption adjustment (CCAdj)	-147,239	-155,206	-146,388	-124,079	-100,612	-16,022
8 S-Corporations CCAdj	74,652	72,608	94,453	100,280	89,387	93,565
9 C-Corporations CCAdj	-221,891	-227,814	-240,841	-224,359	-189,999	-109,587
10 Total PBT with IVA and CCAdj	1,997,405	2,010,695	2,120,215	2,060,481	2,023,730	2,114,509
11 S-corporations PBT with IVA and CCAdj	544,400	553,250	611,390	691,700	699,720	746,989
12 C-corporations PBT with IVA and CCAdj	1,453,005	1,457,445	1,508,825	1,368,781	1,324,010	1,367,520

Table 5: Total Receipts less Total Deductions Share by Legal Form of Organization for 2-digit NAICS Industries

NAICS code	Description	2014	
		C Corporations	S Corporations
11	Agriculture, forestry, fishing, and hunting	34%	66%
21	Mining	55%	45%
22	Utilities	78%	22%
23	Construction	14%	86%
31-33	Manufacturing	87%	13%
42	Wholesale trade	63%	37%
44-45	Retail trade	72%	28%
48-49	Transportation and warehousing	73%	27%
51	Information	92%	8%
52	Finance and insurance	97%	3%
53	Real estate, rental, and leasing	34%	66%
54	Professional, scientific, and technical services	-29%	129%
55	Management of companies and enterprises	92%	8%
56	Administrative and waste management services	35%	65%
61	Educational Services	17%	83%
62	Health care and social assistance	6%	94%
71	Arts, entertainment, and recreation	12%	88%
72	Accommodation and food services	62%	38%
81	Other services, except government	16%	84%

Source: IRS Statistics of Income