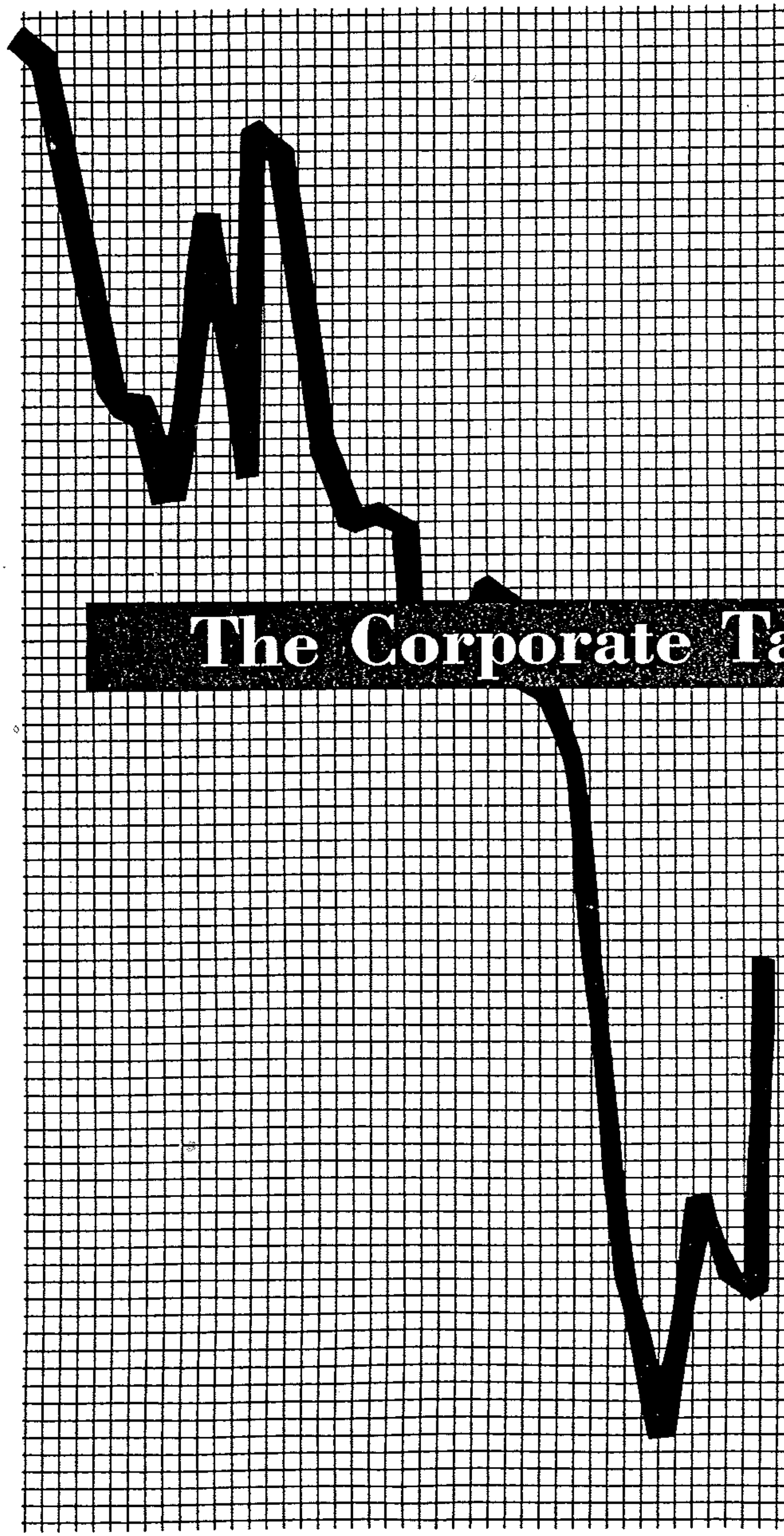
CTJ's Annual Survey of
Corporate Taxpayers &
Corporate Freeloaders



The Corporate Tax Comeback

Corporate Income Taxes After Tax Reform

Citizens for Tax Justice
Robert S. McIntyre
Director
Jonathan M. Crystal
Policy Analyst
David C. Wilhelm
Associate Director

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IT WAS OUTRAGEOUS. By the middle of this decade, the United States tax code had become so riddled with loopholes that the biggest, most profitable corporations in the nation could routinely thumb their noses at the federal tax collector—and do so legally and with impunity. Meanwhile, people who worked for those corporations—from the secretarial pool to the assembly line—stood by and watched as taxes were withheld week after week from their paychecks. They felt like they were being had. And they were.

Between 1981 and 1986, the period of time between the passage of the Economic Recovery Tax Act and the Tax Reform Act, the total value of corporate tax loopholes tripled—to nearly $120 billion a year. From 1981 to 1985, 40 companies out of 250 surveyed, with combined profits of $43.7 billion, didn't have to pay a penny in federal income tax. In fact, the government paid *them*—with tax rebates totalling $1.9 billion.

Things had clearly gotten out of hand. General Dynamics, it was revealed, hadn't paid any federal income tax since the mid-1970s. Companies with household names like AT&T, Du Pont and Boeing joined the list of corporate freeloaders. General Electric, which paid no tax on $9 billion of profits between 1981 and 1983, used the money it saved to go out and buy RCA for cash. And GE was no anomaly. Indeed, companies that managed to pay no tax at all not only spent billions on mergers, but they also cut investment and employment at their plants, even as they boosted dividends and the salaries of their chief executive officers.

It was supply-side economics gone berserk. The combination of an expanded investment tax credit and a new brand of super-accelerated depreciation write-offs led to *negative* tax rates on income generated by investments in many types of equipment. Companies that did not invest in these favored assets in the normal course of business, and that therefore found themselves still facing significant taxes, frequently decided that they needed to get into new lines of business—and equipment leasing subsidiaries, designed to buy tax credits from other companies, became the vogue.

Companies could hardly be blamed for trying to find ways to legally reduce their taxes to zero. They would have done their shareholders a disservice had they done anything else. After all, mining the tax code had become a far easier way of making a buck than creating a product. The real fault lay with a Congress and a President that had succumbed to the blandishments of lobbyists for a whole series of loopholes, which the lobbyists called "incentives."

The scandal of widespread, big-time corporate tax avoidance threatened to undermine public faith in the fairness of our tax system, a faith that is the cornerstone of voluntary compliance in a democratic society. But then the Congress and the President reversed course. They did the unthinkable: they confounded the lobbyists and, in 1986, they enacted comprehensive tax reform. At the heart of this legislation were measures designed to put the corporate tax avoiders back on the tax rolls.

Public opinion polls are clear: for the American people, tax reform was never really about cutting taxes or even about simplicity—it was about fairness. It was about bringing an end to a system that permitted some big, powerful and profitable corporations and rich individuals to manipulate the tax code in a way that most taxpayers could not. It was about restoring public trust and confidence. It was about bringing about an end to the widespread feeling of "being had." Those who have tried to gauge the success of tax reform on the criteria of tax reductions and simplicity have really missed the point of what tax reform was all about.

This is Citizens for Tax Justice's fourth annual survey of the annual reports of large, profitable corporations, analyzing who is paying tax and who is not. It is our first survey since the passage of tax reform. Our three prior studies are widely credited for having brought the matter of corporate tax avoidance to the attention of lawmakers and the general public. This time, we have examined the annual reports of 250 of the nation's largest and most profitable corporations to determine whether tax reform succeeded in its principal task—bringing fairness back to the tax code.

Did tax reform put the corporate tax avoiders back on the tax rolls?

The Good News

TAX REFORM IS WORKING. It isn't working perfectly. There are hitches. There are problems. There is work left to be done. But tax reform represents a giant step in the direction of fairness: the number of corporate tax avoiders has been greatly reduced, most of the worst offenders of the past decade have begun to pay their fair share, and high-tax companies have been provided with some relief.

Here are our key findings:

- Most of the big tax avoiders are back on the tax rolls. The fourteen largest corporate tax freeloaders of the pre-tax-reform years—a list that includes AT&T, Du Pont, Boeing, and Dow Chemical—paid taxes in 1987 equal to 30 percent of their combined profits of more than $10 billion. In contrast, between 1982 and 1985, these same companies did not pay a dime of federal income tax on combined profits of nearly $40 billion. Instead, they enjoyed tax *rebates* totalling just under $2 billion.

- The 128 companies in our survey that paid zero or less in federal income tax in at least one year during the 1981-85 period saw their average effective tax rate rise from a mere 3.7 percent in the pre-tax-reform era to 19.5 percent in 1987.

- The number of no-tax companies in 1987 fell to 16, less than half the lowest previous number since 1980 (34 in 1984) and less than a quarter of the highest previous total (72 in 1982).

Number of No-Tax Companies	
1981	51
1982	72
1983	53
1984	34
1985	39
1986	40
1987	**16**

1982-85's Top Freeloaders — After Tax Reform —

($-millions)

	1982-85			1987			
	Profit	Rebate	Rate	Profit	Tax	Rate	*Change*
AT&T	$24,932	($622)	−2.5%	$2,054	$422	**20.6%**	*+23.1%*
Du Pont	3,785	(179)	−4.7%	2,027	850	**41.9%**	*+46.7%*
Walt Disney Co.	575	(146)	−25.4%	732	213	**29.0%**	*+54.4%*
ITT	409	(141)	−34.3%	732	146	**19.9%**	*+54.2%*
Boeing	2,271	(121)	−5.3%	658	543	**82.5%**	*+87.9%*
Dow Chemical	244	(97)	−39.8%	919	311	**33.8%**	*+73.6%*
Pepsico	2,182	(89)	−4.1%	760	255	**33.5%**	*+37.6%*
General Mills	1,216	(79)	−6.5%	378	106	**28.0%**	*+34.5%*
Transamerica	525	(73)	−13.9%	452	7	**1.5%**	*+15.4%*
Merrill Lynch	981	(70)	−7.2%	323	0	**0.1%**	*+7.3%*
ENSERCH	817	(67)	−8.7%	73	5	**6.7%**	*+14.9%*
International Paper	581	(60)	−10.3%	598	53	**8.9%**	*+19.2%*
Greyhound	339	(57)	−16.9%	63	(7)	**−11.3%**	*+5.6%*
IC Industries	561	(54)	−9.6%	313	122	**39.1%**	*+48.7%*
Total, 14 cos.:	**$39,418**	**($1,855)**	**−4.7%**	**$10,081**	**$3,025**	**30.0%**	***+34.7%***

- The overall effective federal income tax rate on the 250 companies in our sample (whose profits represent almost one-third of all corporate profits earned in the United States) rose to 22.1 percent in 1987, up from 14.9 percent for the 1981-85 period and almost double the 11.8 percent rate these companies paid at the nadir of the corporate income tax in 1982.

250 Companies ($-billions)

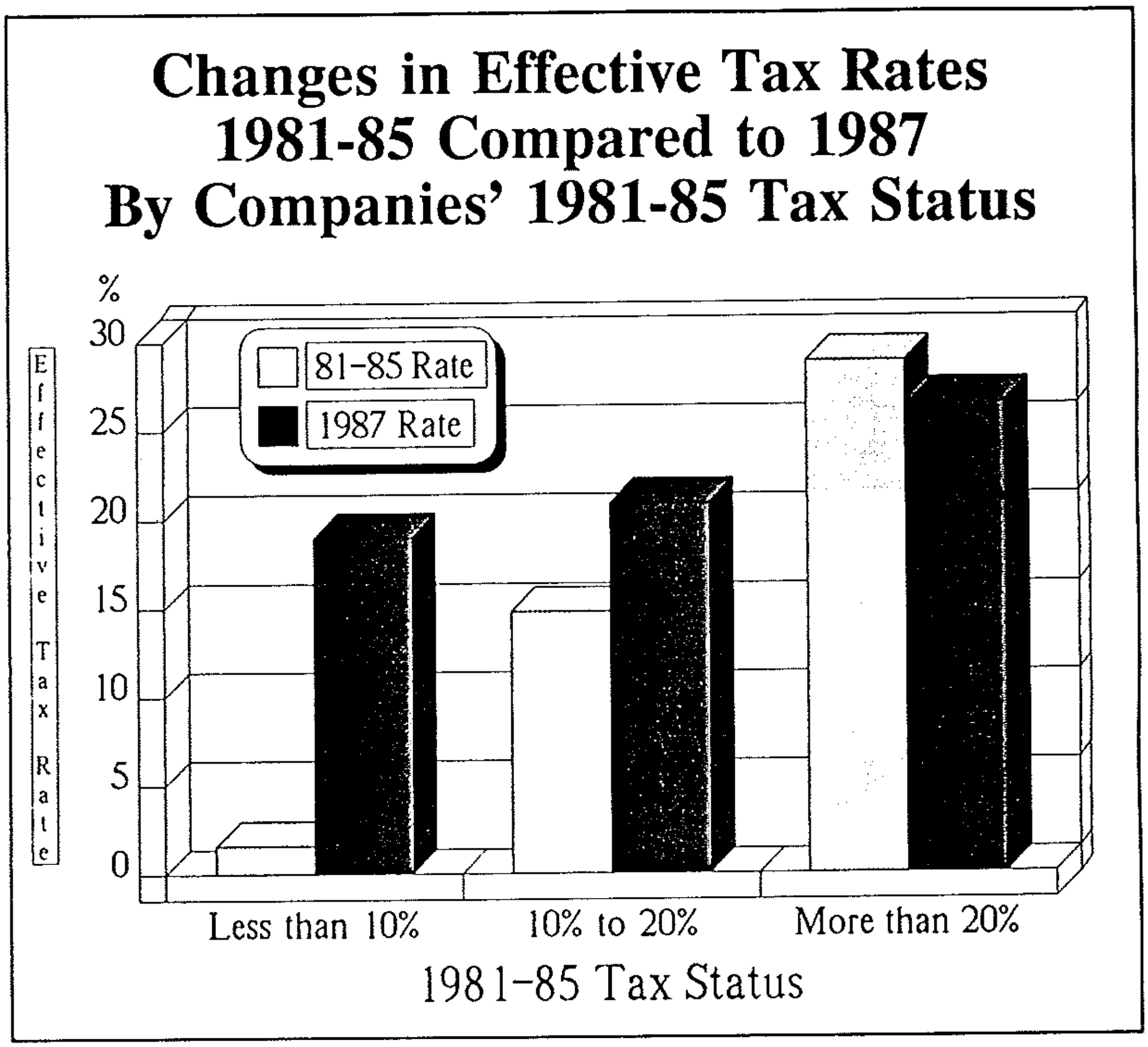
1981-85 Average			1987		
Profit	Tax	Rate	Profit	Tax	Rate
$101.9	$15.2	14.9%	$123.4	$27.3	**22.1%**

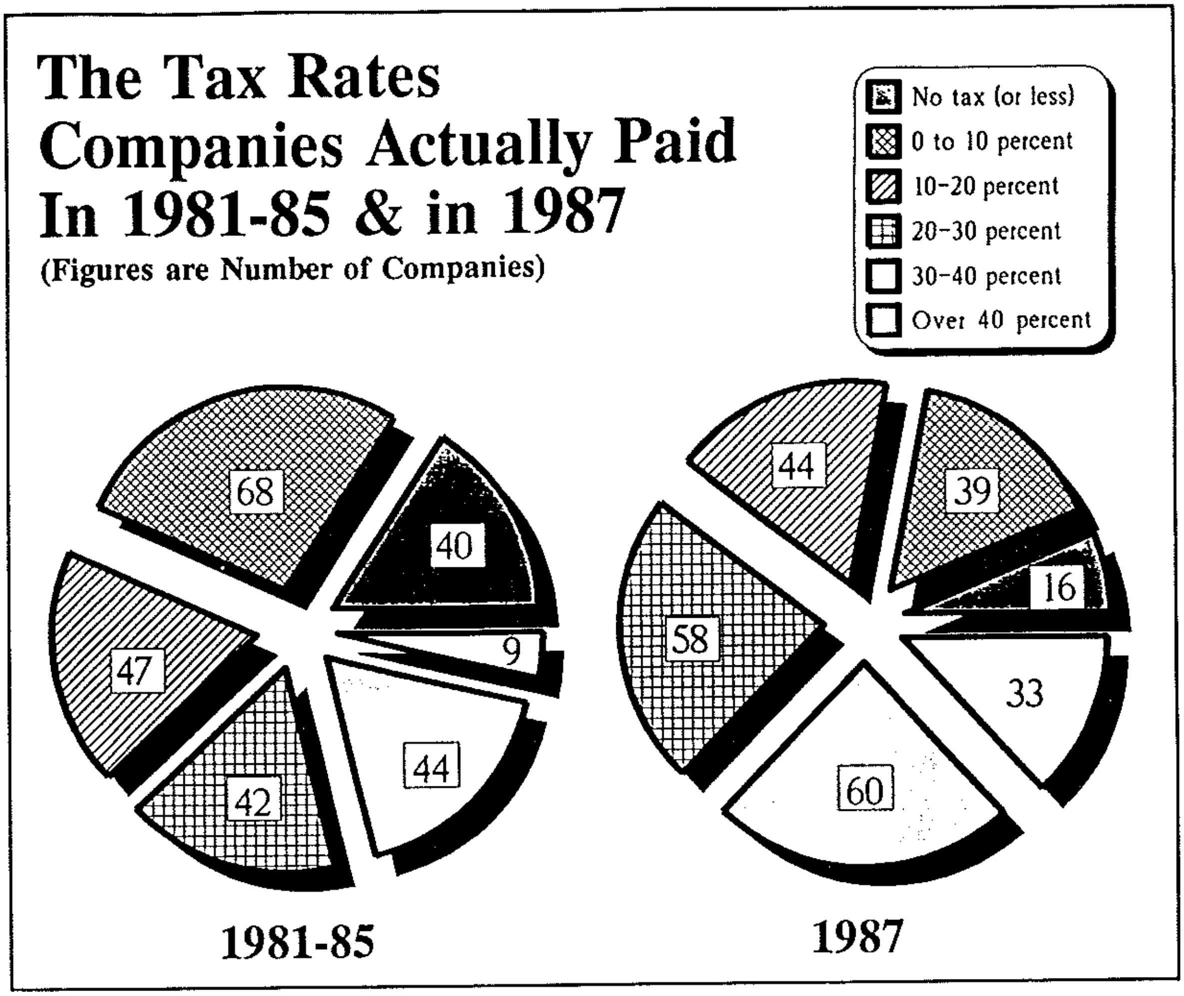
- The higher overall effective tax rate in 1987 means that the 250 companies in our sample paid a total of $9 billion more in taxes than they would have under the effective rates of the pre-reform era. For *all* the nation's corporations, 1987 income tax payments were up by $25 billion compared to pre-reform law.

- Although fifty-five companies in our survey still managed to pay less than 10 percent of their profits in taxes in 1987, that is only half the number that paid less than 10 percent during the pre-tax-reform years.

- Three out of five companies we surveyed saw their effective tax rate go up after the passage of tax reform; only one in three obtained a cut in its effective rate.
- Tax reform has created a more level playing field for all businesses. For instance:
  - √ Of the 250 corporations we surveyed, 108 companies paid less than 10 percent of their profits in federal income taxes during the 1981-85 period—with their average tax rate a mere 1.6 percent. In 1987, these same 108 companies paid an average rate of 19.0 percent.
  - √ The remaining 142 companies in our survey, whose effective tax rates exceeded 10 percent of their profits during the five years prior to tax reform, paid an average tax rate of 24.3 percent over that period. In 1987, after tax reform, these same 142 companies paid exactly the same average tax rate as before reform—24.3 percent.

Thus, tax reform has sliced the gap between the previously low- or no-tax companies and the rest of the pack by a full 17 percentage points!





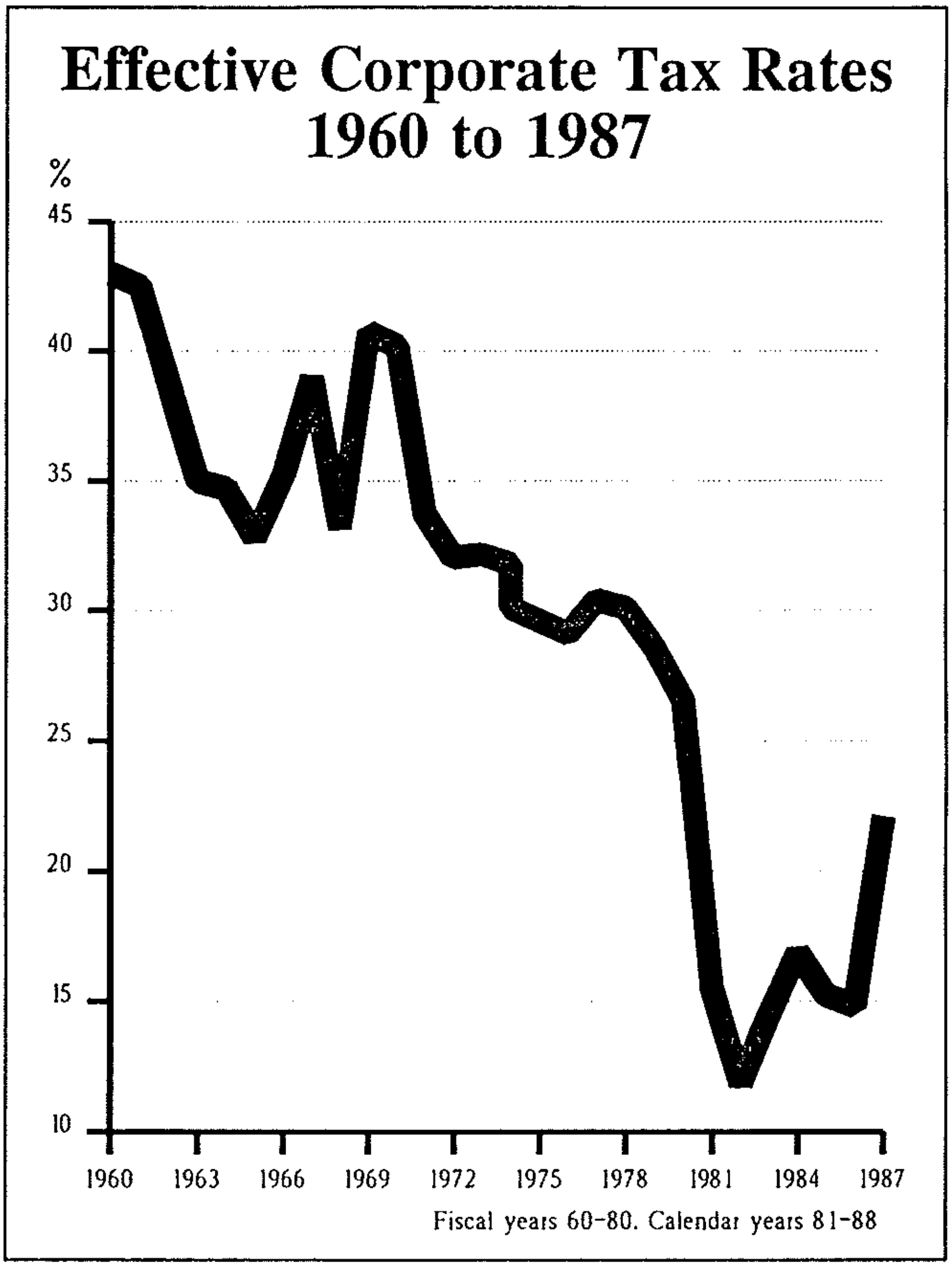
- In 1987, 151 companies (three-fifths of our entire sample) paid 20 percent or more of their profits in taxes, a sharp jump from the 95 that paid that high an effective rate during the 1981-85 period.

- A number of the large defense contractors that were among the champion tax avoiders of the pre-tax-reform era are back on the tax rolls and paying their fair share. General Dynamics, Boeing, Grumman and Martin Marietta all paid taxes at a rate of 30 percent or more in 1987.

- General Electric, the leading tax avoider of the early 1980s, paid taxes of $744 million on profits of more than $2.7 billion in 1987—an effective rate of 27 percent.

- Some of the previously lowest-taxed industries—including airlines, chemical companies, aerospace manufacturers, telecommunication firms, paper companies and railroads—all saw significant increases in their overall effective tax rates.

The following chart puts our findings into historical perspective, showing what has happened to corporate income taxes over the past three decades. After some temporary dips in corporate taxes in the 1960s (which were largely reversed by the end of that decade), loopholes began to take a heavy toll on the corporate tax. As a share of pretax profits, corporate income taxes declined from 40 percent in 1970 to only 27 percent by 1980. Then came the 1981 tax act, which caused the most dramatic plunge in corporate taxes. By 1982, the effective tax rate on the 250 companies we surveyed had plummeted to only 11.8 percent, and was expected to fall even further as the 1981 law was phased in. But tax reform legislation enacted in 1982, 1984 and, especially, 1986 has stemmed the decline. In 1987, the effective tax rate had risen back to 22 percent of profits—still below the 1980 level, but almost double the 1982 low point.



Corporate tax reform, of course, wasn't just about putting the avoiders back on the rolls. It was also intended to provide some relief to those companies which had been unable to exploit the loopholes and had carried a disproportionate share of the overall corporate tax burden. By cutting the top corporate rate from 46 percent to 40 percent in 1987 (it goes all the way down to 34 percent in 1988), tax reform worked for these high-tax companies, too. According to our survey, corporations which had paid 20 percent or more of their profits in taxes during the pre-reform era, for an average rate of 28.9 percent, saw their effective rate drop to an average of 26.5 percent in 1987—a cut of 2.4 percentage points.

- Among the winners: Campbell Soup, whose tax rate fell from 34 percent in 1981-85 to 16 percent in 1987; American Home Products, down from 39 percent to 22 percent, PACCAR, down from 37 percent to 22 percent; Proctor & Gamble, down from 32 percent to 21 percent; and McGraw-Hill, down from 42 percent to 33 percent.
- When companies are grouped together by industry, some clear winners emerge as well: computer and office equipment manufacturers, automotive firms and rubber companies all saw their industry-wide tax rates decline significantly in the year after the passage of tax reform. Smaller gains also were enjoyed by some other industries, including the textile, oil and gas, and leisure and personal care industries.

The Bad News

THERE ARE, HOWEVER, some hitches and some flaws in the outcome of tax reform. Much work is left to be done. The corporate income tax may be on the way back, but it still has a way to go before it is whole—before all profit-making corporations pay their fair share to help pay for the public services they enjoy. One should never underestimate the aggressiveness and creativity of corporate tax lawyers nor the tenacity of corporate accountants. Nor the political allure of adding just one more "little" loophole to the tax code. Nor the way those tiny little loopholes can grow and expand and become big, gaping ones. Here is the rest of the story.

- Despite the passage of tax reform, 16 companies still managed to manipulate the tax code in a way that allowed them—legally—to avoid paying any federal income tax at all in 1987, on combined profits of $9.6 billion. Not only did they pay no tax, but they received tax *rebates* totalling $1.1 billion.

  ✓ Among the current no-tax companies are some of the best-known names of American business—General Motors, IBM, Hewlett-Packard, Greyhound and Goodyear, to name just a few.

  Sixteen is a sharp reduction from the number of no-tax companies in previous years, but it is still sixteen more than our tax system should permit.

- Fifty-five companies, almost one-quarter of the total survey, were able to pay less than 10 percent of their U.S. profits in federal income taxes in 1987, despite the new minimum tax that was designed to require tax payments of no less than 10 percent of the profits companies report to their shareholders.

1987's Top Corporate Freeloaders
($-millions)

	Profit	Refund	Rate
General Motors	$2,396.2	($742.2)	-31.0%
IBM	2,932.7	(123.5)	-4.2%
Aetna	1,010.5	(32.4)	-3.2%
Baxter Travenol Laboratories	233.0	(32.0)	-13.7%
Carolina Power & Light	536.3	(27.6)	-5.2%
Illinois Power	344.5	(25.6)	-7.4%
Corning	122.6	(16.3)	-13.3%
Hewlett-Packard	405.0	(15.0)	-3.7%
Ashland Oil	158.5	(11.8)	-7.5%
Greyhound	62.9	(7.1)	-11.3%
Ogden	55.7	(6.7)	-12.1%
Sequa Corp.	42.3	(5.9)	-13.9%
Pennzoil	76.8	(4.5)	-5.9%
Goodyear Tire & Rubber	573.7	(2.4)	-0.4%
Consumers Power	384.3	(0.6)	-0.2%
Gulf States Utilities	273.2	—	—
Total, 16 Companies:	**$9,608.2**	**($1,053.7)**	**-11.0%**

- Electric and gas utilities were among the companies that were most successful at keeping their tax bills low: Illinois Power, Carolina Power & Light, Consumers Power and Gulf States Utilities all made our no-tax list for 1987, and eleven other utilities paid less than 10 percent of their profits in federal income taxes.

- Some large defense contractors have maintained their position among the leading tax avoiders of the land. Northrop's 1987 tax rate barely exceeded zero, while McDonnell Douglas (1 percent), Lockheed (2 percent), and Rockwell (7 percent) all paid less than 10 percent of their profits in taxes.

- Many financial institutions remained high on the list of corporate tax avoiders: Aetna paid no tax at all and seven others—Merrill Lynch, First Executive Corporation, General Re, Transamerica, Chase Manhattan, St. Paul Companies, and Southeast Banking Corporation—all paid less than three percent of their profits in taxes.

- Large gaps in tax rates still remain, both among tax rates on individual companies within particular industries and among average industry-wide tax rates. For instance:

  √ In the automotive sector, General Motors paid an effective rate of −31.0 percent in 1987 (receiving a net *refund* of $742 million on profits of $2.4 billion), while Ford paid 22 percent of its $5.5 billion in profits in taxes.

- ✓ In the computer industry, effective rates were as low as −4.2 percent and −3.7 percent for IBM and Hewlett-Packard, respectively. In contrast, Honeywell and NCR shelled out 45 percent and 51.6 percent of their profits in taxes, respectively.
- ✓ The average effective rates for industries ranged from a low of 7.7 percent for automotive companies to a high of 38.1 percent for chemical companies.

What's Working

All in all, there is a lot more good news than bad news in this report. That's because Congress really did try to crack down on corporate tax avoidance when it enacted the Tax Reform Act of 1986. According to the Joint Committee on Taxation in its *General Explanation of the Tax Reform Act of 1986*, "Congress concluded that both the perception and reality of fairness have been harmed by instances in which corporations paid little or no tax in years in which they reported substantial earnings, and may even have paid substantial dividends to shareholders."

Congress wanted to put a stop to the spectacle of big, highly profitable corporations paying no taxes at all. So it adopted a new, tougher minimum tax. It repealed the investment tax credit. It scaled back the lucrative "completed contract accounting" tax break used by defense contractors. It slowed down accelerated depreciation in some cases (but speeded it up in some others). It eliminated certain rules that had encouraged buying and selling of tax credits. It repealed the special capital gains tax break for timber companies. It did all these things and more. And these steps took courage. They came amidst a record amount of effort by the loophole lobby and an unprecedented infusion of campaign contributions by special interests. In an age in which it's easy to be cynical about politics and politicians, Congress deserves real credit for producing a bill that contains these measures—as does the President for signing it.

Since the principal finding of this report is that tax reform is working, that the number of no-tax companies has been reduced, that most of the biggest tax avoiders of the past have begun to pay their fair share, the next important question becomes, why? Which elements of the tax reform package have played the greatest role in bringing about this new, improved state of affairs?

The Alternative Minimum Tax

The purpose of the new "alternative minimum tax" was to put an end to the horror stories about no-tax companies that were documented in earlier editions of this report. "Congress concluded," the Joint Committee on Taxation relates, "that the minimum tax should serve one overriding objective: to ensure that *no* taxpayer with substantial economic income can avoid significant tax liability by using exclusions, deductions, and credits."

Some critics complain that the very existence of a minimum tax is an explicit confession of failure, an admission that the regular tax code is filled with too many special tax breaks. Maybe so. Perhaps, in a perfect tax system, a minimum tax would not be necessary. But we do not live in a perfect world. And the new minimum tax was an essential part of the Tax Reform Act of 1986.

To be sure, a minimum tax can be nothing but a political fig leaf—one that allows lawmakers to please their allies in the loophole lobby by supporting an array of costly loopholes, while pretending to voters that every company will nonetheless pay their fair share. Indeed, prior to the passage of tax reform, we had such a counterfeit minimum tax. It was levied at a 15 percent rate and it was altogether inadequate. It was filled with many of the same loopholes that plagued the rest of the tax code; it did not, for instance, consider accelerated depreciation for machinery and equipment or the special tax break for defense contractors to be tax preferences.

In contrast, the new minimum tax enacted in 1986 has real teeth. "Congress concluded that it was particularly appropriate to base minimum tax liability in part upon book income [i.e., profits reported to shareholders]," notes the Joint Committee on Taxation, "in order to ensure that the act will succeed in restoring public confidence in the fairness of the tax system." In other words, the new minimum tax is a serious attempt to put an end to the shell game whereby companies could report one set of figures to their shareholders and another to the IRS. The profits they report to their shareholders must now be reported to the IRS as well—and, with some exceptions, companies must pay at least 10 percent of those "book profits" in taxes.

That's a good thing, too, because our survey reveals that the new minimum tax is the *only* tax that a number of companies paid in 1987. Not all firms disclose whether they paid the minimum tax, but corporations for which the minimum tax reported represented the entire 1987 federal tax liability include:

Englehard	Pennsylvania Power & Light
General Re	Philadelphia Electric Co.
Harris Bancorp	St. Paul Companies
Merrill Lynch	Sun Company
Middle South Utilities	Suntrust Banks

Xerox

In the absence of the minimum tax, many or all of these firms would have paid no federal income tax at all.

Other companies reporting minimum tax payments that supplemented their regular tax liability include: Centerior Energy, Citizens and Southern Corp., Sears, Roebuck, Square D and United Technologies.

Paying the minimum tax does not necessarily assure, however, that a company actually paid 10 percent or more of its profits in taxes on the bottom line. Carrybacks of tax credits and deductions to earlier years under the "regular" tax still can offset part or all of the minimum tax a company may have owed for 1987. A number of the companies listed above paid considerably less than 10 percent in total income tax—apparently due to such "carrybacks." And Baxter Travenol Laboratories, Carolina Power & Light, Corning, Illinois Power and Pennzoil all reported net tax rebates in 1987, despite listing minimum tax payments for the year. The problem of such carrybacks wiping out the minimum tax is likely to abate in the future, however, as companies run out of earlier taxable years to use their excess tax benefits against.

Repeal of the investment tax credit

Prior to the passage of tax reform, the investment tax credit was a major key to corporate tax avoidance. That's small wonder, since the investment tax credit worked out to a 10-cent rebate courtesy of the federal government on every dollar spent by a corporation on new equipment or machinery. And if credits exceeded tax liability in any given year, the excess could be either carried back or carried forward to years when taxes were due.

The investment tax credit was first instituted in 1962; it was repealed in 1969; reinstated in 1971; and increased in 1975 and 1981. Its backers claimed the credit would be a stimulus to corporate capital investment, but the historical record shows that total business spending on machinery and equipment was essentially unaffected by its presence. Instead, the investment tax credit became a very expensive reward to American corporations for making the sorts of investments that they always made in the normal course of business. The Tax Reform Act of 1986 repealed the investment tax credit for a second time—at a savings of $143 billion over the next five years.

A close look at the annual reports of some of the companies we surveyed reveals just how big a difference the repeal of the investment tax credit made in their final tax bills.

- Air Products and Chemicals notes in its 1987 annual report: "The benefit from the reduction of the U.S. federal statutory rate . . . was more than offset by the repeal of the investment tax credit." Indeed. Air Products paid an effective tax rate in 1987 of 20 percent, compared to only 8 percent from 1981 to 1985.
- American Electric Power got $107 million in investment tax credits in 1985, but none in 1987. Its 1987 effective tax rate was 31 percent, compared to only 3 percent from 1981 to 1985.
- Burlington Northern enjoyed $79 million in investment tax credits in 1985, but none in 1987—a major reason why the company's tax rate rose to 11 percent in 1987, from only 1 percent over the 1981-85 period.
- Chevron's 1987 annual report states: "Although the federal statutory corporate rate was lower in 1987, this was more than offset by [among other things] lower investment tax credits resulting from the Tax Reform Act of 1986." Chevron's effective tax rate in 1987 was 36 percent, compared to 20 percent in 1981-85.
- Coors' tax rate rose to 35 percent in 1987, compared to only 13 percent from 1981 to 1985, primarily because of the repeal of the investment tax credit.
- Dow Chemical enjoyed investment tax credits totalling more than $328 million between 1981 and 1985 and paid a *negative* effective tax rate of −25.9 percent over that period. But Dow got no investment tax credits in 1987. That's a big reason why Dow paid more than 30 percent of its profits in taxes last year.
- Transition rules allowed Dominion Resources to take $38 million in investment tax credits in 1987. But that was far less than the $156 million in credits the company enjoyed in 1985. Its tax rose to 20 percent in 1987, up from 11 percent over the 1981-85 period.

- Du Pont got $702 million worth of investment tax credits between 1981 and 1985, on its way to a net tax *refund* of $72 million on profits of more than $5 billion. In 1987, however, Du Pont claimed only $7 million in investment tax credits—a major reason why it wound up paying more than 40 percent of its $2 billion in profits for that year in federal income taxes.
- MCA's investment tax credits in 1987 were well under half the $39.3 million in credits the company got in 1985. Largely as a result, MCA's effective tax rate rose to 18 percent in 1987, from only 9 percent over the 1981-85 period.
- Santa Fe Southern Pacific enjoyed $66.5 million in investment tax credits in 1985, but none in 1987. Its tax rate rose to 21 percent in 1987, compared to a *negative* rate of −4 percent (including its sales of tax credits) in 1981-85.

Changes in accelerated depreciation

The adoption in 1981 of the Accelerated Cost Recovery System (ACRS)—a form of super-fast depreciation—was another principal mechanism by which companies managed to avoid taxes before tax reform.

Depreciation in and of itself is not a loophole. Any tax system that attempts to measure the actual profits of a business will come up with a fair allowance for depreciation—to reflect the fact that buildings and machines do actually wear out over time.

But ACRS was neither fair nor anything close to a reflection of actual depreciation. Instead, it created the legal fiction that nearly all machinery and equipment wore out in less than five years—when Treasury Department surveys showed that these assets last anywhere from five to twenty-five years. ACRS was particularly generous to real estate—buildings and structures—permitting them to be written off over a period of 15 years (subsequently lengthened to 19 years), rather than the 25 to 60 year period they are usually expected to last.

The Joint Committee on Taxation in its *General Explanation* had this to say about the problems brought about by the combination of ACRS and the investment tax credit: "Under prior law, the tax benefits . . . were more generous for some equipment than if the full cost of the investment were deducted immediately—*a result more generous than exempting all earnings on the investment*." [emphasis added.]

In the Tax Reform Act, Congress modified ACRS, most notably by lengthening the depreciation period for most industrial buildings to 31½ years. The tax act also changed the write-off periods for a number of types of equipment, extending some, while, in other cases, actually boosting depreciation deductions in the first few years assets are used.

The combination of these moves resulted in added revenues to the federal government of almost $13 billion over the next five years, with almost all of the net change reflecting the longer write-off periods for buildings. But this new, modified ACRS system will still cost the Treasury more than $130 billion over that same period.

Although limited in their overall impact, the depreciation changes, particularly the shifts among different types of machinery, appear to have had a significant impact on the tax bills of some of the corporations we surveyed. Some companies saw their tax savings from accelerated depreciation go down substantially. For example:

- AT&T, which saved an average of $2.4 billion a year in taxes from accelerated depreciation benefits in 1981-83 (prior to the divestiture of its local telephone companies) and an average of $542 million a year in 1984-86 (after divestiture), reported only $39 million in tax savings from accelerated depreciation in 1987. AT&T's effective tax rate in 1987 was 20.6 percent, compared to 0.7 percent from 1981 to 1985.
- Du Pont, which enjoyed nearly $1.9 billion in tax savings from accelerated depreciation write-offs during the five-year period prior to the passage of tax reform, saved only $41 million from depreciation tax benefits on its 1987 return.
- Southwest Airlines' tax savings from accelerated depreciation fell to only $7.8 million in 1987, after averaging more than $30 million a year previously. This change played a significant role in the rise in the company's effective tax rate to 39 percent in 1987, up from a *negative* −2.6 percent in 1981-85.
- For the Walt Disney Company, tax savings from accelerated depreciation fell from $76.3 million in 1985 to $15.1 million last year, a period during which the company's tax rate rose from 1.8 percent to 29.0 percent.

On the other hand, a number of companies found themselves with significantly increased tax benefits from accelerated depreciation in 1987. For instance:

- General Motors wiped out its entire 1987 tax liability with tax savings from accelerated depreciation, which was worth $1.3 billion to GM in 1987, compared to only about $250 million a year in previous years.
- The key to the no-tax status of Carolina Power & Light also was a sharp increase in tax savings from accelerated depreciation, which rose to $206 million in 1987, after averaging only $37 million a year from 1981 to 1986.
- Illinois Power wiped out almost two-thirds of its federal tax liability in 1987—on its way to a net tax *refund*—with accelerated depreciation benefits, which rose to $86 million in 1987, after averaging less than $11 million a year in the previous six years.

To be sure, not all these changes in reported tax savings from accelerated depreciation can be attributed directly to the Tax Reform Act. But the act does appear to have been responsible for at least some of the changes in the particular cases noted.

Reform of the defense contractors' loophole

Perhaps no corporate tax abuse was more maddening to the American public than the spectacle of big defense contractors paying no taxes—even as they earned billions of dollars from projects paid for with taxpayers' money. In our last report, for example, we found that only one of the top six defense contractors paid more than 2½ percent of its profits in federal income taxes from 1982 to 1985, and that two of the six had actually received tax rebates over that same period.

The key to tax avoidance for most of the contractors was an arcane tax break called "completed contract accounting." This rule allowed them to put off reporting taxable profits on contracts until the projects were fully completed, even though the contractors received progress payments as work was finished and reported huge profits to their shareholders.

The Tax Reform Act tightened up considerably on the completed contract loophole (although it did not eliminate it). In part as a result of that change, a number of major military contractors paid significant taxes in 1987. For example:

- In 1987, Boeing paid back $316 million in taxes it had previously deferred through the use of completed contract accounting (the key to its 82.5 percent effective tax rate for the year). The tax break had saved the company a total of $1.3 billion in federal income taxes from 1981 to 1986, including $354 million in tax savings in 1986 alone.
- General Dynamics paid 79 percent of its 1987 profits in federal income taxes due to a $340 million turnaround on taxes previously deferred using completed contract accounting. (The tax break had saved the company a total of $289 million in taxes in the 1985-86 period alone.)
- Grumman paid 102 percent of its 1987 profits in federal income taxes, reflecting a $37 million turnaround on taxes previously deferred through the completed contract method of accounting. The tax break had saved Grumman a total of $188 million from 1981 to 1984).

But not all defense contractors saw their tax benefits from completed contract accounting disappear. Lockheed saved $230 million from the tax break in 1987 (on its way to an effective tax rate of only 2.4 percent), on top of the $1.3 billion it saved from the loophole over the previous six years. Similarly, Northrop reports $121 million in tax benefits from completed contract accounting in 1987 (and an effective tax rate of only 0.1 percent), after saving $700 million from the rule in 1981-85.

Other major reforms

Among the other major corporate tax reforms enacted in 1986 whose effects can be seen in corporations' annual reports are:

- Phase-out of the special capital gains tax break for timber companies. Companies reporting significantly reduced capital gains benefits included Georgia Pacific, International Paper and Weyerhaeuser.
- Repeal of the instalment sales method of reporting profits. Among the companies notably affected by this change were: Centex, which in 1987 had to pay back almost $30 million in previously deferred taxes; Dow Chemical (a $61 million turnaround); Merck & Co. ($11 million); Pfizer ($30 million); Coleman; Dayton Hudson; J.C. Penney; Eli Lilly and Co.; May Department Stores; NCR; Parker Hannifin; Sears, Roebuck; and Whirlpool.

Finally, it should be noted that the impact of these and other changes is likely to be even greater in future years, as the reforms become fully effective.

What's Still Wrong

While the Tax Reform Act of 1986 corrected many of the problems that plagued the old tax system, it did not correct them all. It left some intact and created several new ones. In this section, we describe the largest of the loopholes that remain and explain how some of the remaining tax avoiders were able to zero-out on their federal tax returns despite the good intentions of Congress.

Flaws in the Minimum Tax

The new corporate minimum tax was supposed to assure that every profitable company would pay a significant amount in federal income taxes. It worked well in many cases. But several reforms to the minimum tax are needed.

- Although companies cannot wipe out their minimum tax liability for a given year using loopholes that remain in the regular tax, they can use such tax breaks to generate refunds of regular taxes paid in earlier years. This problem may largely be short term in nature, since companies that routinely owe the minimum tax will soon run out of years with regular tax liability to which they can carry back their excess tax breaks. (The limit on carrybacks generally is three years.) But the law should nevertheless be changed to disallow carrybacks for any company that owes the minimum tax.
- On paper, the minimum corporate tax rate is 20 percent. But because only *half* the profits a company reports to its shareholders are counted in computing its minimum tax liability, the rate is really only 10 percent. The minimum tax should be amended to include *all* of a company's "book income."
- Starting in 1990, the "half of book income" minimum tax is scheduled to be replaced with a new concept: seventy-five percent of "Adjusted Current Earnings." In many ways, "ACE" represents a potential toughening of the minimum tax in the future. But ACE should be amended to keep the profits companies report to shareholders as an element. Because corporations are reluctant to tell their shareholders that profits are low or non-existent, book income provides an important check on the ingenuity of tax lawyers and accountants.

Accelerated depreciation

Except for real estate, the 1986 Tax Reform Act did not significantly scale back what is now the single largest corporate tax break: accelerated depreciation. But one provision in the act relating to depreciation has the potential to bring increased scrutiny on this loophole—if that provision is allowed to remain in the law.

In the 1986 act, Congress established a permanent office at the Treasury whose job is to review the depreciation rules, to make sure that assets are not being written off too quickly (or too slowly, for that matter). Among the things Treasury is supposed to consider are: the depreciation practices used by companies in their annual reports; the length of time property is leased or financed; and resale prices. For example:

- In the 1986 Tax Reform Act, auto companies actually obtained faster tax depreciation write-offs on their "special tools," based on the auto makers' representations that this type of equipment wears out faster than the old tax rules had provided for. In 1987, however, General Motors announced that, for book purposes, it was *lengthening* the write-off period for its special tools, plants and other equipment. According to GM's 1987 annual report, "These revisions . . . were based on 1987 studies of actual useful lives and periods of use." The change reduced GM's book depreciation provision by $1.2 billion, or almost 20 percent, in 1987 alone. The Treasury Department should take this change into account in determining if the current rules for tax depreciation of auto makers' special tools are too generous.

- Recent news stories about airlines relate how airplanes first purchased in the 1960s are continuing to be used, leased and bought and sold. These stories indicate that the value of these older planes is now considerably greater than when they were first purchased (even adjusting for inflation). The Treasury Department should take these facts into account in determining if the current depreciation rules for airplanes are too generous.

Unfortunately, however, legislation currently pending in Congress would abolish the Treasury office of depreciation review. This would be a huge victory for the loophole lobby—and should be stopped in its tracks.

Taxation of "Foreign" Profits

The U.S. corporate tax nominally applies to the worldwide income of American corporations. But unless a company brings its overseas profits back to the United States, no federal income tax is due. And even if profits are brought home, U.S. taxes may be offset using foreign tax credits. Both these rules create major opportunities for corporate tax gamesmanship, and sometimes can give companies an incentive to move plants and jobs overseas. To illustrate:

- Responding to our 1986 corporate tax study, a spokesman for Prime Computer told *The Boston Globe* (after admitting that the company paid very low U.S. income taxes): "We didn't set out to build a plant in Ireland and Puerto Rico, but the government offered incentive and we took advantage and that lowered our tax rate. If that means we paid low taxes, so be it." In its 1987 annual report, and presumably for tax purposes as well, Prime Computer asserts that almost two-thirds of its worldwide pretax earnings are from foreign sources. It makes this claim even though only 11 percent of its manufacturing and research square footage is outside the United States. The company's incentive to treat its profits as foreign is obvious: because its foreign activities are centered in tax havens (notably Ireland), its reported foreign profits are taxed by foreign governments at a rate of less than 6 percent.

- Schering-Plough notes in its 1987 annual report: "The company has subsidiaries in Puerto Rico and Ireland that manufacture pharmaceutical products for distribution to both domestic and foreign markets. These subsidiaries are operating under tax-exemption grants expiring at various dates between 1990 and 2001." In 1987, the company's assets in Puerto Rico (which is, in effect, a U.S. "foreign tax haven") and Ireland represented 9 percent of the company's total worldwide assets. But, says the company, Puerto Rican operations alone contributed 29 percent of the company's worldwide pretax earnings and almost half of its U.S. pretax profits.

- In its 1987 annual report, IBM says that about one-third of its worldwide profits were earned by its U.S. operations (down from more than half in 1985). But for federal income tax purposes IBM appears to have reported virtually no earnings from its U.S. operations. Moreover (and as a consequence), its U.S. taxes on the foreign profits it brought back into the United States appear to have been offset by foreign tax credits, reflecting the high foreign tax rates the company says it pays in places such as Australia, Japan, the United Kingdom and West Germany. Of course, it's possible that, notwithstanding what it says in its annual report, IBM really didn't make any money in the United States. But based on IBM's $25 billion in U.S. sales in 1987 and its $31 billion in U.S. assets, that hardly seems likely.

The 1986 Tax Reform Act made some significant and important changes in the rules governing federal taxation of foreign earnings, but the reforms did not go nearly far enough. The law should be changed to end the tax exemption for profits that are not brought back into the United States (known as foreign "deferral") and to revise the rules for dividing profits between foreign and domestic sources. Among the changes needed in the latter area is to limit the now common corporate practice of treating expenses incurred to earn foreign profits as domestic costs—thereby reducing domestic source taxable income and increasing foreign source income. In addition, the current federal tax exemption for profits earned in Puerto Rico, which has made the island commonwealth into the equivalent of a foreign tax haven, should be ended. Study after study has shown that the Puerto Rican tax break has done almost nothing for jobs, while draining revenues from the Treasury into corporate coffers.

Other needed changes

There still are numerous other needed corporate tax reforms even after tax reform. High on the list, for example, should be measures to reduce incentives for mergers and acquisitions; to get rid of completed contract accounting entirely; and to further restrict business write-offs for meals and entertainment.

Corporate Taxes and Corporate Investment

TAX REFORM, THE LOOPHOLE LOBBYISTS ALLEGED, would be a disaster for the American economy. They claimed that asking tax-avoiding corporations to pay taxes would severely harm our nation's ability to compete in the international economy, because the loss of tax "incentives" would cause companies to abandon capital spending plans. David Roderick, chairman of USX Corporation, advised Congress that tax reform would "make it tougher to justify major capital projects." Econometric forecasting firms made small fortunes producing reports for the loophole lobby projecting enormous declines in corporate investment.

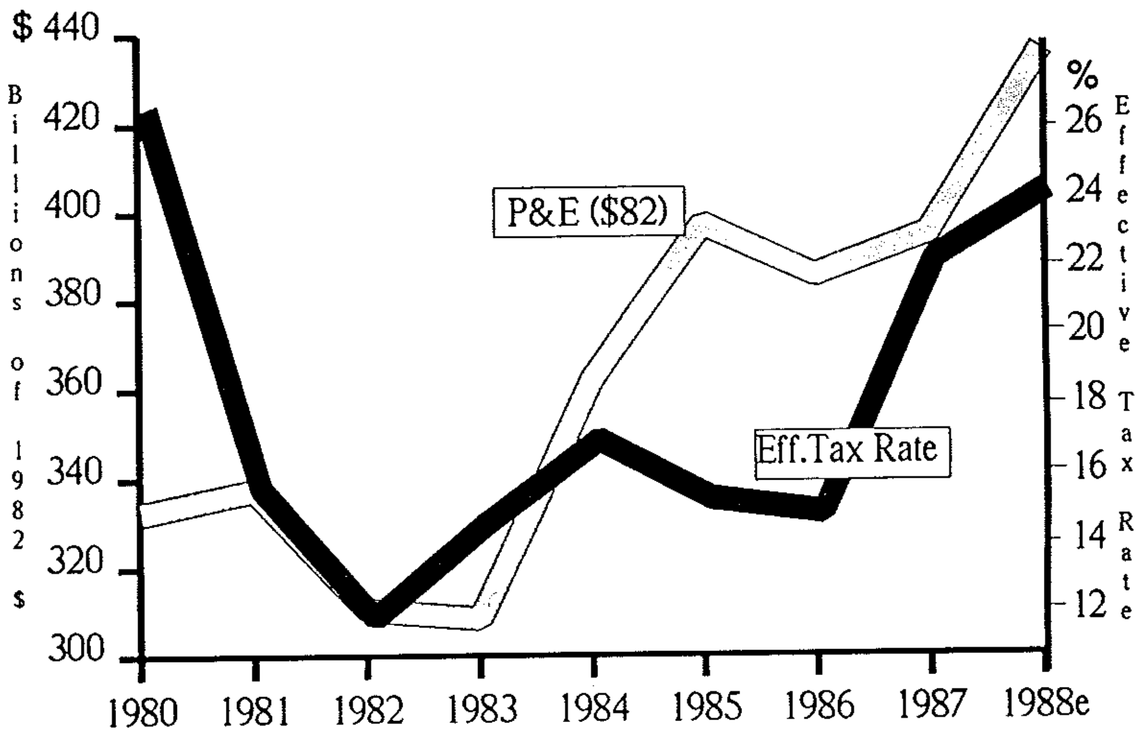
Of course, this time around Congress had to take these doomsayers with a grain of salt. After all, it was this same assortment of economists, lobbyists and corporate executives that had been so cheerfully confident about the investment boom that the loopholes would bring about. When this promise went unfulfilled, their credibility suffered a severe blow. Now that we've had a couple of years of experience with tax reform, it would be surprising if the loophole lobbyists have any credibility left at all. They've run headlong into the facts once again.

Take a look at the chart on this page. It compares effective corporate tax rates with the amount of business investment in plants and equipment (adjusted for inflation). Remarkably, every time the direction of the effective corporate tax rate has changed, so has the direction of business investment. After the passage of the Economic Recovery Tax Act of 1981, corporate tax rates went way down. So did business investment. After the passage of tax reform, effective corporate tax rates went up. Again, so did business investment. Indeed, the record shows tax-and-investment trends that are precisely the opposite of what the loophole lobby has forecast.

√ As former Reagan Treasury official, J. Gregory Ballentine, recently told *Business Week*: "It's very difficult to find much relationship between tax rates and investment. In 1981 manufacturing had its largest tax cut ever and immediately went down the tubes. In 1986 they had their largest tax increase and went gangbusters [on investment]."

The Failure of Corporate Tax Incentives

Corporate Effective Tax Rates & Investment in Plants and Equipment 1980 to 1988



This year, business spending on plant and equipment is expected to rise by nearly 12 percent (after adjusting for inflation) according to surveys of businesses by the Department of Commerce's Bureau of Economic Analysis. And the largest expected increases are coming in the industries whose leaders were most apoplectic about the likely consequences of tax reform.

Consider the blast furnace and steel works industry, the bailiwick of Mr. Roderick: this year, plant and equipment spending is slated to rise by 23.3 percent, a boost that comes on top of a 39.2 percent increase last year. The chemical industry, whose effective tax rate went up the most of any industry due to tax reform, plans an 11.7 percent increase in capital spending this year. The paper industry and the air transportation industry, both of which experienced significant increases in their corporate tax rates according to our study, plan to boost spending on plants and equipment by 27.5 percent and 16.4 percent, respectively.

Now, we are not trying to give tax reform credit for these increases in investment. We are suggesting, though, that corporate investment plans have virtually nothing to do with tax rates. Investment spending—the kind of spending that occurs in the normal course of business, for equipment and machinery that is essential to the production of the goods that are the *raison d'etre* of a business—is motivated by a much broader set of considerations than taxes. Is the product that a new machine will produce likely to result in profits? How old is my existing equipment? How much can I produce at present capacity? Do I have the cash or can I get the cash to buy the machines I need? If I have to borrow, how much interest will I be charged? What is the level of demand likely to be for my products? All of these questions will be asked —and answered— before the question loophole lobbyists pretend is of paramount interest: "What sort of tax break will I get if I buy this particular sort of machine?"

Today, manufacturing capacity utilization is at its highest level since the first quarter of 1980, after increasing for six consecutive quarters. Corporate profits (both before and after tax) are on the rise—as is net corporate cash flow. Unemployment is down, consumer demand remains strong and there are signs that the trade gap may be narrowing somewhat. In this environment, it is not very surprising at all that business capital spending is rising rapidly.

This is all common sense. But common sense can be a precious commodity when it comes to debates about corporate taxes. The loophole lobby has repeated the big prevarication—"without loopholes we won't invest"—so often that many people believe it and others fear that it might be true.

When businesses stop worrying about their product lines and begin worrying about tax shelters, tax loopholes can cause them to make investments that they would never have made in their absence. The 1981 tax act granted tax breaks to the real estate industry that were so extraordinarily generous that billions of investment dollars were wasted on high rise ventures that were unneeded, unwanted and are now unrented. Moreover, some companies felt compelled to start up or acquire "buy-a-tax break" leasing subsidiaries, so as not to miss the tax-break gravy train altogether—thereby diverting their executives' attention away from productive profit opportunities.

Thus, although the overall level of business investment seems impervious to changes in the tax rate, a loophole-ridden tax code will redirect some investment tax dollars toward certain preferred niches, thereby distorting marketplace signals and lowering overall productivity. Even the most ardent supply-sider has to question such a perverse tax-based "industrial policy."

If the first question asked by a corporate manager is "what kind of tax break will this investment receive?" rather than "will this investment lead to a profit?," then something is clearly amiss.

Tax reform was designed to reduce those distortions by lessening gross disparities in tax rates imposed on different investments. The initial returns are promising: investment has shifted away from buildings and toward industrial equipment. Some companies are even unloading their leasing subsidiaries. That's good news—not bad news—for corporate productivity.

It's time to bury the big lie of the loophole lobby. The record is clear: there is virtually no relationship between total business investment and tax rates—and glib assertions that such a relationship exists are false and misleading. American competitiveness is best served with a level economic playing field that is neutral among investments and neutral among companies and industries—one that allows investment dollars to flow to the areas of greatest return.

Corporate Taxes and the Next Administration

ENACTMENT OF THE TAX REFORM ACT OF **1986** did not end the need to reform the way we tax corporations in this country. Not only do a few companies still manage to escape taxation altogether, but almost one hundred companies—44 percent of our entire sample—were able to pay an effective federal income tax rate less than the official "minimum" rate of 20 percent.

The task of the next administration should be clear—to continue along the path of reform; to make those changes that will once and for all bring about an end to stories about no-tax companies and that will establish a corporate tax system that really does make profit-making companies pay their fair share. Not only fairness, but the economic well-being of our country are at stake.

We are faced with a federal deficit of about $150 billion—and more than $200 billion if the growing reserves in the Social Security Trust Fund, which are supposed to represent the nest egg for future retirees, aren't counted. This deficit keeps interest rates exceptionally high, about two to three percentage points higher than in Japan and West Germany, for instance. It's the price we have to pay to keep foreign lenders willing to continue to advance us money.

The size of the deficit also limits our nation's ability to cope with the real economic and social challenges we face. New program initiatives are simply off-limits, whether they be to combat drugs, to provide health coverage to the uninsured or to revitalize our education system. These may be good ideas, we are told time and time again, but we just don't have the money to pay for them.

The next administration will be forced to deal with the budget deficit. It will be forced to deal with the trade deficit. And it will wish to embark on new program initiatives.

By staying the course of tax reform, the next President can begin to deal with these problems and challenges in a meaningful way—without burdening low- and middle-income families or businesses that are already paying their fair share.

If every company in our survey that paid an effective rate of less than 20 percent had actually paid 20 percent, an extra $7 billion would have been raised in 1987 just from these 99 companies. If every company in our survey that paid less than the statutory tax rate of 40 percent in 1987 had actually paid taxes at that rate, those 217 companies would have contributed $23 billion more in taxes. If *all* companies had paid the 40 percent rate in 1987 (as they did, on average, in 1970), the federal government would have collected more than $70 billion in added revenues. Who would bear the burden? Not the shareholders in those companies that already pay at the tax rate the law supposedly specifies, but rather the shareholders in those corporations that pay less, especially the no- or low-tax companies. That would enhance the fairness of our system of business taxation even as it provided substantial revenue to bring down the deficit.

When George Bush says that he will "never, never, never, never" raise taxes, does he mean that General Motors should be permitted to avoid taxes on billions of dollars of profits in perpetuity? When Mike Dukakis says that we need improved tax enforcement so that firms—and individuals—that illegally evade taxes would be brought back to the tax rolls, is he also willing to say that we need to put companies that *legally* avoid taxes back on these rolls as well?

Staying the course of tax reform as the path to deficit reduction is both good politics and good policy. It is fair and it is responsible. When the shouting is over and the job of governing begins, the tough questions will have to be addressed. Continued corporate tax reform should be one of the answers.

Conclusion

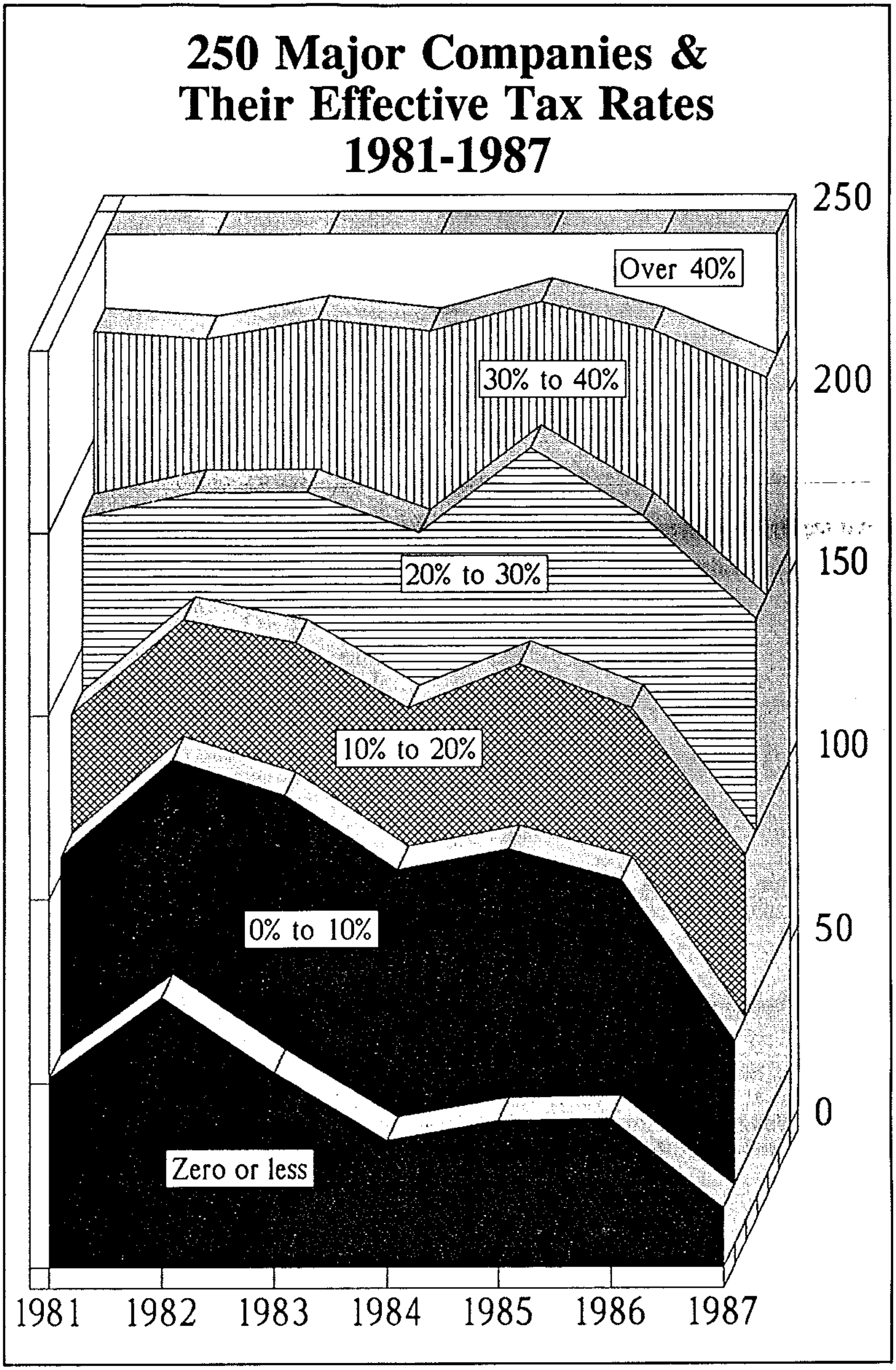
PRIOR TO THE PASSAGE OF TAX REFORM, our nation's corporate income tax was not much of a tax. In 1981, the Reagan administration rammed through a corporate tax cut bill that one Wall Street analyst called "the virtual phase-out of the corporate income tax" and that a prominent economist said would create a "coast-to-coast corporate soupline." They were right.

But the corporate income tax has come back. Not in perfect shape, far from it. More than a little dazed, with cuts and bruises all over it. But the corporate tax is up from a nine-count from which many thought it would never rise.

Tax reform has passed the most critical test of its effectiveness. By putting most of the largest tax-avoiding corporations back on the tax rolls, it has struck a blow for fairness. Tax reform may not have made things less complex. Tax reform may not have cut everyone's tax bill. But tax reform has made great strides toward a system that puts all profitable corporations back on the tax rolls. And that should, over time, help restore public confidence in our tax system.

Staying the course of tax reform points the way for breaking out of the fiscal gridlock our nation now faces. By extending it, we can raise the money that will allow us to break the bonds of the deficit. And we can do it fairly, without imposing new burdens on those with the least ability to pay.

Tax reform is working. It can work better still. Let's get the job done.


250 Major Companies &
Their Effective Tax Rates
1981-1987
Over 40%
30% to 40%
20% to 30%
10% to 20%
0% to 10%
Zero or less
250
200
150
100
50
0
1981
1982
1983
1984
1985
1986
1987

Winners & Losers Under Tax Reform

1987 Effective Tax Rates vs. Effective Rates from 1981 to 1985[1]

Company:	1987 Rate	81-85 Rate	*1987 vs. 81-85*	*#Yrs ≤0% 1981-85*
Higher **Effective Tax Rate in 1987 Than in 1981-85 (166 Cos.):**				
Centex	131%	-3%	*+134%*	*3*
Boeing	83%	-8%	*+91%*	*4*
Grumman	102%	12%	*+90%*	*4*
General Dynamics	79%	-2%	*+80%*	*4*
Dow Chemical	34%	-26%	*+60%*	*3*
ITT	20%	-34%	*+54%*	*4*
IC Industries	39%	-7%	*+46%*	*1*
Du Pont	42%	-1%	*+43%*	*3*
Harris	42%	0%	*+42%*	*2*
Southwest Airlines	39%	-3%	*+42%*	*2*
Pepsico	34%	-7%	*+40%*	*4*
U.S. Bancorp	27%	-12%	*+39%*	*3*
Walt Disney Co.	29%	-8%	*+37%*	*2*
Bankers Trust	40%	3%	*+37%*	*3*
Georgia-Pacific	32%	-4%	*+37%*	*2*
Comerica	31%	-6%	*+36%*	*4*
Sara Lee	51%	16%	*+35%*	—
Sears, Roebuck	37%	7%	*+30%*	*1*
Donnelley (R.R.) & Sons	36%	6%	*+30%*	—
Martin Marietta	37%	8%	*+29%*	*2*
Lilly (Eli) and Co.	55%	26%	*+29%*	—
Archer Daniels Midland	39%	11%	*+28%*	*1*
American Electric Power	31%	3%	*+28%*	—
J.C. Penney	47%	21%	*+27%*	—
General Electric	27%	1%	*+26%*	*3*
International Multifoods	22%	-4%	*+26%*	*2*
Ball Corporation	47%	21%	*+26%*	—
General Mills	28%	3%	*+25%*	*3*
Marsh & McLennan	41%	16%	*+25%*	*1*
Santa Fe Southern Pacific	21%	-4%	*+25%*	*2*
Federal Express	28%	3%	*+25%*	*2*
Coleman	47%	23%	*+24%*	—
Johnson Controls	47%	23%	*+24%*	—
Honeywell	45%	22%	*+23%*	—
NCR	52%	29%	*+23%*	—
Hercules	42%	20%	*+22%*	—

[1]CAUTIONARY NOTE: Obviously, not all changes in effective tax rates in 1987 compared to earlier years are a direct result of the Tax Reform Act of 1986.

Company:	1987 Rate	81-85 Rate	*1987 vs. 81-85*	*#Yrs ≤0% 1981-85*
Barnett Banks	24%	2%	*+22%*	*1*
Dun & Bradstreet	25%	4%	*+22%*	*2*
Coors (Adolph) Co.	35%	13%	*+22%*	*1*
General Signal	55%	34%	*+21%*	—
Weyerhaeuser	21%	-0%	*+21%*	*2*
Southern California Edison	31%	9%	*+21%*	*1*
Armstrong World Industries	30%	10%	*+21%*	*1*
Centerior Energy	24%	4%	*+21%*	*1*
MCA	26%	5%	*+20%*	—
Southwestern Bell	27%	7%	*+20%*	—
Scana	30%	10%	*+20%*	*1*
AT&T	21%	1%	*+20%*	*2*
Pacificorp	25%	6%	*+20%*	*1*
Federal Paper Board	27%	7%	*+20%*	*3*
Quantum Chemical	53%	34%	*+19%*	—
Tribune Co.	44%	25%	*+19%*	*2*
Merck & Co.	32%	13%	*+19%*	—
Anheuser-Busch	32%	13%	*+19%*	*1*
Dillard Department Stores	39%	20%	*+19%*	—
ConAgra	38%	20%	*+19%*	—
Union Camp	18%	-0%	*+18%*	*4*
USAir Group	13%	-6%	*+18%*	*4*
Torchmark	18%	0%	*+18%*	*1*
Northern States Power	23%	5%	*+18%*	*2*
Hormel (Geo. A.) & Co.	39%	22%	*+18%*	*1*
Amoco	31%	13%	*+17%*	—
AMP	49%	31%	*+17%*	*1*
United Technologies	42%	25%	*+17%*	—
PPG Industries	36%	20%	*+16%*	—
Great Northern Nekoosa	16%	0%	*+16%*	*3*
Keycorp	17%	1%	*+16%*	*1*
American Cyanamid	12%	-4%	*+16%*	*3*
Chevron	36%	20%	*+16%*	—
MacMillan	40%	24%	*+16%*	—
Pacific Gas & Electric	26%	10%	*+16%*	*1*
First Boston	51%	35%	*+16%*	—
Duke Power Co.	30%	15%	*+15%*	*1*
Union Electric	16%	1%	*+15%*	*2*
Transamerica	1%	-13%	*+15%*	*5*
Minnesota Mining & Manuf. (3M)	46%	32%	*+14%*	—
Allegheny Power System	38%	24%	*+14%*	—
Kroger	31%	17%	*+14%*	—
Norfolk Southern	25%	11%	*+14%*	—
Ohio Edison	13%	-1%	*+14%*	*2*
FMC	28%	15%	*+13%*	—
American Standard	16%	3%	*+13%*	*2*

Company:	1987 Rate	81-85 Rate	*1987 vs. 81-85*	*#Yrs ≤0% 1981-85*
Harsco	52%	39%	*+13%*	*1*
Dayton Hudson	46%	33%	*+13%*	—
Air Products and Chemicals	20%	8%	*+13%*	*1*
Hershey Foods	45%	33%	*+12%*	—
AMETEK	27%	15%	*+12%*	—
Sundstrand	13%	1%	*+12%*	*2*
Singer	8%	-4%	*+12%*	*3*
General Public Utilities	23%	12%	*+12%*	*1*
Pennsylvania Power & Light	12%	0%	*+11%*	*1*
Pittway	24%	12%	*+11%*	*1*
Lubrizol	30%	19%	*+11%*	—
Niagara Mohawk Power	13%	1%	*+11%*	*2*
Philadelphia Electric Co.	10%	-1%	*+11%*	*3*
Chrysler	12%	1%	*+11%*	*2*
Loews Corporation	14%	3%	*+11%*	*2*
Scott Paper	11%	-0%	*+11%*	*2*
Overseas Shipholding Group	13%	2%	*+11%*	*2*
Xerox	8%	-3%	*+11%*	*3*
Burlington Northern	11%	1%	*+11%*	*2*
CPC International	30%	20%	*+10%*	—
Suntrust Banks	10%	0%	*+10%*	*2*
Springs Industries	34%	24%	*+10%*	—
Digital Equipment Corp.	34%	24%	*+10%*	—
West Point-Pepperell	37%	27%	*+10%*	—
Mitchell Energy & Development	2%	-8%	*+9%*	*5*
Becton, Dickinson	15%	5%	*+9%*	*1*
Tyson Foods	9%	-0%	*+9%*	*3*
Pitney Bowes	24%	15%	*+9%*	—
MAPCO	18%	9%	*+9%*	*1*
Dominion Resources	20%	11%	*+9%*	—
Baltimore Gas & Electric	26%	17%	*+9%*	—
Parker Hannifin	34%	26%	*+9%*	—
Witco	37%	29%	*+9%*	—
FPL Group	18%	9%	*+9%*	*1*
Northern Indiana PSC	7%	-2%	*+9%*	*2*
Ford Motor Co.	22%	14%	*+8%*	—
International Paper	9%	1%	*+8%*	*2*
Textron	24%	16%	*+8%*	—
Pinnacle West	8%	-0%	*+8%*	*1*
Houston Industries	14%	6%	*+8%*	*1*
ENSERCH	7%	-1%	*+8%*	*4*
Media General	25%	17%	*+8%*	*1*
CSX	8%	1%	*+7%*	*2*
Schering-Plough	20%	13%	*+7%*	—
Union Pacific	11%	4%	*+7%*	—
Gannett Co.	38%	31%	*+7%*	—

Company:	1987 Rate	81-85 Rate	*1987 vs. 81-85*	*#Yrs ≤0% 1981-85*
Contel	13%	6%	*+7%*	*1*
Detroit Edison	8%	2%	*+7%*	—
AON Corporation	16%	10%	*+7%*	*1*
Eaton	27%	20%	*+6%*	*1*
Humana	39%	32%	*+6%*	—
Commonwealth Edison	7%	0%	*+6%*	*1*
Nalco Chemical	44%	38%	*+6%*	—
Capital Cities/ABC	48%	42%	*+6%*	—
Kimberly-Clark	20%	14%	*+6%*	—
Pfizer	22%	17%	*+6%*	—
Citizens and Southern Corp.	13%	7%	*+6%*	*2*
Gulf+Western	28%	23%	*+5%*	*1*
Westinghouse	8%	2%	*+5%*	*2*
Central and South West Corp.	8%	2%	*+5%*	*2*
Avon	41%	36%	*+5%*	—
Northrop	0%	−5%	*+5%*	*2*
SmithKline Beckman	24%	19%	*+5%*	—
Merrill Lynch	0%	−5%	*+5%*	*2*
Prime Computer	7%	2%	*+5%*	*1*
GTE	12%	7%	*+4%*	—
K mart	38%	34%	*+4%*	—
Southern Company	10%	6%	*+4%*	—
Johnson & Johnson	18%	14%	*+4%*	—
Pillsbury	32%	27%	*+4%*	—
Southeast Banking Corp.	3%	−1%	*+4%*	*2*
Teledyne	18%	14%	*+4%*	—
McDonald's	35%	32%	*+4%*	—
Whirlpool	43%	39%	*+4%*	—
Harris Bankcorp	15%	12%	*+4%*	*1*
Consolidated Edison	36%	32%	*+3%*	—
Wrigley (Wm., Jr.) Co.	39%	36%	*+3%*	—
Morgan (J.P.) & Co.	14%	11%	*+3%*	*1*
Square D	37%	34%	*+3%*	—
Quaker Oats	34%	31%	*+3%*	—
Rohm and Haas	26%	23%	*+3%*	*1*
Cooper Tire & Rubber	36%	33%	*+2%*	—
Lockheed	2%	0%	*+2%*	*4*
St. Paul Cos.	2%	−0%	*+2%*	*1*
Subtotal, 166 Companies With Higher Rates:	27%	9%	*+18%*	*197*
No Change (± 2%) **in Effective Tax Rate In 1987 Compared to 1981-85 (33 Cos.):**				
Texas Eastern	11%	9%	*+2%*	*3*
Sequa Corp.	−14%	−16%	*+2%*	*3*

Company:	1987 Rate	81-85 Rate	*1987 vs. 81-85*	*#Yrs ≤0% 1981-85*
Knight-Ridder	39%	37%	*+2%*	—
Ashland Oil	−7%	−9%	*+2%*	*3*
Middle South Utilities	2%	−0%	*+2%*	*5*
Sonoco	38%	37%	*+2%*	—
Coca Cola	20%	19%	*+1%*	—
National Service Industries	26%	25%	*+1%*	—
Kellogg	38%	36%	*+1%*	—
TRW	23%	22%	*+1%*	*1*
General Re	1%	0%	*+1%*	*1*
PSE&G (New Jersey)	6%	5%	*+0%*	—
American Brands	39%	39%	*+0%*	—
Greyhound	−11%	−12%	*+0%*	*5*
Ralston Purina	43%	43%	—	—
Long Island Lighting Co.	1%	1%	—	*2*
USG Corp.	33%	33%	—	*1*
First Executive Corp.	0%	0%	—	*2*
May Department Stores	36%	36%	—	—
McDonnell Douglas	1%	1%	*−0%*	*1*
Waste Management	33%	33%	*−0%*	—
Briggs & Stratton	30%	30%	*−1%*	—
Abbott Laboratories	25%	25%	*−1%*	—
Consumers Power	−0%	0%	*−1%*	*1*
Champion International	2%	2%	*−1%*	*3*
Eastman Kodak	27%	28%	*−1%*	—
Kraft	27%	28%	*−1%*	—
First Union Corp.	12%	14%	*−1%*	*1*
Time, Inc.	24%	25%	*−1%*	—
Gulf States Utilities	0%	2%	*−2%*	*1*
Exxon	24%	26%	*−2%*	—
Mobil	11%	12%	*−2%*	*1*
Englehard	4%	6%	*−2%*	*2*
Subtotal, 33 Companies With No Change in Rate:	20%	21%	*−1%*	*36*
***Lower* Effective Tax Rate in 1987 Than in 1981-85 (51 Cos.):**				
Wal-Mart Stores	38%	40%	−2%	—
Stanley Works	26%	29%	−2%	—
Philip Morris	31%	33%	−2%	—
Maytag	39%	42%	−3%	—
Household International	4%	7%	−3%	*1*
Squibb	20%	22%	−3%	—
Bristol-Myers	35%	38%	−3%	—
Westvaco	12%	15%	−3%	*1*
Tandy	42%	45%	−3%	—

Company:	1987 Rate	81-85 Rate	*1987 vs. 81-85*	*#Yrs ≤0% 1981-85*
SuperValu Stores	34%	38%	*−4%*	—
Chase Manhattan	2%	6%	*−4%*	—
Clorox	29%	33%	*−4%*	—
Motorola	15%	19%	*−4%*	—
Raytheon	44%	48%	*−4%*	—
INTERCO	37%	42%	*−5%*	—
Sherwin-Williams	33%	38%	*−5%*	—
Cooper Industries	32%	37%	*−5%*	—
Ogden	−12%	−6%	*−6%*	*2*
Bank of Boston	7%	13%	*−6%*	*1*
VF Corporation	38%	44%	*−6%*	—
E-Systems	27%	33%	*−6%*	—
Upjohn	13%	21%	*−7%*	—
American Express	20%	27%	*−7%*	—
Heinz (H.J.) Co.	21%	29%	*−8%*	—
Texas Utilities Co.	4%	12%	*−8%*	—
Carolina Power & Light	−5%	3%	*−8%*	*2*
McGraw-Hill	33%	42%	*−8%*	—
Colt Industries	27%	37%	*−10%*	—
Brown-Forman Distillers	29%	39%	*−10%*	—
Sun Co.	4%	15%	*−11%*	—
RJR Nabisco	30%	40%	*−11%*	—
Consolidated Papers	24%	35%	*−11%*	—
Baxter Travenol Laboratories	−14%	−3%	*−11%*	*1*
Procter & Gamble	21%	32%	*−11%*	—
Ethyl	12%	24%	*−13%*	—
Alco Standard	7%	21%	*−14%*	—
PACCAR	22%	37%	*−16%*	—
Rockwell International	7%	23%	*−16%*	*1*
Goodyear Tire & Rubber	−0%	16%	*−16%*	*1*
Shell Oil	4%	20%	*−16%*	—
American Home Products	22%	39%	*−17%*	—
Illinois Power	−7%	9%	*−17%*	*1*
Litton Industries	9%	26%	*−17%*	—
Campbell Soup Company	16%	34%	*−18%*	—
Aetna	−3%	15%	*−18%*	*1*
Corning	−13%	6%	*−19%*	*2*
Pennzoil	−6%	16%	*−21%*	*1*
Hewlett-Packard	−4%	19%	*−23%*	*1*
IBM	−4%	22%	*−26%*	—
Dana Corp.	5%	34%	*−29%*	—
General Motors	−31%	24%	*−55%*	—
Subtotal, 51 Companies With Lower Rates:	12%	25%	*−14%*	*16*
Total, All 250 Companies:	**22%**	**15%**	***+7%***	*249*

Effective Federal Income Tax Rates For 250 Major American Companies 1987, 1986 and 1981-85

(Listed by 1987 Tax Rate; $-millions)

	1987			1986			1981-85			'87 vs.	# ≤0%
Company:	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	'81-85	'81-85
General Motors	2,396	(742)	-31%	2,053	(1,928)	-94%	18,493	4,396	24%	-55%	—
Sequa Corp.	42	(6)	-14%	9	2	19%	112	(18)	-16%	+2%	3
Baxter Travenol Laboratories	233	(32)	-14%	100	4	4%	719	(19)	-3%	-11%	1
Corning	123	(16)	-13%	115	45	39%	172	11	6%	-19%	2
Ogden	56	(7)	-12%	152	52	34%	183	(11)	-6%	-6%	2
Greyhound	63	(7)	-11%	63	9	15%	497	(57)	-12%	NC	5
Ashland Oil	159	(12)	-7%	314	67	21%	553	(51)	-9%	+2%	3
Illinois Power	344	(26)	-7%	355	(35)	-10%	1,386	131	9%	-17%	1
Pennzoil	77	(4)	-6%	207	20	10%	1,423	221	16%	-21%	1
Carolina Power & Light	536	(28)	-5%	592	100	17%	2,208	70	3%	-8%	2
IBM	2,933	(124)	-4%	2,418	(266)	-11%	26,927	5,797	22%	-26%	—
Hewlett-Packard	405	(15)	-4%	276	21	8%	2,075	393	19%	-23%	1
Aetna	1,011	(32)	-3%	1,245	(47)	-4%	1,475	222	15%	-18%	1
Goodyear Tire & Rubber	574	(2)	-0%	312	(21)	-7%	2,239	354	16%	-16%	1
Consumers Power	384	(1)	-0%	330	8	3%	971	5	0%	-1%	1
Gulf States Utilities	273	0	0%	257	(1)	-0%	1,365	23	2%	-2%	1
Northrop	98	0	0%	43	4	8%	764	(38)	-5%	+5%	2
Merrill Lynch	323	0	0%	624	172	28%	1,249	(57)	-5%	+5%	2
First Executive Corp.	285	1	0%	242	0	0%	627	2	0%	NC	2
McDonnell Douglas	396	2	1%	424	0	0%	1,953	15	1%	NC	1
Long Island Lighting Co.	439	3	1%	487	0	0%	2,317	15	1%	NC	2
General Re	534	5	1%	277	(14)	-5%	648	2	0%	+1%	1
Transamerica	452	7	1%	147	(11)	-8%	753	(101)	-13%	+15%	5
Chase Manhattan	644	10	2%	668	(34)	-5%	1,408	78	6%	-4%	—
Champion International	436	7	2%	189	3	1%	377	9	2%	-1%	3
Middle South Utilities	628	10	2%	1,011	0	0%	2,930	(1)	-0%	+2%	5
Mitchell Energy & Development	14	0	2%	13	0	0%	539	(41)	-8%	+9%	5
St. Paul Cos.	364	7	2%	216	0	0%	323	(0)	-0%	+2%	1
Lockheed	714	17	2%	710	7	1%	2,360	4	0%	+2%	4
Southeast Banking Corp.	116	3	3%	78	2	2%	270	(4)	-1%	+4%	2
Shell Oil	1,728	61	4%	1,273	(17)	-1%	13,493	2,680	20%	-16%	—
Englehard	60	2	4%	51	5	9%	272	16	6%	-2%	2
Sun Co.	392	16	4%	513	(26)	-5%	4,408	658	15%	-11%	—
Household International	241	10	4%	138	33	24%	1,086	75	7%	-3%	1
Texas Utilities Co.	964	43	4%	967	44	5%	3,875	482	12%	-8%	—
Dana Corp.	180	9	5%	163	9	6%	1,022	349	34%	-29%	—
PSE&G (New Jersey)	864	48	6%	597	188	31%	3,013	156	5%	NC	—
Commonwealth Edison	1,478	98	7%	1,493	73	5%	4,849	12	0%	+6%	1
Rockwell International	1,005	67	7%	856	84	10%	3,229	729	23%	-16%	1
Bank of Boston	381	25	7%	276	94	34%	678	89	13%	-6%	1
ENSERCH	73	5	7%	28	(3)	-10%	1,088	(11)	-1%	+8%	4
Prime Computer	30	2	7%	28	5	19%	168	4	2%	+5%	1
Alco Standard	125	9	7%	122	20	16%	500	105	21%	-14%	—
Northern Indiana PSC	98	7	7%	(49)	(26)	NM	824	(13)	-2%	+9%	2
Singer	17	1	8%	54	0	0%	265	(11)	-4%	+12%	3

	1987			1986			1981-85			'87 vs.	# ≤0%
Company:	Profit	Tax	Rate	Profit	Tax	Rate	Profit	Tax	Rate	'81-85	'81-85
Central and South West Corp.	568	43	8%	606	42	7%	2,392	52	2%	+5%	2
Pinnacle West	503	39	8%	374	46	12%	1,712	(5)	-0%	+8%	1
Westinghouse	978	77	8%	742	99	13%	2,713	65	2%	+5%	2
CSX	302	24	8%	457	20	4%	3,262	20	1%	+7%	2
Xerox	414	33	8%	211	(22)	-10%	1,188	(34)	-3%	+11%	3
Detroit Edison	714	60	8%	595	13	2%	2,195	36	2%	+7%	—
International Paper	598	53	9%	400	21	5%	1,266	6	1%	+8%	2
Tyson Foods	114	10	9%	95	7	7%	131	(0)	-0%	+9%	3
Litton Industries	189	17	9%	85	(49)	-57%	1,984	520	26%	-17%	—
Philadelphia Electric Co.	771	76	10%	269	13	5%	2,485	(33)	-1%	+11%	3
Southern Company	1,163	119	10%	1,638	43	3%	5,862	342	6%	+4%	—
Suntrust Banks	340	35	10%	247	3	1%	535	2	0%	+10%	2
Mobil	899	96	11%	(268)	171	NM	3,974	495	12%	-2%	1
Scott Paper	227	24	11%	196	10	5%	777	(1)	-0%	+11%	2
Union Pacific	792	88	11%	732	20	3%	3,326	127	4%	+7%	—
Burlington Northern	656	74	11%	502	18	4%	3,821	19	1%	+11%	2
Texas Eastern	270	30	11%	103	0	0%	843	78	9%	+2%	3
Ethyl	226	26	12%	233	30	13%	672	162	24%	-13%	—
Pennsylvania Power & Light	513	59	12%	550	32	6%	1,806	2	0%	+11%	1
GTE	1,197	140	12%	314	30	10%	6,775	489	7%	+4%	—
Chrysler	1,826	216	12%	1,877	64	3%	4,562	31	1%	+11%	2
Westvaco	206	24	12%	138	(21)	-16%	602	90	15%	-3%	1
American Cyanamid	128	15	12%	96	6	7%	439	(17)	-4%	+16%	3
First Union Corp.	336	42	12%	320	51	16%	506	68	14%	-1%	1
Citizens and Southern Corp.	176	22	13%	165	4	2%	387	27	7%	+6%	2
USAir Group	248	31	13%	169	1	0%	617	(35)	-6%	+18%	4
Niagara Mohawk Power	160	21	13%	563	38	7%	1,981	29	1%	+11%	2
Ohio Edison	597	78	13%	594	6	1%	2,068	(12)	-1%	+14%	2
Sundstrand	47	6	13%	58	(6)	-11%	516	7	1%	+12%	2
Overseas Shipholding Group	47	6	13%	52	17	32%	319	8	2%	+11%	2
Upjohn	349	47	13%	324	24	7%	1,203	250	21%	-7%	—
Contel	278	37	13%	431	119	28%	1,475	94	6%	+7%	1
Loews Corporation	641	88	14%	637	5	1%	1,899	50	3%	+11%	2
Houston Industries	680	94	14%	665	23	4%	2,575	148	6%	+8%	1
Morgan (J.P.) & Co.	511	74	14%	538	(26)	-5%	1,201	136	11%	+3%	1
Motorola	226	33	15%	131	52	40%	909	171	19%	-4%	—
Becton, Dickinson	132	20	15%	115	17	15%	309	17	5%	+9%	1
Harris Bankcorp	99	15	15%	46	(2)	-4%	172	20	12%	+4%	1
Union Electric	530	82	16%	444	22	5%	1,840	11	1%	+15%	2
Campbell Soup Company	340	54	16%	295	80	27%	1,248	427	34%	-18%	—
American Standard	63	10	16%	69	(4)	-5%	229	6	3%	+13%	2
Great Northern Nekoosa	320	52	16%	139	0	0%	590	1	0%	+16%	3
AON Corporation	178	29	16%	319	78	25%	682	67	10%	+7%	1
Keycorp	92	16	17%	93	4	4%	209	2	1%	+16%	1
Johnson & Johnson	225	40	18%	113	31	27%	1,767	239	14%	+4%	—
Teledyne	461	83	18%	291	88	30%	2,434	333	14%	+4%	—
FPL Group	576	104	18%	657	169	26%	2,565	236	9%	+9%	1
Union Camp	318	58	18%	191	(4)	-2%	934	(2)	-0%	+18%	4
MAPCO	76	14	18%	127	11	9%	535	50	9%	+9%	1
Torchmark	312	57	18%	232	19	8%	724	2	0%	+18%	1
Kimberly-Clark	329	65	20%	315	69	22%	1,204	168	14%	+6%	—
Dominion Resources	681	135	20%	710	197	28%	2,479	267	11%	+9%	—
Squibb	336	66	20%	244	70	29%	545	123	22%	-3%	—
ITT	732	146	20%	486	137	28%	682	(230)	-34%	+54%	4
American Express	1,291	259	20%	1,264	216	17%	2,713	745	27%	-7%	—

Company:	1987 Profit	1987 Tax	1987 Rate	1986 Profit	1986 Tax	1986 Rate	1981-85 Profit	1981-85 Tax	1981-85 Rate	'87 vs. '81-85	# ≤0% '81-85
Coca Cola	248	50	20%	644	24	4%	1,971	368	19%	+1%	—
Air Products and Chemicals	167	34	20%	102	6	5%	612	46	8%	+13%	1
Schering-Plough	281	57	20%	232	48	21%	832	108	13%	+7%	—
AT&T	2,054	422	21%	2,160	269	12%	35,660	235	1%	+20%	2
Santa Fe Southern Pacific	461	95	21%	386	29	7%	2,962	(125)	-4%	+25%	2
Weyerhaeuser	581	124	21%	380	71	19%	1,218	(1)	-0%	+21%	2
Heinz (H.J.) Co.	356	76	21%	326	92	28%	1,149	336	29%	-8%	—
Procter & Gamble	1,068	228	21%	921	166	18%	5,657	1,837	32%	-11%	—
PACCAR	136	29	22%	65	4	5%	544	203	37%	-16%	—
Ford Motor Co.	5,515	1,216	22%	3,892	813	21%	5,108	692	14%	+8%	—
Pfizer	565	125	22%	598	33	6%	1,760	291	17%	+6%	—
International Multifoods	23	5	22%	15	0	3%	55	(2)	-4%	+26%	2
American Home Products	1,006	223	22%	1,009	454	45%	4,318	1,671	39%	-17%	—
Northern States Power	297	67	23%	327	(4)	-1%	1,525	73	5%	+18%	2
TRW	283	65	23%	206	40	19%	1,254	276	22%	+1%	1
General Public Utilities	464	108	23%	403	135	33%	970	114	12%	+12%	1
Pittway	44	10	24%	41	3	8%	236	29	12%	+11%	1
Consolidated Papers	159	38	24%	148	29	20%	582	203	35%	-11%	—
Time, Inc.	475	113	24%	595	151	25%	1,215	302	25%	-1%	—
Exxon	2,159	514	24%	1,202	124	10%	16,358	4,185	26%	-2%	—
SmithKline Beckman	440	106	24%	413	78	19%	2,075	397	19%	+5%	—
Textron	315	77	24%	318	69	22%	869	140	16%	+8%	—
Pitney Bowes	235	57	24%	215	40	18%	891	136	15%	+9%	—
Centerior Energy	469	115	24%	508	(13)	-3%	1,602	57	4%	+21%	1
Barnett Banks	254	62	24%	203	23	11%	449	11	2%	+22%	1
Norfolk Southern	788	194	25%	827	163	20%	3,872	422	11%	+14%	—
Media General	69	17	25%	23	(0)	-0%	281	48	17%	+8%	1
Abbott Laboratories	$723	$180	25%	$663	$138	21%	$2,423	$616	25%	-1%	—
Pacificorp	462	117	25%	453	(41)	-9%	1,393	77	6%	+20%	1
Dun & Bradstreet	496	126	25%	494	209	42%	1,399	49	4%	+22%	2
MCA	92	24	26%	75	11	14%	562	30	5%	+20%	—
Pacific Gas & Electric	1,209	313	26%	1,958	132	7%	5,956	610	10%	+16%	1
Rohm and Haas	96	25	26%	23	(4)	-17%	560	130	23%	+3%	1
Baltimore Gas & Electric	423	111	26%	398	146	37%	1,626	280	17%	+9%	—
National Service Industries	129	34	26%	123	31	25%	437	109	25%	+1%	—
Stanley Works	110	29	26%	103	31	30%	385	110	29%	-2%	—
Federal Paper Board	128	34	27%	65	6	9%	152	11	7%	+20%	3
Eaton	198	53	27%	117	12	10%	712	144	20%	+6%	1
Kraft	517	140	27%	498	103	21%	2,573	720	28%	-1%	—
E-Systems	96	26	27%	108	30	28%	381	128	33%	-6%	—
U.S. Bancorp	129	35	27%	77	(18)	-24%	318	(38)	-12%	+39%	3
AMETEK	62	17	27%	52	9	17%	277	42	15%	+12%	—
Eastman Kodak	1,179	321	27%	49	(9)	-18%	6,647	1,873	28%	-1%	—
Southwestern Bell	1,566	428	27%	1,703	345	20%	7,286	522	7%	+20%	—
General Electric	2,710	744	27%	2,516	231	9%	12,927	157	1%	+26%	3
Colt Industries	76	21	27%	118	11	9%	922	343	37%	-10%	—
Federal Express	311	87	28%	161	6	4%	603	19	3%	+25%	2
Gulf+Western	510	143	28%	318	27	8%	1,105	249	23%	+5%	1
General Mills	378	106	28%	283	(24)	-8%	1,541	47	3%	+25%	3
FMC	414	117	28%	51	(7)	-13%	976	145	15%	+13%	—
Brown-Forman Distillers	143	41	29%	142	46	32%	681	266	39%	-10%	—
Walt Disney Co.	732	213	29%	425	56	13%	778	(65)	-8%	+37%	2
Clorox	171	50	29%	165	44	27%	531	177	33%	-4%	—
RJR Nabisco	1,251	370	30%	1,115	305	27%	5,902	2,386	40%	-11%	—
Duke Power Co.	829	246	30%	843	213	25%	3,383	493	15%	+15%	1

Company:	1987 Profit	1987 Tax	1987 Rate	1986 Profit	1986 Tax	1986 Rate	1981-85 Profit	1981-85 Tax	1981-85 Rate	'87 vs. '81-85	# ≤0% '81-85
Scana	224	67	30%	244	83	34%	893	87	10%	+20%	1
Briggs & Stratton	42	12	30%	58	17	30%	284	86	30%	−1%	—
CPC International	344	105	30%	136	2	2%	738	148	20%	+10%	—
Lubrizol	55	17	30%	55	8	15%	268	51	19%	+11%	—
Armstrong World Industries	206	63	30%	177	45	25%	475	45	10%	+21%	1
Southern California Edison	1,281	392	31%	1,361	325	24%	4,941	464	9%	+21%	1
Amoco	1,233	378	31%	641	(77)	−12%	9,363	1,254	13%	+17%	—
Philip Morris	2,731	840	31%	2,231	811	36%	6,843	2,257	33%	−2%	—
Comerica	107	33	31%	65	3	4%	184	(10)	−6%	+36%	4
Kroger	249	78	31%	220	70	32%	1,269	222	17%	+14%	—
American Electric Power	874	273	31%	996	245	25%	3,792	120	3%	+28%	—
Anheuser-Busch	1,016	321	32%	912	262	29%	2,814	361	13%	+19%	1
Pillsbury	318	101	32%	330	134	41%	1,148	316	27%	+4%	—
Cooper Industries	237	76	32%	212	62	29%	1,082	405	37%	−5%	—
Merck & Co.	793	255	32%	632	164	26%	2,331	312	13%	+19%	—
Georgia-Pacific	750	243	32%	462	79	17%	1,087	(46)	−4%	+37%	2
Sherwin-Williams	142	46	33%	156	49	32%	424	162	38%	−5%	—
USG Corp.	272	90	33%	399	154	39%	918	302	33%	NC	1
Waste Management	542	179	33%	499	129	26%	959	321	33%	NC	—
McGraw-Hill	259	86	33%	259	96	37%	1,035	432	42%	−8%	—
Pepsico	760	255	34%	535	143	27%	2,524	(168)	−7%	+40%	4
Springs Industries	95	32	34%	55	13	24%	248	59	24%	+10%	—
Quaker Oats	218	73	34%	210	91	43%	922	284	31%	+3%	—
Digital Equipment Corp.	784	265	34%	365	93	26%	1,560	377	24%	+10%	—
Dow Chemical	919	311	34%	488	50	10%	771	(200)	−26%	+60%	3
SuperValu Stores	184	63	34%	173	89	52%	663	251	38%	−4%	—
Parker Hannifin	111	38	34%	109	26	24%	407	104	26%	+9%	—
Coors (Adolph) Co.	82	28	35%	106	33	31%	445	57	13%	+22%	1
Bristol-Myers	836	290	35%	685	212	31%	2,398	901	38%	−3%	—
McDonald's	711	252	35%	666	203	30%	2,601	820	32%	+4%	—
Cooper Tire & Rubber	51	18	36%	41	14	34%	170	56	33%	+2%	—
Consolidated Edison	914	326	36%	985	384	39%	4,449	1,436	32%	+3%	—
Donnelley (R.R.) & Sons	334	120	36%	254	93	37%	963	59	6%	+30%	—
May Department Stores	700	253	36%	616	290	47%	1,969	713	36%	NC	—
PPG Industries	417	151	36%	400	106	26%	1,569	312	20%	+16%	—
Chevron	659	239	36%	194	(7)	−4%	7,572	1,549	20%	+16%	—
West Point-Pepperell	111	41	37%	93	39	41%	344	93	27%	+10%	—
Sears, Roebuck	1,625	597	37%	1,624	271	17%	6,678	443	7%	+30%	1
INTERCO	233	87	37%	172	65	38%	867	364	42%	−5%	—
Square D	155	58	37%	149	57	38%	668	229	34%	+3%	—
Martin Marietta	381	142	37%	332	49	15%	1,099	87	8%	+29%	2
Witco	71	26	37%	87	25	29%	332	95	29%	+9%	—
Kellogg	505	190	38%	454	179	39%	1,615	587	36%	+1%	—
VF Corporation	287	109	38%	227	87	38%	984	436	44%	−6%	—
Wal-Mart Stores	1,025	388	38%	812	339	42%	1,765	704	40%	−2%	—
Allegheny Power System	343	130	38%	387	46	12%	1,391	337	24%	+14%	—
Sonoco	89	34	38%	79	28	35%	281	103	37%	+2%	—
K mart	968	371	38%	846	320	38%	2,671	905	34%	+4%	—
Gannett Co.	543	208	38%	500	193	39%	1,813	565	31%	+7%	—
ConAgra	257	99	38%	168	80	48%	371	74	20%	+19%	—
Dillard Department Stores	150	58	39%	127	25	20%	315	63	20%	+19%	—
Humana	257	99	39%	186	68	37%	1,352	437	32%	+6%	—
Wrigley (Wm., Jr.) Co.	76	29	39%	68	28	41%	204	73	36%	+3%	—
Knight-Ridder	242	94	39%	241	90	37%	1,004	373	37%	+2%	—
Southwest Airlines	28	11	40%	65	1	2%	274	(7)	−3%	+42%	2

Company:	1987 Profit	1987 Tax	1987 Rate	1986 Profit	1986 Tax	1986 Rate	1981-85 Profit	1981-85 Tax	1981-85 Rate	'87 vs. '81-85	# ≤0% '81-85
Archer Daniels Midland	454	177	39%	378	92	24%	1,007	108	11%	+28%	1
American Brands	506	198	39%	427	199	47%	2,578	999	39%	NC	—
IC Industries	313	122	39%	180	108	60%	744	(50)	-7%	+46%	1
Hormel (Geo. A.) & Co.	76	30	39%	69	23	33%	255	55	22%	+18%	1
Maytag	251	99	39%	212	96	45%	653	274	42%	-3%	—
Bankers Trust	227	90	40%	357	28	8%	539	16	3%	+37%	3
MacMillan	100	40	40%	86	23	27%	195	47	24%	+16%	—
Marsh & McLennan	332	135	41%	288	138	48%	543	85	16%	+25%	1
Avon	224	91	41%	118	33	28%	961	343	36%	+5%	—
Tandy	434	182	42%	344	135	39%	1,854	839	45%	-3%	—
Du Pont	2,027	850	42%	1,509	232	15%	5,079	(72)	-1%	+43%	3
Hercules	1,140	478	42%	140	50	36%	527	104	20%	+22%	—
Harris	103	43	42%	41	(9)	-21%	386	1	0%	+42%	2
United Technologies	345	145	42%	321	62	19%	3,017	757	25%	+17%	—
Whirlpool	237	101	43%	284	127	45%	1,228	475	39%	+4%	—
Ralston Purina	810	346	43%	588	245	42%	1,695	724	43%	NC	—
Raytheon	676	295	44%	641	74	11%	2,483	1,186	48%	-4%	—
Tribune Co.	175	77	44%	455	208	46%	567	140	25%	+19%	2
Nalco Chemical	89	39	44%	78	25	32%	473	182	38%	+6%	—
Hershey Foods	250	111	45%	239	80	34%	875	285	33%	+12%	—
Honeywell	154	69	45%	222	53	24%	1,086	236	22%	+23%	—
Dayton Hudson	368	170	46%	464	171	37%	1,957	648	33%	+13%	—
Minnesota Mining & Manuf. (3M)	850	395	46%	791	303	38%	3,791	1,222	32%	+14%	—
Coleman	31	14	47%	31	11	34%	159	36	23%	+24%	—
Johnson Controls	146	69	47%	136	51	37%	478	111	23%	+24%	—
Ball Corporation	106	50	47%	105	32	31%	332	71	21%	+26%	—
J.C. Penney	870	413	47%	910	140	15%	3,444	715	21%	+27%	—
Capital Cities/ABC	511	247	48%	388	206	53%	1,044	444	42%	+6%	—
AMP	153	74	49%	88	24	27%	713	224	31%	+17%	1
Sara Lee	221	112	51%	228	56	25%	1,053	166	16%	+35%	—
First Boston	111	57	51%	217	78	36%	563	199	35%	+16%	—
NCR	189	97	52%	150	18	12%	1,031	297	29%	+23%	—
Harsco	68	35	52%	59	15	25%	272	105	39%	+13%	1
Quantum Chemical	488	259	53%	150	76	51%	454	153	34%	+19%	—
Lilly (Eli) and Co.	468	258	55%	620	205	33%	2,718	705	26%	+29%	—
General Signal	45	25	55%	87	10	12%	751	255	34%	+21%	—
General Dynamics	582	457	79%	189	34	18%	2,282	(38)	-2%	+80%	4
Boeing	658	543	83%	1,028	66	6%	2,962	(247)	-8%	+91%	4
Grumman	41	42	102%	117	74	63%	782	92	12%	+90%	4
Centex	34	45	131%	75	12	15%	350	(10)	-3%	+134%	3
Totals, 250 Companies:	$123,377	$27,283	22%	$106,035	$15,715	15%	$509,371	$75,957	15%	+7%	249

Tax Rates By Industry

($-millions)

Industry/Company:	**1987 Profit**	**1987 Tax**	**1987 Rate**	***Change from 81-85***
Automotive	$10,336	$793	**7.7%**	***−11.5%***
Rubber	830	78	**9.4%**	***−6.4%***
Computers, Office Equipment	5,163	534	**10.3%**	***−12.3%***
Financial	9,245	1,074	**11.6%**	***+3.2%***
Airlines	277	43	**15.4%**	***+20.0%***
Utilities (Electric & Gas)	21,599	3,365	**15.6%**	***+8.5%***
Railroads	2,998	475	**15.8%**	***+13.2%***
Oil & Gas, Coal, Mining	7,456	1,304	**17.5%**	***−1.3%***
Paper & Forest Products	4,142	756	**18.2%**	***+12.3%***
Telecommunications	5,094	1,028	**20.2%**	***+17.6%***
Conglomerates	2,677	652	**24.4%**	***+9.7%***
Instruments	1,784	448	**25.1%**	***+0.8%***
Drugs, Hospital Supplies	6,387	1,635	**25.6%**	***+1.6%***
Electrical, Electronics	6,951	1,840	**26.5%**	***+13.0%***
Leisure, Personal Care	2,317	620	**26.8%**	***−0.6%***
Building Materials, Glass	1,060	321	**30.3%**	***+5.2%***
Tobacco	4,488	1,408	**31.4%**	***−5.5%***
Food & Beverages	7,567	2,452	**32.4%**	***+12.1%***
Aerospace	3,839	1,274	**33.2%**	***+25.8%***
Publishing & Broadcasting	2,869	1,009	**35.2%**	***+7.1%***
Textiles	726	268	**36.9%**	***−2.1%***
Miscellaneous Manufacturing	1,748	654	**37.4%**	***+11.8%***
Services, Trade	8,375	3,179	**38.0%**	***+15.3%***
Chemicals	5,448	2,075	**38.1%**	***+32.1%***
Totals, All Industries:	**$123,377**	**$27,283**	**22.1%**	***+7.2%***

Details:

1. Aerospace				
Northrop	$98.4	$0.1	**0.1%**	***+5.1%***
McDonnell Douglas	396.0	2.2	**0.6%**	***−0.2%***
Lockheed	714.0	17.0	**2.4%**	***+2.2%***
Rockwell International	1,004.6	66.9	**6.7%**	***−15.9%***
United Technologies	344.9	145.3	**42.1%**	***+17.0%***
Boeing	658.0	543.0	**82.5%**	***+90.9%***
General Dynamics	581.6	457.3	**78.6%**	***+80.3%***
Grumman	41.1	42.0	**102.2%**	***+90.5%***
Total, Aerospace:	**$3,839**	**$1,274**	**33.2%**	***+25.8%***

Industry/Company:	1987 Profit	1987 Tax	1987 Rate	*Change from 81-85*
2. Airlines				
USAir Group	$248.4	$31.4	12.6%	*+18.2%*
Southwest Airlines	28.5	11.1	39.0%	*+41.6%*
Total, Airlines:	**$277**	**$43**	15.4%	*+20.0%*
3. Automotive				
General Motors	$2,396.2	($742.2)	-31.0%	*-54.7%*
Dana Corp.	180.3	8.8	4.9%	*-29.2%*
Chrysler	1,826.2	216.0	11.8%	*+11.1%*
PACCAR	135.9	29.4	21.7%	*-15.7%*
Ford Motor Co.	5,514.9	1,215.5	22.0%	*+8.5%*
TRW	283.0	65.0	23.0%	*+0.9%*
Total, Automotive:	**$10,336**	**$793**	7.7%	*-11.5%*
4. Building Materials, Glass				
Corning	$122.6	($16.3)	-13.3%	*-19.5%*
Sherwin-Williams	141.6	46.4	32.8%	*-5.3%*
USG Corp.	272.4	89.6	32.9%	—
PPG Industries	417.5	151.0	36.2%	*+16.3%*
Ball Corporation	106.4	50.2	47.2%	*+25.9%*
Total, Building Materials:	**$1,060**	**$321**	30.3%	*+5.2%*
5. Chemicals				
Sequa Corp.	$42.3	($5.9)	-13.9%	*+2.0%*
Ethyl	226.3	26.1	11.5%	*-12.5%*
American Cyanamid	127.8	15.4	12.1%	*+15.9%*
Air Products and Chemicals	167.4	33.9	20.3%	*+12.7%*
Rohm and Haas	96.0	25.0	26.0%	*+2.8%*
Lubrizol	54.7	16.7	30.5%	*+11.4%*
Dow Chemical	919.0	311.0	33.8%	*+59.8%*
Witco	70.5	26.3	37.3%	*+8.8%*
Du Pont	2,027.0	850.0	41.9%	*+43.4%*
Hercules	1,140.3	478.5	42.0%	*+22.2%*
Nalco Chemical	88.6	39.2	44.3%	*+5.8%*
Quantum Chemical	487.9	259.1	53.1%	*+19.4%*
Total, Chemicals:	**$5,448**	**$2,075**	38.1%	*+32.1%*
6. Computers, Office Equipment				
IBM	$2,932.7	($123.5)	-4.2%	*-25.7%*
Hewlett-Packard	405.0	(15.0)	-3.7%	*-22.6%*
Prime Computer	29.6	2.0	6.7%	*+4.6%*
Pitney Bowes	235.0	57.3	24.4%	*+9.2%*
Digital Equipment Corp.	784.0	265.0	33.8%	*+9.6%*

(continued)

Industry/Company:	1987 Profit	1987 Tax	1987 Rate	*Change from 81-85*
Computers, continued:				
Tandy	433.9	181.9	41.9%	*−3.4%*
Honeywell	154.2	69.4	45.0%	*+23.3%*
NCR	188.6	97.2	51.6%	*+22.8%*
Total, Computers, Off.Equip.:	**$5,163**	**$534**	10.3%	*−12.3%*
7. Conglomerates				
Ogden	$55.7	($6.7)	−12.1%	*−6.0%*
Household International	241.3	10.1	4.2%	*−2.7%*
Alco Standard	125.4	8.6	6.8%	*−14.2%*
Teledyne	461.3	82.6	17.9%	*+4.2%*
Textron	315.3	76.5	24.3%	*+8.2%*
Eaton	197.6	52.7	26.7%	*+6.5%*
Colt Industries	76.1	20.9	27.5%	*−9.7%*
Gulf+Western	510.4	142.8	28.0%	*+5.5%*
Martin Marietta	381.2	142.2	37.3%	*+29.4%*
IC Industries	312.6	122.3	39.1%	*+45.8%*
Total, Conglomerates	**$2,677**	**$652**	24.4%	*+9.7%*
8. Drugs, Hospital Supplies				
Baxter Travenol Laboratories	$233.0	($32.0)	−13.7%	*−11.1%*
Upjohn	348.9	46.8	13.4%	*−7.4%*
Becton, Dickinson	132.1	19.6	14.8%	*+9.4%*
Johnson & Johnson	224.8	40.0	17.8%	*+4.3%*
Squibb	336.0	66.4	19.8%	*−2.7%*
Schering-Plough	281.3	57.1	20.3%	*+7.3%*
Pfizer	565.2	124.7	22.1%	*+5.5%*
American Home Products	1,006.0	222.9	22.2%	*−16.5%*
SmithKline Beckman	440.4	106.2	24.1%	*+5.0%*
Abbott Laboratories	$722.8	$180.0	24.9%	*−0.5%*
Merck & Co.	793.1	255.2	32.2%	*+18.8%*
Bristol-Myers	835.7	289.9	34.7%	*−2.9%*
Lilly (Eli) and Co.	467.9	258.4	55.2%	*+29.3%*
Total, Drugs, Hosp. Supplies:	**$6,387**	**$1,635**	25.6%	*+1.6%*
9. Electrical, Electronics				
Singer	$17.2	$1.3	7.6%	*+11.5%*
Westinghouse	977.8	76.5	7.8%	*+5.4%*
Litton Industries	189.4	17.4	9.2%	*−17.0%*
Motorola	226.0	33.0	14.6%	*−4.2%*
ITT	731.6	145.7	19.9%	*+53.7%*
National Service Industries	128.7	33.7	26.2%	*+1.3%*
E-Systems	96.2	26.0	27.0%	*−6.5%*

(continued)

Industry/Company:	1987 Profit	1987 Tax	1987 Rate	*Change from 81-85*
Electrical, continued:				
AMETEK	62.1	16.9	**27.2%**	***+12.0%***
General Electric	2,710.0	744.0	**27.5%**	***+26.2%***
Cooper Industries	236.9	75.7	**32.0%**	***−5.5%***
Square D	155.4	57.9	**37.2%**	***+3.0%***
Maytag	250.5	98.6	**39.4%**	***−2.5%***
Harris	103.3	43.5	**42.0%**	***+41.8%***
Whirlpool	236.6	100.7	**42.6%**	***+3.9%***
Raytheon	676.4	294.6	**43.5%**	***−4.2%***
AMP	152.9	74.3	**48.6%**	***+17.1%***
Total, Electrical,Electronics:	**$6,951**	**$1,840**	**26.5%**	***+13.0%***
10. Financial				
Aetna	$1,010.5	($32.4)	**−3.2%**	***−18.2%***
Merrill Lynch	322.5	0.5	**0.1%**	***+4.7%***
First Executive Corp.	285.4	1.0	**0.3%**	—
General Re	534.2	4.5	**0.8%**	***+0.6%***
Transamerica	452.2	6.6	**1.5%**	***+14.9%***
Chase Manhattan	643.9	10.0	**1.6%**	***−4.0%***
St. Paul Cos.	364.2	7.1	**2.0%**	***+2.1%***
Southeast Banking Corp.	115.7	3.4	**2.9%**	***+4.2%***
Bank of Boston	381.4	25.5	**6.7%**	***−6.4%***
Suntrust Banks	339.8	35.0	**10.3%**	***+10.0%***
First Union Corp.	335.6	41.9	**12.5%**	***−1.0%***
Citizens and Southern Corp.	175.9	22.0	**12.5%**	***+5.5%***
Loews Corporation	640.6	87.9	**13.7%**	***+11.1%***
Morgan (J.P.) & Co.	511.0	73.5	**14.4%**	***+3.0%***
Harris Bankcorp	99.0	15.3	**15.5%**	***+3.8%***
AON Corporation	178.1	29.3	**16.4%**	***+6.7%***
Keycorp	92.0	15.5	**16.9%**	***+15.9%***
Torchmark	312.3	57.3	**18.4%**	***+18.0%***
American Express	1,290.9	259.0	**20.1%**	***−7.4%***
Barnett Banks	254.5	62.3	**24.5%**	***+22.0%***
U.S. Bancorp	128.6	34.8	**27.1%**	***+39.0%***
Comerica	106.9	33.1	**30.9%**	***+36.5%***
Bankers Trust	226.7	90.0	**39.7%**	***+36.8%***
Marsh & McLennan	332.0	134.6	**40.5%**	***+24.9%***
First Boston	111.1	56.7	**51.0%**	***+15.6%***
Total, Financial:	**$9,245**	**$1,074**	**11.6%**	***+3.2%***
11. Food & Beverages				
Greyhound	$62.9	($7.1)	**−11.3%**	***+0.2%***
Tyson Foods	114.4	10.4	**9.1%**	***+9.3%***
Campbell Soup Company	340.1	54.4	**16.0%**	***−18.2%***

(continued)

Industry/Company:	1987 Profit	1987 Tax	1987 Rate	*Change from 81-85*
Coca Cola	248.5	49.9	20.1%	*+1.4%*
Heinz (H.J.) Co.	355.8	75.9	21.3%	*−7.9%*
International Multifoods	22.6	5.0	22.1%	*+25.9%*
Kraft	516.7	139.5	27.0%	*−1.0%*
General Mills	377.7	105.8	28.0%	*+25.0%*
Brown-Forman Distillers	142.5	40.7	28.6%	*−10.5%*
CPC International	344.2	104.7	30.4%	*+10.4%*
Anheuser-Busch	1,016.1	320.9	31.6%	*+18.8%*
Pillsbury	317.9	101.0	31.8%	*+4.3%*
Pepsico	760.4	254.9	33.5%	*+40.2%*
Quaker Oats	217.5	73.4	33.7%	*+2.9%*
Coors (Adolph) Co.	81.8	28.2	34.5%	*+21.6%*
Kellogg	504.7	189.5	37.5%	*+1.2%*
ConAgra	257.2	98.9	38.4%	*+18.5%*
Wrigley (Wm., Jr.) Co.	75.8	29.4	38.7%	*+3.1%*
Archer Daniels Midland	453.8	177.0	39.0%	*+28.2%*
Hormel (Geo. A.) & Co.	76.3	29.9	39.2%	*+17.6%*
Ralston Purina	809.8	346.4	42.8%	—
Hershey Foods	249.6	111.3	44.6%	*+12.1%*
Sara Lee	220.6	111.8	50.7%	*+34.9%*
Total, Food & Beverages:	**$7,567**	**$2,452**	**32.4%**	***+12.1%***
12. Instruments				
Xerox	$414.0	$33.0	8.0%	*+10.8%*
Eastman Kodak	1,179.0	321.0	27.2%	*−1.0%*
Johnson Controls	146.4	68.8	47.0%	*+23.8%*
General Signal	44.9	24.9	55.4%	*+21.4%*
Total, Instruments:	**$1,784**	**$448**	**25.1%**	***+0.8%***
13. Leisure, Personal Care				
Procter & Gamble	$1,068.1	$228.0	21.3%	*−11.1%*
MCA	92.1	23.8	25.8%	*+20.5%*
Walt Disney Co.	732.0	212.5	29.0%	*+37.4%*
Clorox	170.5	49.8	29.2%	*−4.2%*
Avon	223.5	91.4	40.9%	*+5.2%*
Coleman	30.8	14.4	46.7%	*+24.0%*
Total, Leisure, Pers.Care:	**$2,317**	**$620**	**26.8%**	***−0.6%***
14. Miscellaneous Manufacturing				
Sundstrand	$46.8	$6.1	13.1%	*+11.6%*
American Standard	62.5	10.1	16.2%	*+13.4%*
Pittway	44.1	10.5	23.7%	*+11.5%*
Stanley Works	110.1	29.1	26.4%	*−2.2%*
FMC	413.5	116.9	28.3%	*+13.4%*
Briggs & Stratton	41.5	12.4	29.8%	*−0.5%*

(continued)

Industry/Company:	1987 Profit	1987 Tax	1987 Rate	*Change from 81-85*
Misc. Manufact., continued				
Parker Hannifin	111.3	38.4	**34.5%**	***+8.9%***
Minnesota Mining & Manuf. (3M)	850.0	395.0	**46.5%**	***+14.2%***
Harsco	68.1	35.2	**51.7%**	***+13.1%***
Total, Misc. Manufacturing:	**$1,748**	**$654**	**37.4%**	***+11.8%***
15. Oil & Gas, Coal, Mining				
Ashland Oil	$158.5	($11.8)	**−7.5%**	***+1.7%***
Pennzoil	76.8	(4.5)	**−5.9%**	***−21.4%***
Mitchell Energy & Development	14.1	0.3	**1.9%**	***+9.5%***
Shell Oil	1,728.0	61.0	**3.5%**	***−16.3%***
Englehard	60.0	2.3	**3.8%**	***−1.9%***
Sun Co.	392.0	16.0	**4.1%**	***−10.8%***
Mobil	899.3	96.0	**10.7%**	***−1.8%***
MAPCO	75.7	13.8	**18.3%**	***+9.0%***
Exxon	2,159.0	514.0	**23.8%**	***−1.8%***
Amoco	1,233.0	378.0	**30.7%**	***+17.3%***
Chevron	659.0	239.0	**36.3%**	***+15.8%***
Total, Oil & Gas, Mining	**$7,456**	**$1,304**	**17.5%**	***−1.3%***
16. Paper & Forest Products				
Champion International	$436.2	$6.9	**1.6%**	***−0.8%***
International Paper	598.0	53.0	**8.9%**	***+8.4%***
Scott Paper	227.2	24.4	**10.7%**	***+10.9%***
Westvaco	206.2	24.4	**11.9%**	***−3.1%***
Great Northern Nekoosa	319.8	51.8	**16.2%**	***+16.0%***
Union Camp	318.4	57.6	**18.1%**	***+18.3%***
Kimberly-Clark	328.7	64.6	**19.7%**	***+5.7%***
Weyerhaeuser	581.5	123.8	**21.3%**	***+21.3%***
Consolidated Papers	158.8	37.7	**23.8%**	***−11.1%***
Federal Paper Board	128.5	34.2	**26.6%**	***+19.5%***
Georgia-Pacific	750.0	243.0	**32.4%**	***+36.6%***
Sonoco	89.1	34.1	**38.3%**	***+1.6%***
Total, Paper & Forest Prod.:	**$4,142**	**$756**	**18.2%**	***+12.3%***
17. Publishing & Broadcasting				
Time, Inc.	$475.0	$113.0	**23.8%**	***−1.0%***
Media General	68.5	17.1	**24.9%**	***+7.7%***
Dun & Bradstreet	495.8	126.3	**25.5%**	***+22.0%***
McGraw-Hill	258.6	86.2	**33.3%**	***−8.4%***
Gannett Co.	542.7	208.0	**38.3%**	***+7.2%***
Knight-Ridder	242.2	94.4	**39.0%**	***+1.9%***
MacMillan	100.3	40.1	**39.9%**	***+15.7%***
Tribune Co.	174.7	76.9	**44.0%**	***+19.3%***
Capital Cities/ABC	511.4	246.7	**48.2%**	***+5.8%***
Total, Publish./Broadcasting:	**$2,869**	**$1,009**	**35.2%**	***+7.1%***

Industry/Company:	1987 Profit	1987 Tax	1987 Rate	*Change from 81-85*
18. Railroads				
CSX	$301.6	$24.0	**8.0%**	***+7.3%***
Union Pacific	791.5	88.0	**11.1%**	***+7.3%***
Burlington Northern	656.1	73.7	**11.2%**	***+10.7%***
Santa Fe Southern Pacific	461.3	95.3	**20.7%**	***+24.9%***
Norfolk Southern	788.0	194.2	**24.6%**	***+13.7%***
Total, Railroads:	**$2,998**	**$475**	**15.8%**	***+13.2%***
19. Rubber				
Goodyear Tire & Rubber	$573.7	($2.4)	**−0.4%**	***−16.2%***
Armstrong World Industries	205.7	62.7	**30.5%**	***+21.0%***
Cooper Tire & Rubber	50.7	18.0	**35.6%**	***+2.4%***
Total, Rubber:	**$830**	**$78**	**9.4%**	***−6.4%***
20. Services, Trade				
Overseas Shipholding Group	$46.9	$6.3	**13.3%**	***+10.9%***
Federal Express	311.4	86.8	**27.9%**	***+24.8%***
Kroger	248.8	77.7	**31.2%**	***+13.7%***
Waste Management	541.7	178.7	**33.0%**	***−0.5%***
SuperValu Stores	184.1	63.0	**34.2%**	***−3.6%***
McDonald's	710.8	251.7	**35.4%**	***+3.9%***
Donnelley (R.R.) & Sons	334.5	120.2	**35.9%**	***+29.8%***
May Department Stores	700.0	253.0	**36.1%**	—
Sears, Roebuck	1,624.6	597.4	**36.8%**	***+30.1%***
Wal-Mart Stores	1,024.9	388.4	**37.9%**	***−2.0%***
K mart	968.0	371.0	**38.3%**	***+4.4%***
Dillard Department Stores	150.5	58.0	**38.5%**	***+18.5%***
Humana	256.7	99.3	**38.7%**	***+6.4%***
Dayton Hudson	367.6	169.7	**46.2%**	***+13.0%***
J.C. Penney	870.0	413.0	**47.5%**	***+26.7%***
Centex	34.1	44.6	**130.7%**	***+133.6%***
Total, Services, Trade	**$8,375**	**$3,179**	**38.0%**	***+15.3%***
21. Telecommunications				
GTE	$1,197.3	$140.3	**11.7%**	***+4.5%***
Contel	277.6	37.4	**13.5%**	***+7.1%***
AT&T	2,053.8	422.4	**20.6%**	***+19.9%***
Southwestern Bell	1,565.7	427.9	**27.3%**	***+20.2%***
Total, Telecommunications:	**$5,094**	**$1,028**	**20.2%**	***+17.6%***
22. Textiles				
Springs Industries	$95.1	$32.0	**33.6%**	***+9.8%***
West Point-Pepperell	111.0	40.6	**36.6%**	***+9.5%***
INTERCO	233.4	86.8	**37.2%**	***−4.8%***
VF Corporation	287.0	108.7	**37.9%**	***−6.5%***
Total, Textiles:	**$726**	**$268**	**36.9%**	***−2.1%***

Industry/Company:	1987 Profit	1987 Tax	1987 Rate	Change from 81-85
23. Tobacco				
RJR Nabisco	$1,250.8	$370.0	**29.6%**	***−10.8%***
Philip Morris	2,731.0	840.0	**30.8%**	***−2.2%***
American Brands	506.0	197.5	**39.0%**	***+0.3%***
Total, Tobacco:	**$4,488**	**$1,408**	**31.4%**	***−5.5%***
24. Utilities (Electric & Gas)				
Illinois Power	$344.5	($25.6)	**−7.4%**	***−16.9%***
Carolina Power & Light	536.3	(27.6)	**−5.2%**	***−8.3%***
Consumers Power	384.3	(0.6)	**−0.2%**	***−0.6%***
Gulf States Utilities	273.2	0.0	**0.0%**	***−1.7%***
Long Island Lighting Co.	438.7	3.0	**0.7%**	—
Middle South Utilities	628.4	10.1	**1.6%**	***+1.6%***
Texas Utilities Co.	963.7	42.9	**4.5%**	***−8.0%***
PSE&G (New Jersey)	864.5	48.1	**5.6%**	***+0.4%***
Commonwealth Edison	1,477.8	97.7	**6.6%**	***+6.4%***
ENSERCH	73.0	4.9	**6.7%**	***+7.8%***
Northern Indiana PSC	98.3	6.9	**7.0%**	***+8.6%***
Central and South West Corp.	568.0	43.0	**7.6%**	***+5.4%***
Pinnacle West	503.1	39.1	**7.8%**	***+8.1%***
Detroit Edison	713.8	59.8	**8.4%**	***+6.7%***
Philadelphia Electric Co.	771.5	76.0	**9.9%**	***+11.2%***
Southern Company	1,162.8	119.3	**10.3%**	***+4.4%***
Texas Eastern	269.7	30.4	**11.3%**	***+2.0%***
Pennsylvania Power & Light	513.2	59.5	**11.6%**	***+11.5%***
Niagara Mohawk Power	159.9	20.5	**12.8%**	***+11.4%***
Ohio Edison	596.8	77.9	**13.1%**	***+13.6%***
Houston Industries	680.0	93.6	**13.8%**	***+8.0%***
Union Electric	530.2	82.4	**15.5%**	***+14.9%***
FPL Group	575.7	103.7	**18.0%**	***+8.8%***
Dominion Resources	681.4	134.5	**19.7%**	***+9.0%***
Northern States Power	297.2	67.2	**22.6%**	***+17.8%***
General Public Utilities	464.0	108.0	**23.3%**	***+11.5%***
Centerior Energy	469.0	114.6	**24.4%**	***+20.9%***
Pacificorp	461.7	117.1	**25.4%**	***+19.9%***
Pacific Gas & Electric	1,209.2	313.1	**25.9%**	***+15.7%***
Baltimore Gas & Electric	423.3	110.8	**26.2%**	***+9.0%***
Duke Power Co.	828.6	245.8	**29.7%**	***+15.1%***
Scana	224.4	66.9	**29.8%**	***+20.1%***
Southern California Edison	1,281.3	391.9	**30.6%**	***+21.2%***
American Electric Power	874.4	273.4	**31.3%**	***+28.1%***
Consolidated Edison	914.0	326.0	**35.7%**	***+3.4%***
Allegheny Power System	343.1	130.4	**38.0%**	***+13.8%***
Total, Utilities:	**$21,599**	**$3,365**	**15.6%**	***+8.5%***

1981-1987 Profits & Federal Income Taxes For 250 Major American Corporations

(Alphabetical order; $-millions)

Company:	1987 Profit	1987 Tax	1987 Rate	1986 Profit	1986 Tax	1986 Rate	1985 Profit	1985 Tax	1985 Rate	1984 Profit	1984 Tax	1984 Rate	1983 Profit	1983 Tax	1983 Rate	1982 Profit	1982 Tax	1982 Rate	1981 Profit	1981 Tax	1981 Rate
Abbott Laboratories	$722.8	$180.0	24.9%	$663.4	$137.7	20.7%	589.9	124.6	21.1%	$559.5	$152.7	27.3%	$492.1	$124.9	25.4%	$437.4	$121.5	27.8%	$344.5	$92.4	26.8%
Aetna	1,010.5	(32.4)	−3.2%	1,244.5	(47.4)	−3.8%	509.0	131.1	25.8%	118.6	77.3	65.2%	374.9	13.4	3.6%	145.1	(45.8)	−31.6%	327.0	45.6	13.9%
Air Products and Chemicals	167.4	33.9	20.3%	101.7	5.6	5.5%	158.0	8.9	5.7%	159.9	3.7	2.3%	83.9	(13.6)	−16.2%	74.0	25.4	34.3%	136.7	21.9	16.0%
Alco Standard	125.4	8.6	6.8%	121.9	19.8	16.2%	124.2	13.1	10.6%	107.7	29.2	27.1%	91.7	17.4	19.0%	91.7	15.6	17.0%	84.8	29.8	35.1%
Allegheny Power System	343.1	130.4	38.0%	386.7	45.6	11.8%	312.5	29.0	9.3%	300.2	83.1	27.7%	288.3	89.2	30.9%	267.0	84.9	31.8%	223.4	50.7	22.7%
American Brands	506.0	197.5	39.0%	427.0	198.6	46.5%	573.1	218.4	38.1%	557.6	212.1	38.0%	526.6	215.5	40.9%	505.5	182.8	36.2%	415.2	170.1	41.0%
American Cyanamid	127.8	15.4	12.1%	96.3	6.4	6.6%	3.5	(27.0)	−771%	136.8	16.3	11.9%	110.4	(5.9)	−5.3%	53.0	(17.5)	−33.0%	135.3	17.2	12.7%
American Electric Power	874.4	273.4	31.3%	996.0	244.6	24.6%	844.3	30.4	3.6%	933.1	31.9	3.4%	800.9	31.1	3.9%	598.1	7.0	1.2%	615.7	19.3	3.1%
American Express	1,290.9	259.0	20.1%	1,263.9	216.0	17.1%	822.9	259.0	31.5%	624.1	326.0	52.2%	137.6	3.0	2.2%	549.5	71.0	12.9%	578.8	86.0	14.9%
American Home Products	1,006.0	222.9	22.2%	1,008.8	454.3	45.0%	1,001.9	293.1	29.3%	931.6	368.8	39.6%	871.0	353.0	40.5%	791.0	331.0	41.8%	722.0	324.6	45.0%
American Standard	62.5	10.1	16.2%	68.8	(3.7)	−5.4%	55.2	(3.3)	−6.0%	94.9	11.2	11.8%	24.7	(9.4)	−38.1%	(8.8)	(1.8)	NM	62.6	9.6	15.3%
AMETEK	62.1	16.9	27.2%	52.0	9.0	17.3%	58.8	5.3	9.0%	67.2	16.6	24.7%	55.6	7.9	14.2%	47.7	2.4	4.9%	47.8	10.0	20.8%
Amoco	1,233.0	378.0	30.7%	641.0	(77.0)	−12.0%	1,891.0	155.0	8.2%	1,975.0	178.0	9.0%	1,820.0	294.0	16.2%	1,821.0	252.0	13.8%	1,856.0	375.0	20.2%
AMP	152.9	74.3	48.6%	88.2	23.9	27.1%	48.0	(9.7)	−20.1%	209.7	62.5	29.8%	171.9	73.5	42.7%	135.9	48.0	35.3%	147.7	50.1	33.9%
Anheuser-Busch	1,016.1	320.9	31.6%	912.2	262.2	28.7%	761.8	111.4	14.6%	672.5	101.1	15.0%	599.4	107.4	17.9%	462.4	53.0	11.5%	318.1	(12.3)	−3.9%
AON Corporation	178.1	29.3	16.4%	319.3	78.3	24.5%	229.2	47.3	20.6%	155.3	20.1	12.9%	96.9	(10.6)	−10.9%	88.6	6.4	7.2%	112.1	3.6	3.2%
Archer Daniels Midland	453.8	177.0	39.0%	378.2	92.0	24.3%	261.5	54.8	21.0%	157.5	2.7	1.7%	150.1	9.8	6.5%	192.6	(5.1)	−2.6%	245.2	46.1	18.8%
Armstrong World Industries	205.7	62.7	30.5%	177.3	45.0	25.4%	155.2	12.5	8.1%	136.9	25.3	18.5%	94.3	11.2	11.9%	26.7	(7.7)	−28.8%	61.6	3.9	6.3%
Ashland Oil	158.5	(11.8)	−7.5%	313.8	67.0	21.4%	217.0	11.5	5.3%	92.8	(28.7)	−30.9%	41.2	(25.1)	−61.0%	153.4	8.4	5.5%	48.7	(16.7)	−34.3%
AT&T	2,053.8	422.4	20.6%	2,160.2	268.8	12.4%	2,397.2	116.2	4.8%	1,899.8	(228.1)	−12.0%	8,993.7	268.1	3.0%	11,641.7	(778.5)	−6.7%	10,727.7	857.2	8.0%
Avon	223.5	91.4	40.9%	118.4	33.0	27.9%	83.2	23.0	27.6%	186.9	66.4	35.5%	196.3	63.5	32.3%	224.6	66.4	29.6%	270.4	123.6	45.7%
Ball Corporation	106.4	50.2	47.2%	105.4	32.4	30.7%	86.8	16.5	19.0%	76.6	19.7	25.7%	67.5	17.1	25.3%	55.3	8.4	15.2%	45.7	8.9	19.5%
Baltimore Gas & Electric	423.3	110.8	26.2%	398.3	146.4	36.8%	390.5	68.5	17.5%	392.3	97.4	24.8%	334.0	22.2	6.6%	271.2	34.7	12.8%	238.2	57.3	24.1%
Bank of Boston	381.4	25.5	6.7%	275.9	94.3	34.2%	219.9	48.9	22.3%	186.7	42.3	22.7%	108.4	1.5	1.4%	93.4	10.8	11.5%	69.5	(14.8)	−21.3%
Bankers Trust	226.7	90.0	39.7%	356.8	27.6	7.7%	204.3	3.7	1.8%	106.9	(16.3)	−15.3%	137.2	36.7	26.8%	40.2	(5.4)	−13.4%	50.1	(2.8)	−5.6%
Barnett Banks	254.5	62.3	24.5%	202.8	22.9	11.3%	142.4	2.8	1.9%	110.4	4.2	3.8%	99.1	4.9	4.9%	52.7	(2.0)	−3.8%	44.5	1.1	2.5%
Baxter Travenol Laboratories	233.0	(32.0)	−13.7%	100.0	4.0	4.0%	70.0	(33.0)	−47.1%	134.8	1.2	0.9%	196.9	5.2	2.6%	171.1	1.0	0.6%	146.5	6.8	4.6%
Becton, Dickinson	132.1	19.6	14.8%	114.8	17.1	14.9%	60.4	0.9	1.5%	26.8	(12.9)	−48.2%	98.0	15.3	15.6%	59.9	2.3	3.9%	63.8	11.1	17.5%
Boeing	658.0	543.0	82.5%	1,028.0	66.0	6.4%	863.0	38.0	4.4%	569.0	(18.0)	−3.2%	475.0	(44.0)	−9.3%	364.0	(97.0)	−26.6%	691.0	(126.0)	−18.2%
Briggs & Stratton	41.5	12.4	29.8%	57.7	17.4	30.2%	59.1	10.2	17.2%	60.6	21.2	34.9%	54.8	17.8	32.5%	68.9	25.4	36.8%	40.3	11.5	28.5%
Bristol-Myers	835.7	289.9	34.7%	684.7	212.2	31.0%	622.9	232.4	37.3%	542.7	189.1	34.8%	477.1	174.9	36.7%	382.8	156.2	40.8%	372.8	148.1	39.7%
Brown-Forman Distillers	142.5	40.7	28.6%	142.0	45.6	32.1%	134.6	46.9	34.8%	126.1	40.5	32.1%	157.2	65.1	41.4%	147.6	61.6	41.7%	115.5	51.8	44.8%
Burlington Northern	656.1	73.7	11.2%	501.9	18.0	3.6%	1,021.8	20.6	2.0%	1,074.9	36.5	3.4%	609.0	13.5	2.2%	585.4	(16.0)	−2.7%	529.9	(35.1)	−6.6%
Campbell Soup Company	340.1	54.4	16.0%	295.2	80.3	27.2%	259.6	77.3	29.8%	276.0	78.7	28.5%	271.3	82.3	30.3%	233.9	103.2	44.1%	207.6	85.6	41.2%
Capital Cities/ABC	511.4	246.7	48.2%	388.4	205.8	53.0%	261.9	104.1	39.7%	251.2	113.8	45.3%	210.5	84.8	40.3%	175.1	76.8	43.9%	145.7	64.3	44.1%
Carolina Power & Light	536.3	(27.6)	−5.2%	592.0	99.9	16.9%	576.3	32.1	5.6%	506.7	17.5	3.5%	402.4	(2.5)	−0.6%	396.8	28.0	7.0%	325.5	(5.3)	−1.6%
Centerior Energy	469.0	114.6	24.4%	508.3	(13.3)	−2.6%	364.0	(0.7)	−0.2%	387.9	22.8	5.9%	350.2	15.5	4.4%	293.1	12.0	4.1%	207.2	7.5	3.6%
Centex	34.1	44.6	130.7%	75.5	11.6	15.4%	85.8	0.1	0.1%	70.2	1.5	2.1%	83.0	(4.4)	−5.3%	62.1	(3.9)	−6.3%	49.1	(3.4)	−6.9%
Central and South West Corp.	568.0	43.0	7.6%	606.0	42.0	6.9%	574.0	(16.0)	−2.8%	553.5	36.2	6.5%	478.9	(5.0)	−1.0%	420.9	20.9	5.0%	364.8	15.9	4.4%
Champion International	436.2	6.9	1.6%	189.4	2.8	1.5%	77.6	4.6	5.9%	132.8	12.3	9.3%	63.9	(0.3)	−0.5%	0.3	(1.6)	−533%	102.8	(5.9)	−5.7%
Chase Manhattan	643.9	10.0	1.6%	668.1	(33.8)	−5.1%	571.7	27.1	4.7%	425.1	31.1	7.3%	365.5	12.1	3.3%	(100.4)	(8.9)	NM	146.2	16.3	11.1%
Chevron	659.0	239.0	36.3%	194.0	(7.0)	−3.6%	1,536.0	466.0	30.3%	680.0	35.0	5.1%	1,252.0	182.0	14.5%	1,761.0	295.0	16.8%	2,343.0	571.0	24.4%
Chrysler	1,826.2	216.0	11.8%	1,876.7	64.0	3.4%	2,018.9	89.6	4.4%	2,171.3	10.0	0.5%	642.6	(19.8)	−3.1%	206.3	(10.1)	−4.9%	(477.0)	(38.4)	NM
Citizens and Southern Corp.	175.9	22.0	12.5%	164.9	4.1	2.5%	159.1	24.1	15.1%	75.5	6.2	8.2%	62.7	(3.1)	−5.0%	49.2	(3.2)	−6.5%	40.8	3.2	7.8%
Clorox	170.5	49.8	29.2%	165.0	44.0	26.6%	146.5	41.7	28.5%	134.8	47.7	35.4%	114.8	41.9	36.5%	73.2	24.1	33.0%	61.7	21.9	35.5%
Coca Cola	248.5	49.9	20.1%	643.6	24.0	3.7%	531.1	42.3	8.0%	434.2	45.4	10.5%	384.0	114.2	29.7%	334.4	79.6	23.8%	287.2	86.6	30.2%
Coleman	30.8	14.4	46.7%	31.1	10.6	34.1%	22.0	4.4	20.1%	35.8	12.6	35.2%	36.0	9.1	25.2%	27.9	6.5	23.4%	37.1	3.5	9.3%
Colt Industries	76.1	20.9	27.5%	117.8	10.9	9.3%	201.8	77.8	38.6%	226.4	107.1	47.3%	164.9	62.6	38.0%	115.4	33.3	28.9%	213.3	61.9	29.0%
Comerica	106.9	33.1	30.9%	65.3	2.7	4.1%	52.4	(2.3)	−4.4%	56.9	(3.7)	−6.5%	41.4	(4.3)	−10.4%	18.6	(7.0)	−37.6%	15.2	7.1	46.7%
Commonwealth Edison	1,477.8	97.7	6.6%	1,492.9	73.2	4.9%	1,253.8	4.4	0.3%	1,170.1	11.5	1.0%	1,116.5	3.2	0.3%	753.0	2.6	0.3%	556.1	(9.3)	−1.7%

Company	1987 Profit	1987 Tax	1987 Rate	1986 Profit	1986 Tax	1986 Rate	1985 Profit	1985 Tax	1985 Rate	1984 Profit	1984 Tax	1984 Rate	1983 Profit	1983 Tax	1983 Rate	1982 Profit	1982 Tax	1982 Rate	1981 Profit	1981 Tax	1981 Rate
ConAgra	257.2	98.9	38.4%	167.5	80.2	47.9%	143.5	19.8	13.8%	67.6	7.1	10.5%	72.3	20.1	27.8%	51.0	16.8	32.9%	36.2	10.0	27.6%
Consolidated Edison	914.0	326.0	35.7%	984.8	383.8	39.0%	975.4	333.8	34.2%	1,051.1	320.5	30.5%	978.3	374.2	38.3%	771.4	216.4	28.1%	673.0	190.9	28.4%
Consolidated Papers	158.8	37.7	23.8%	147.9	29.3	19.8%	176.9	59.4	33.6%	150.4	56.9	37.8%	83.8	25.3	30.2%	72.8	25.5	35.0%	98.4	35.8	36.4%
Consumers Power	384.3	(0.6)	−0.2%	330.3	8.3	2.5%	(263.6)	(5.4)	NM	250.3	3.0	1.2%	378.8	6.0	1.6%	320.0	(1.5)	−0.5%	285.6	2.5	0.9%
Contel	277.6	37.4	13.5%	431.5	119.4	27.7%	375.2	38.3	10.2%	337.9	8.9	2.6%	287.8	6.9	2.4%	230.9	(4.5)	−1.9%	243.5	44.4	18.2%
Cooper Industries	236.9	75.7	32.0%	212.0	61.6	29.0%	193.4	55.9	28.9%	150.2	55.6	37.0%	98.1	25.3	25.8%	197.1	101.2	51.4%	443.3	167.2	37.7%
Cooper Tire & Rubber	50.7	18.0	35.6%	41.2	14.0	34.1%	29.9	7.2	24.1%	40.1	13.4	33.4%	37.8	13.7	36.2%	32.9	12.8	38.9%	29.6	9.3	31.4%
Coors (Adolph)Co.	81.8	28.2	34.5%	105.7	32.6	30.8%	93.3	7.8	8.3%	58.5	(9.5)	−16.2%	149.8	44.5	29.7%	64.9	7.6	11.7%	78.6	6.9	8.8%
Corning	122.6	(16.3)	−13.3%	114.8	45.0	39.2%	29.9	(3.2)	−10.7%	14.8	0.3	2.0%	60.7	26.9	44.3%	8.5	(22.2)	−261%	58.3	8.8	15.1%
CPC International	344.2	104.7	30.4%	135.8	2.3	1.7%	113.7	11.5	10.1%	150.7	30.3	20.1%	140.6	29.1	20.7%	147.0	39.8	27.1%	186.0	37.4	20.1%
CSX	301.6	24.0	8.0%	457.0	20.0	4.4%	677.0	13.0	1.9%	826.0	25.0	3.0%	463.0	(3.0)	−0.6%	577.0	19.0	3.3%	719.4	(33.6)	−4.7%
Dana Corp.	180.3	8.8	4.9%	163.2	9.2	5.6%	291.8	86.6	29.7%	354.1	142.2	40.2%	164.5	57.6	35.0%	70.0	7.9	11.3%	141.7	54.6	38.5%
Dayton Hudson	367.6	169.7	46.2%	464.0	170.7	36.8%	487.6	160.8	33.0%	421.6	167.1	39.6%	421.5	135.6	32.2%	354.8	102.6	28.9%	271.2	82.2	30.3%
Detroit Edison	713.8	59.8	8.4%	594.9	13.3	2.2%	560.8	12.5	2.2%	533.5	4.1	0.8%	515.7	15.4	3.0%	350.5	1.3	0.4%	234.4	2.9	1.2%
Digital Equipment Corp.	784.0	265.0	33.8%	364.5	93.0	25.5%	202.6	3.8	1.9%	204.9	35.5	17.3%	278.1	32.3	11.6%	509.7	137.8	27.0%	364.3	167.7	46.0%
Dillard Department Stores	150.5	58.0	38.5%	127.4	25.0	19.6%	110.9	27.0	24.3%	84.6	13.5	16.0%	58.6	17.0	29.0%	34.5	4.1	11.7%	26.7	1.6	5.8%
Dominion Resources	681.4	134.5	19.7%	710.0	197.0	27.7%	552.6	59.5	10.8%	544.1	132.2	24.3%	597.0	27.3	4.6%	446.3	25.4	5.7%	339.1	22.8	6.7%
Donnelley (R.R.)& Sons	334.5	120.2	35.9%	254.3	93.3	36.7%	247.2	12.5	5.1%	222.8	9.6	4.3%	194.7	10.4	5.3%	157.4	4.5	2.8%	141.3	22.5	15.9%
Dow Chemical	919.0	311.0	33.8%	488.0	50.0	10.2%	(201.0)	(20.0)	NM	196.0	43.0	21.9%	98.0	(16.0)	−16.3%	151.0	(104.0)	−68.9%	527.0	(103.0)	−19.5%
Du Pont	2,027.0	850.0	41.9%	1,509.0	232.0	15.4%	1,004.0	(32.0)	−3.2%	1,484.0	92.0	6.2%	872.0	(92.0)	−10.6%	425.0	(147.0)	−34.6%	1,294.0	107.0	8.3%
Duke Power Co.	828.6	245.8	29.7%	842.6	213.2	25.3%	769.8	191.1	24.8%	868.9	319.4	36.8%	716.1	(48.2)	−6.7%	575.1	17.4	3.0%	452.9	12.9	2.9%
Dun & Bradstreet	495.8	126.3	25.5%	494.1	208.6	42.2%	431.5	55.9	13.0%	371.3	57.3	15.4%	234.4	12.5	5.3%	189.4	(35.5)	−18.7%	171.9	(41.0)	−23.9%
Eastman Kodak	1,179.0	321.0	27.2%	49.2	(9.0)	−18.3%	944.0	189.0	20.0%	1,455.0	478.0	32.9%	983.0	304.0	30.9%	1,593.0	367.0	23.0%	1,672.0	535.0	32.0%
Eaton	197.6	52.7	26.7%	117.2	11.8	10.1%	284.7	58.3	20.5%	306.2	58.4	19.1%	77.3	(14.1)	−18.2%	(120.9)	(6.6)	NM	164.6	47.9	29.1%
Englehard	60.0	2.3	3.8%	50.7	4.8	9.4%	42.5	8.1	19.1%	34.4	(2.5)	−7.2%	77.8	(2.2)	−2.8%	55.7	3.0	5.4%	61.8	9.3	15.0%
ENSERCH	73.0	4.9	6.7%	28.3	(2.9)	−10.4%	261.5	(18.9)	−7.2%	188.3	(5.8)	−3.1%	158.3	(30.4)	−19.2%	209.1	(11.8)	−5.6%	270.9	55.6	20.5%
Ethyl	226.3	26.1	11.5%	232.7	30.0	12.9%	149.7	20.5	13.7%	151.4	41.3	27.3%	131.9	39.5	29.9%	122.9	29.6	24.1%	116.2	30.7	26.4%
Exxon	2,159.0	514.0	23.8%	1,202.0	124.0	10.3%	3,575.0	609.0	17.0%	3,402.0	992.0	29.2%	3,046.0	1,030.0	33.8%	2,821.0	716.0	25.4%	3,514.0	838.0	23.8%
E-Systems	96.2	26.0	27.0%	108.3	30.3	28.0%	92.6	33.1	35.8%	98.7	34.3	34.8%	88.8	31.9	35.9%	61.2	17.7	29.0%	40.0	10.7	26.7%
Federal Express	311.4	86.8	27.9%	160.7	5.9	3.7%	83.7	(45.7)	−54.6%	148.7	(20.0)	−13.4%	146.8	23.8	16.2%	127.8	29.0	22.7%	95.8	31.4	32.8%
Federal Paper Board	128.5	34.2	26.6%	65.4	5.7	8.7%	17.8	(3.8)	−21.4%	61.0	12.3	20.2%	18.6	0.0	0.0%	15.2	0.0	0.0%	39.7	2.2	5.6%
First Boston	111.1	56.7	51.0%	217.0	77.7	35.8%	163.3	50.5	30.9%	105.4	29.6	28.1%	97.1	21.3	21.9%	135.9	63.8	47.0%	61.2	34.3	56.0%
First Executive Corp.	285.4	1.0	0.3%	242.3	0.0	0.0%	183.0	0.0	0.0%	128.9	(1.0)	−0.8%	197.9	1.3	0.7%	70.9	0.5	0.7%	46.5	1.4	3.0%
First Union Corp.	335.6	41.9	12.5%	319.9	50.7	15.9%	213.2	45.5	21.3%	168.0	25.9	15.4%	61.1	3.2	5.2%	41.4	0.6	1.5%	22.2	(6.8)	−30.8%
FMC	413.5	116.9	28.3%	50.8	(6.8)	−13.3%	188.5	7.7	4.1%	276.9	101.3	36.6%	180.8	4.6	2.5%	116.4	18.7	16.1%	213.2	12.5	5.9%
Ford Motor Co.	5,514.9	1,215.5	22.0%	3,892.0	812.9	20.9%	2,752.5	432.1	15.7%	3,474.0	728.6	21.0%	1,617.5	64.6	4.0%	(1,242.2)	(146.1)	NM	(1,493.4)	(387.3)	NM
FPL Group	575.7	103.7	18.0%	656.9	168.6	25.7%	669.8	184.0	27.5%	561.2	38.1	6.8%	508.3	(35.2)	−6.9%	450.5	26.3	5.8%	375.4	23.3	6.2%
Gannett Co.	542.7	208.0	38.3%	500.1	193.1	38.6%	452.4	139.9	30.9%	395.9	133.5	33.7%	338.6	111.0	32.8%	317.1	100.1	31.6%	309.0	80.7	26.1%
General Dynamics	581.6	457.3	78.6%	188.6	34.2	18.1%	630.1	12.7	2.0%	678.1	(3.8)	−0.6%	503.7	(2.1)	−0.4%	252.0	(10.7)	−4.2%	199.2	(33.7)	−16.9%
General Electric	2,710.0	744.0	27.5%	2,516.0	231.0	9.2%	3,350.0	255.0	7.6%	3,050.0	185.0	6.1%	2,413.0	(35.0)	−1.5%	2,068.0	(146.0)	−7.1%	2,046.0	(102.0)	−5.0%
General Mills	377.7	105.8	28.0%	283.4	(23.7)	−8.4%	172.8	(27.4)	−15.9%	352.3	33.1	9.4%	355.9	(77.2)	−21.7%	334.7	(7.2)	−2.2%	325.0	125.7	38.7%
General Motors	2,396.2	(742.2)	−31.0%	2,052.7	(1,928.2)	−93.9%	5,079.9	1,397.5	27.5%	5,509.4	1,397.8	25.4%	4,710.1	747.6	15.9%	1,273.2	222.2	17.5%	1,919.9	630.5	32.8%
General Public Utilities	464.0	108.0	23.3%	403.0	135.0	33.5%	274.0	90.0	32.8%	315.0	6.0	1.9%	200.0	4.0	2.0%	121.0	15.0	12.4%	60.0	(1.0)	−1.7%
General Re	534.2	4.5	0.8%	276.7	(13.6)	−4.9%	159.3	4.8	3.0%	(45.8)	0.9	NM	158.0	1.1	0.7%	186.1	(13.4)	−7.2%	190.6	8.3	4.4%
General Signal	44.9	24.9	55.4%	87.5	10.2	11.7%	111.2	28.1	25.3%	159.8	54.8	34.3%	126.4	47.1	37.3%	167.2	53.9	32.2%	186.1	71.0	38.2%
Georgia-Pacific	750.0	243.0	32.4%	462.0	79.0	17.1%	304.0	13.0	4.3%	383.0	40.0	10.4%	142.0	27.0	19.0%	24.0	(33.0)	−138%	234.0	(93.0)	−39.7%
Goodyear Tire & Rubber	573.7	(2.4)	−0.4%	312.3	(20.7)	−6.6%	374.1	(20.7)	−5.5%	534.6	91.2	17.1%	429.3	68.3	15.9%	469.1	106.7	22.7%	431.5	108.1	25.1%
Great Northern Nekoosa	319.8	51.8	16.2%	138.9	0.0	0.0%	68.1	0.4	0.6%	178.0	(14.5)	−8.1%	90.3	(24.8)	−27.5%	91.4	(8.3)	−9.1%	162.1	48.6	30.0%
Greyhound	62.9	(7.1)	−11.3%	62.5	9.1	14.6%	77.0	(42.0)	−54.6%	126.4	(6.2)	−4.9%	48.1	(8.5)	−17.7%	87.4	(0.5)	−0.5%	158.0	(0.1)	−0.0%
Grumman	41.1	42.0	102.2%	117.2	73.6	62.8%	129.0	92.0	71.3%	178.9	0.0	0.0%	182.7	0.0	0.0%	159.8	0.0	0.0%	132.0	0.0	0.0%
GTE	1,197.3	140.3	11.7%	314.1	30.1	9.6%	1,588.9	5.3	0.3%	1,565.4	158.2	10.1%	1,390.0	155.6	11.2%	1,156.3	72.9	6.3%	1,074.6	96.9	9.0%
Gulf States Utilities	273.2	0.0	0.0%	257.3	(1.1)	−0.4%	321.1	(8.2)	−2.6%	333.3	8.5	2.6%	304.3	9.3	3.1%	221.5	7.3	3.3%	185.0	5.8	3.1%
Gulf+Western	510.4	142.8	28.0%	318.2	26.7	8.4%	133.9	(9.2)	−6.9%	351.4	51.9	14.8%	296.2	101.2	34.2%	86.2	46.4	53.8%	237.1	58.5	24.7%
Harris	103.3	43.5	42.0%	41.4	(8.9)	−21.4%	78.4	20.4	26.1%	79.8	(28.2)	−35.4%	42.4	10.7	25.2%	70.9	(11.5)	−16.1%	114.4	9.5	8.3%
Harris Bankcorp	99.0	15.3	15.5%	46.2	(1.7)	−3.6%	59.7	11.7	19.6%	31.0	5.1	16.4%	28.1	2.8	9.9%	31.0	3.3	10.8%	22.4	(2.7)	−12.3%

Company:	1987 Profit	1987 Tax	1987 Rate	1986 Profit	1986 Tax	1986 Rate	1985 Profit	1985 Tax	1985 Rate	1984 Profit	1984 Tax	1984 Rate	1983 Profit	1983 Tax	1983 Rate	1982 Profit	1982 Tax	1982 Rate	1981 Profit	1981 Tax	1981 Rate
Harsco	68.1	35.2	51.7%	59.3	14.9	25.1%	81.7	42.2	51.7%	55.9	15.4	27.5%	16.3	(2.4)	−14.7%	36.8	21.0	57.1%	81.2	28.8	35.5%
Heinz (H.J.)Co.	355.8	75.9	21.3%	325.7	91.7	28.2%	298.4	70.6	23.7%	242.1	65.6	27.1%	217.2	60.4	27.8%	199.7	70.8	35.5%	191.1	68.2	35.7%
Hercules	1,140.3	478.5	42.0%	140.4	50.4	35.9%	70.1	3.8	5.4%	138.7	33.2	24.0%	121.5	16.9	13.9%	59.1	0.6	1.0%	138.1	49.7	36.0%
Hershey Foods	249.6	111.3	44.6%	239.5	80.2	33.5%	212.8	61.9	29.1%	190.9	59.7	31.3%	172.1	59.7	34.7%	157.1	50.6	32.2%	142.3	52.8	37.1%
Hewlett-Packard	405.0	(15.0)	−3.7%	276.0	21.0	7.6%	390.0	(11.0)	−2.8%	547.0	140.0	25.6%	479.0	61.0	12.7%	375.0	90.0	24.0%	284.0	113.0	39.8%
Honeywell	154.2	69.4	45.0%	221.7	53.2	24.0%	220.5	24.2	11.0%	246.9	75.1	30.4%	148.7	50.6	34.0%	232.7	45.7	19.6%	237.1	40.1	16.9%
Hormel (Geo. A.)& Co.	76.3	29.9	39.2%	68.5	22.9	33.4%	69.2	20.7	29.9%	51.4	13.9	27.0%	49.1	13.3	27.1%	45.1	(0.2)	−0.4%	40.4	7.6	18.8%
Household International	241.3	10.1	4.2%	137.5	33.1	24.1%	168.7	(19.4)	−11.5%	323.9	21.2	6.5%	298.1	30.0	10.1%	122.3	15.8	12.9%	172.6	27.8	16.1%
Houston Industries	680.0	93.6	13.8%	664.9	23.4	3.5%	757.0	52.3	6.9%	631.8	54.8	8.7%	553.2	33.3	6.0%	240.8	(14.2)	−5.9%	392.4	21.4	5.4%
Humana	256.7	99.3	38.7%	185.8	68.4	36.8%	364.5	96.8	26.5%	320.7	104.4	32.6%	278.5	92.1	33.1%	218.3	77.6	35.6%	170.1	65.7	38.6%
IBM	2,932.7	(123.5)	−4.2%	2,417.7	(266.4)	−11.0%	5,988.1	507.6	8.5%	6,814.3	1,332.9	19.6%	5,842.0	1,590.4	27.2%	4,710.2	1,366.0	29.0%	3,572.8	999.5	28.0%
IC Industries	312.6	122.3	39.1%	180.3	107.8	59.8%	209.1	5.4	2.6%	211.8	0.6	0.3%	131.0	0.6	0.5%	9.3	(60.3)	−648%	182.6	3.7	2.0%
Illinois Power	344.5	(25.6)	−7.4%	354.6	(34.6)	−9.7%	311.2	(20.2)	−6.5%	340.8	51.5	15.1%	320.9	51.8	16.1%	226.6	31.4	13.9%	186.2	16.6	8.9%
INTERCO	233.4	86.8	37.2%	171.9	64.7	37.6%	164.0	57.3	34.9%	130.6	68.6	52.5%	207.3	91.3	44.0%	151.3	64.0	42.3%	213.9	83.3	38.9%
International Multifoods	22.6	5.0	22.1%	15.2	0.5	3.0%	10.9	1.1	10.1%	6.5	0.3	4.9%	13.3	(2.6)	−19.2%	15.1	(1.4)	−9.5%	8.9	0.5	5.5%
International Paper	598.0	53.0	8.9%	400.0	21.0	5.3%	130.0	39.0	30.0%	107.9	6.8	6.3%	234.0	(78.8)	−33.7%	109.1	(26.8)	−24.6%	685.3	66.2	9.7%
ITT	731.6	145.7	19.9%	486.2	136.8	28.1%	(133.3)	(12.5)	NM	68.1	(10.9)	−16.0%	241.7	(45.7)	−18.9%	233.0	(71.4)	−30.7%	272.3	(89.7)	−33.0%
Johnson Controls	146.4	68.8	47.0%	136.5	50.7	37.2%	125.9	23.5	18.7%	100.9	31.0	30.7%	93.8	17.6	18.8%	82.5	22.2	26.9%	74.8	16.3	21.8%
Johnson & Johnson	224.8	40.0	17.8%	113.2	31.0	27.4%	439.4	27.4	6.2%	320.6	37.6	11.7%	297.8	9.9	3.3%	342.9	57.2	16.7%	366.1	106.7	29.1%
J.C. Penney	870.0	413.0	47.5%	910.0	140.0	15.4%	675.0	76.0	11.3%	684.0	100.0	14.6%	769.0	216.0	28.1%	684.0	144.0	21.1%	632.0	179.0	28.3%
K mart	968.0	371.0	38.3%	846.0	320.0	37.8%	623.0	146.0	23.4%	697.2	257.7	37.0%	752.6	304.7	40.5%	346.3	131.7	38.0%	251.4	65.0	25.9%
Kellogg	504.7	189.5	37.5%	454.0	178.7	39.4%	412.6	153.9	37.3%	363.8	132.4	36.4%	301.0	105.5	35.0%	274.1	91.1	33.2%	263.2	103.7	39.4%
Keycorp	92.0	15.5	16.9%	93.3	3.8	4.0%	75.2	2.0	2.7%	53.7	1.6	3.0%	34.1	0.8	2.5%	27.5	1.7	6.3%	18.2	(4.2)	−22.8%
Kimberly-Clark	328.7	64.6	19.7%	315.0	68.7	21.8%	343.7	44.5	12.9%	259.6	33.4	12.9%	213.9	11.2	5.2%	200.0	30.9	15.5%	186.8	47.8	25.6%
Knight-Ridder	242.2	94.4	39.0%	240.5	89.7	37.3%	215.5	73.6	34.1%	244.1	93.5	38.3%	203.5	77.2	37.9%	166.9	57.3	34.3%	173.9	71.0	40.8%
Kraft	516.7	139.5	27.0%	498.2	103.0	20.7%	605.5	124.1	20.5%	536.6	152.4	28.4%	536.1	166.7	31.1%	499.6	172.1	34.4%	395.5	105.1	26.6%
Kroger	248.8	77.7	31.2%	219.6	70.4	32.1%	294.3	73.5	25.0%	246.5	47.5	19.3%	193.0	10.6	5.5%	272.7	36.9	13.5%	262.5	53.4	20.3%
Lilly (Eli)and Co.	467.9	258.4	55.2%	620.1	204.8	33.0%	575.4	177.8	30.9%	613.5	40.7	6.6%	567.4	157.4	27.7%	486.6	155.2	31.9%	474.9	173.8	36.6%
Litton Industries	189.4	17.4	9.2%	85.3	(48.5)	−56.9%	400.4	42.7	10.7%	398.5	180.8	45.4%	306.4	63.2	20.6%	435.5	45.8	10.5%	443.5	187.1	42.2%
Lockheed	714.0	17.0	2.4%	710.0	7.0	1.0%	689.0	4.0	0.6%	585.9	0.0	0.0%	461.8	0.0	0.0%	337.6	0.0	0.0%	285.6	0.0	0.0%
Loews Corporation	640.6	87.9	13.7%	637.5	4.8	0.8%	606.4	(1.1)	−0.2%	373.6	(6.0)	−1.6%	385.7	17.9	4.6%	240.6	5.0	2.1%	292.3	34.7	11.9%
Long Island Lighting Co.	438.7	3.0	0.7%	487.0	0.0	0.0%	678.4	0.6	0.1%	543.9	14.4	2.6%	430.0	0.0	0.0%	357.4	0.0	0.0%	307.0	0.1	0.0%
Lubrizol	54.7	16.7	30.5%	54.6	8.1	14.8%	44.7	0.8	1.8%	64.6	13.5	20.8%	49.1	4.7	9.5%	31.0	5.0	16.1%	78.4	27.1	34.6%
MacMillan	100.3	40.1	39.9%	85.9	23.5	27.3%	73.9	26.9	36.4%	47.1	6.0	12.7%	35.2	7.7	21.8%	25.7	3.9	15.1%	13.5	2.8	20.9%
MAPCO	75.7	13.8	18.3%	126.9	11.1	8.8%	152.3	17.6	11.6%	59.6	21.3	35.7%	81.7	5.7	6.9%	121.9	11.4	9.3%	119.9	(6.2)	−5.2%
Marsh & McLennan	332.0	134.6	40.5%	287.9	138.1	48.0%	190.9	38.6	20.2%	5.4	(12.3)	−228%	82.0	9.5	11.6%	128.9	10.7	8.3%	135.7	38.2	28.1%
Martin Marietta	381.2	142.2	37.3%	332.3	49.5	14.9%	410.4	82.5	20.1%	291.2	98.9	34.0%	149.6	1.6	1.1%	24.2	(72.4)	−298%	223.7	(23.5)	−10.5%
May Department Stores	700.0	253.0	36.1%	616.0	290.0	47.1%	607.0	230.0	37.9%	574.0	223.0	38.9%	320.4	107.9	33.7%	245.1	79.8	32.6%	222.3	71.8	32.3%
Maytag	250.5	98.6	39.4%	211.6	96.1	45.4%	215.2	97.2	45.2%	194.8	79.8	41.0%	109.7	44.0	40.1%	67.2	27.5	40.8%	66.3	25.4	38.3%
MCA	92.1	23.8	25.8%	74.5	10.6	14.2%	152.3	4.7	3.1%	58.5	4.5	7.7%	115.4	6.1	5.3%	194.2	13.5	7.0%	41.7	1.4	3.4%
McDonald's	710.8	251.7	35.4%	666.5	202.7	30.4%	634.7	197.8	31.2%	577.1	189.1	32.8%	522.3	175.0	33.5%	462.8	126.8	27.4%	403.6	130.7	32.4%
McDonnell Douglas	396.0	2.2	0.6%	423.9	0.0	0.0%	507.0	9.9	2.0%	480.4	0.0	0.0%	404.5	3.1	0.8%	327.0	0.8	0.2%	233.9	0.7	0.3%
McGraw-Hill	258.6	86.2	33.3%	259.3	95.7	36.9%	240.0	110.3	46.0%	240.8	99.8	41.4%	209.2	90.7	43.4%	182.5	76.0	41.6%	162.9	55.1	33.8%
Media General	68.5	17.1	24.9%	22.9	(0.1)	−0.5%	46.5	(4.1)	−8.8%	60.2	5.1	8.5%	60.1	15.0	24.9%	58.2	19.2	33.0%	56.4	13.3	23.6%
Merck & Co.	793.1	255.2	32.2%	632.4	163.5	25.9%	603.3	111.4	18.5%	562.3	98.4	17.5%	460.9	13.4	2.9%	349.1	43.9	12.6%	355.3	44.5	12.5%
Merrill Lynch	322.5	0.5	0.1%	624.2	171.9	27.5%	270.3	0.0	0.0%	(3.9)	(170.0)	NM	283.6	(12.2)	−4.3%	430.9	111.8	25.9%	267.8	13.7	5.1%
Middle South Utilities	628.4	10.1	1.6%	1,011.3	0.0	0.0%	684.7	0.0	0.0%	761.9	0.0	0.0%	560.4	0.0	0.0%	470.8	0.0	0.0%	452.1	(1.0)	−0.2%
Minnesota Mining & Manuf. (3M)	850.0	395.0	46.5%	791.0	303.0	38.3%	734.0	251.0	34.2%	882.0	303.0	34.4%	780.0	227.0	29.1%	648.0	192.0	29.6%	747.0	249.0	33.3%
Mitchell Energy & Development	14.1	0.3	1.9%	13.3	0.0	0.0%	80.1	0.0	0.0%	55.9	0.0	0.0%	117.4	(1.2)	−1.0%	109.5	(18.7)	−17.1%	175.9	(21.2)	−12.1%
Mobil	899.3	96.0	10.7%	(268.0)	171.0	NM	13.0	0.0	0.0%	838.0	86.0	10.3%	848.0	50.0	5.9%	733.0	29.0	4.0%	1,542.0	330.0	21.4%
Morgan (J.P.)& Co.	511.0	73.5	14.4%	537.9	(25.8)	−4.8%	448.5	119.3	26.6%	230.9	(43.2)	−18.7%	208.1	20.1	9.7%	116.5	5.4	4.6%	196.7	34.5	17.5%
Motorola	226.0	33.0	14.6%	131.0	52.0	39.7%	(15.0)	(42.0)	NM	311.0	80.0	25.7%	223.0	68.0	30.5%	172.0	12.0	7.0%	218.0	53.0	24.3%
Nalco Chemical	88.6	39.2	44.3%	78.4	25.2	32.2%	94.2	35.9	38.1%	91.0	36.4	40.0%	98.1	36.0	36.7%	81.2	29.4	36.2%	108.0	43.8	40.5%
National Service Industries	128.7	33.7	26.2%	122.5	31.2	25.5%	106.6	24.5	23.0%	94.7	13.7	14.5%	80.3	1.5	1.9%	75.4	30.8	40.8%	80.0	38.3	47.9%
NCR	188.6	97.2	51.6%	150.2	18.0	12.0%	186.2	79.3	42.6%	229.0	104.5	45.6%	237.9	68.3	28.7%	176.2	6.5	3.7%	201.9	38.0	18.8%

Company:	1987 Profit	1987 Tax	1987 Rate	1986 Profit	1986 Tax	1986 Rate	1985 Profit	1985 Tax	1985 Rate	1984 Profit	1984 Tax	1984 Rate	1983 Profit	1983 Tax	1983 Rate	1982 Profit	1982 Tax	1982 Rate	1981 Profit	1981 Tax	1981 Rate
Niagara Mohawk Power	159.9	20.5	12.8%	562.7	38.4	6.8%	541.0	(2.2)	−0.4%	490.1	23.5	4.8%	378.5	(4.6)	−1.2%	331.4	4.9	1.5%	240.4	7.0	2.9%
Norfolk Southern	788.0	194.2	24.6%	827.3	163.4	19.7%	799.4	128.5	16.1%	816.7	154.7	18.9%	596.5	37.5	6.3%	731.0	36.8	5.0%	928.3	64.8	7.0%
Northern Indiana PSC	98.3	6.9	7.0%	(48.8)	(26.4)	NM	31.0	1.6	5.2%	243.4	7.4	3.0%	229.7	6.0	2.6%	178.1	(9.2)	−5.2%	141.3	(18.8)	−13.3%
Northern States Power	297.2	67.2	22.6%	327.3	(4.0)	−1.2%	332.4	18.6	5.6%	330.1	10.4	3.1%	347.6	(3.1)	−0.9%	288.2	(15.9)	−5.5%	226.3	62.9	27.8%
Northrop	98.4	0.1	0.1%	42.5	3.5	8.2%	347.2	8.4	2.4%	239.4	(3.9)	−1.6%	149.8	1.5	1.0%	(38.5)	(11.2)	NM	66.1	(32.8)	−49.6%
Ogden	55.7	(6.7)	−12.1%	151.6	52.1	34.4%	(68.6)	(5.5)	NM	59.0	21.8	37.0%	59.7	14.4	24.1%	47.9	(26.8)	−55.9%	84.9	(15.0)	−17.7%
Ohio Edison	596.8	77.9	13.1%	594.3	5.6	0.9%	543.5	19.5	3.6%	496.7	5.8	1.2%	417.0	10.1	2.4%	315.2	(10.2)	−3.2%	295.5	(37.5)	−12.7%
Overseas Shipholding Group	46.9	6.3	13.3%	51.5	16.7	32.4%	42.6	4.9	11.5%	49.6	(4.8)	−9.7%	51.8	(2.6)	−5.0%	71.9	0.3	0.4%	103.0	10.0	9.7%
PACCAR	135.9	29.4	21.7%	65.4	3.6	5.5%	101.8	21.7	21.4%	182.6	84.3	46.1%	73.0	24.6	33.7%	68.6	26.4	38.6%	118.5	46.2	39.0%
Pacific Gas & Electric	1,209.2	313.1	25.9%	1,957.9	132.4	6.8%	1,559.0	113.9	7.3%	1,467.4	(12.6)	−0.9%	1,178.4	57.7	4.9%	1,145.2	438.1	38.3%	605.8	13.1	2.2%
Pacificorp	461.7	117.1	25.4%	452.9	(41.2)	−9.1%	377.7	59.6	15.8%	419.2	40.3	9.6%	110.7	12.3	11.1%	273.8	6.3	2.3%	211.7	(41.7)	−19.7%
Parker Hannifin	111.3	38.4	34.5%	108.7	25.6	23.6%	118.8	29.5	24.9%	102.5	33.8	33.0%	35.3	4.5	12.7%	70.3	8.4	11.9%	80.2	27.8	34.6%
Pennsylvania Power & Light	513.2	59.5	11.6%	549.8	32.4	5.9%	443.3	11.6	2.6%	442.1	0.4	0.1%	386.1	0.1	0.0%	288.6	(12.9)	−4.5%	246.1	2.4	1.0%
Pennzoil	76.8	(4.5)	−5.9%	206.8	20.2	9.8%	326.2	78.4	24.0%	318.0	100.0	31.4%	244.1	7.9	3.2%	224.3	(0.1)	−0.0%	310.8	34.8	11.2%
Pepsico	760.4	254.9	33.5%	534.6	143.1	26.8%	522.8	(31.9)	−6.1%	596.1	11.6	1.9%	550.2	(45.3)	−8.2%	512.5	(23.7)	−4.6%	342.5	(78.4)	−22.9%
Pfizer	565.2	124.7	22.1%	597.9	33.1	5.5%	553.1	44.5	8.0%	457.6	156.8	34.3%	329.1	67.7	20.6%	254.4	15.6	6.1%	165.8	6.5	3.9%
Philadelphia Electric Co.	771.5	76.0	9.9%	269.4	12.9	4.8%	592.6	(2.6)	−0.4%	621.6	3.1	0.5%	501.9	(16.4)	−3.3%	439.1	11.5	2.6%	329.9	(28.5)	−8.6%
Philip Morris	2,731.0	840.0	30.8%	2,231.0	811.0	36.4%	2,049.0	762.0	37.2%	1,404.0	572.8	40.8%	1,411.0	416.0	29.5%	1,105.2	291.5	26.4%	873.4	214.3	24.5%
Pillsbury	317.9	101.0	31.8%	330.2	134.2	40.6%	302.0	89.3	29.6%	272.9	68.1	25.0%	198.9	39.7	20.0%	198.9	62.2	31.3%	175.0	56.3	32.2%
Pinnacle West	503.1	39.1	7.8%	374.4	46.1	12.3%	433.3	9.2	2.1%	416.4	14.6	3.5%	341.7	8.9	2.6%	309.9	4.8	1.5%	210.4	(42.4)	−20.2%
Pitney Bowes	235.0	57.3	24.4%	215.3	39.8	18.5%	186.7	22.9	12.2%	205.1	42.8	20.9%	238.7	24.6	10.3%	139.5	28.2	20.2%	121.4	17.1	14.1%
Pittway	44.1	10.5	23.7%	40.5	3.1	7.7%	49.2	5.5	11.2%	48.1	6.3	13.2%	40.0	0.9	2.2%	43.7	(1.0)	−2.4%	54.5	17.2	31.6%
PPG Industries	417.5	151.0	36.2%	399.9	105.9	26.5%	453.4	123.4	27.2%	418.3	95.3	22.8%	295.9	57.0	19.3%	147.0	2.7	1.8%	254.2	33.8	13.3%
Prime Computer	29.6	2.0	6.7%	27.6	5.2	18.8%	26.2	3.0	11.4%	41.5	0.5	1.2%	28.5	0.1	0.2%	38.8	0.0	0.0%	32.5	0.1	0.2%
Procter & Gamble	1,068.1	228.0	21.3%	921.0	166.0	18.0%	865.0	240.0	27.7%	1,238.0	289.0	23.3%	1,347.0	519.0	38.5%	1,253.0	438.0	35.0%	954.0	351.0	36.8%
PSE&G (New Jersey	)864.5	48.1	5.6%	596.7	187.7	31.5%	805.4	79.3	9.8%	739.5	21.6	2.9%	578.6	10.8	1.9%	512.3	38.0	7.4%	377.0	6.2	1.6%
Quaker Oats	217.5	73.4	33.7%	209.9	91.1	43.4%	249.5	78.3	31.4%	214.5	43.0	20.0%	171.7	57.1	33.3%	153.8	57.8	37.6%	132.3	48.2	36.4%
Quantum Chemical	487.9	259.1	53.1%	149.6	75.6	50.5%	117.1	43.0	36.7%	62.2	29.9	48.1%	75.8	21.5	28.4%	68.4	21.1	30.8%	130.3	37.4	28.7%
Ralston Purina	809.8	346.4	42.8%	587.6	245.3	41.7%	405.6	181.5	44.7%	353.3	146.2	41.4%	381.4	168.7	44.2%	268.8	111.4	41.4%	285.4	116.3	40.7%
Raytheon	676.4	294.6	43.5%	641.3	73.7	11.5%	574.6	404.4	70.4%	515.5	157.6	30.6%	447.5	295.1	65.9%	452.0	193.4	42.8%	493.2	135.6	27.5%
RJR Nabisco	1,250.8	370.0	29.6%	1,114.6	305.0	27.4%	1,332.0	565.0	42.4%	1,180.0	456.0	38.6%	1,158.0	410.0	35.4%	1,067.0	509.0	47.7%	1,165.0	446.0	38.3%
Rockwell International	1,004.6	66.9	6.7%	856.2	83.7	9.8%	881.9	305.6	34.7%	779.6	217.6	27.9%	587.0	161.4	27.5%	522.7	(1.7)	−0.3%	457.6	46.2	10.1%
Rohm and Haas	96.0	25.0	26.0%	23.0	(4.0)	−17.4%	104.0	12.0	11.5%	160.8	53.9	33.6%	155.3	50.1	32.3%	29.0	(11.2)	−38.6%	110.9	25.3	22.8%
Santa Fe Southern Pacific	461.3	95.3	20.7%	386.2	28.9	7.5%	652.5	8.6	1.3%	730.0	8.3	1.1%	512.5	31.1	6.1%	403.9	(28.7)	−7.1%	662.6	(144.1)	−21.7%
Sara Lee	220.6	111.8	50.7%	227.8	55.9	24.5%	217.9	60.4	27.7%	263.0	19.6	7.4%	218.6	12.7	5.8%	185.4	1.8	1.0%	167.6	71.4	42.6%
Scana	224.4	66.9	29.8%	243.8	82.6	33.9%	231.8	57.7	24.9%	247.2	5.8	2.3%	170.8	21.8	12.8%	130.7	1.9	1.4%	112.3	(0.4)	−0.4%
Schering-Plough	281.3	57.1	20.3%	231.5	48.2	20.8%	183.0	18.5	10.1%	174.9	26.1	14.9%	178.8	31.5	17.6%	149.9	5.2	3.5%	145.4	26.8	18.4%
Scott Paper	227.2	24.4	10.7%	196.0	9.6	4.9%	182.8	29.1	15.9%	232.0	67.4	29.1%	148.3	25.3	17.1%	114.7	(76.8)	−66.9%	99.6	(46.4)	−46.6%
Sears, Roebuck	1,624.6	597.4	36.8%	1,624.3	270.6	16.7%	1,460.3	132.6	9.1%	1,772.3	166.2	9.4%	1,790.8	67.8	3.8%	1,053.4	81.2	7.7%	601.6	(4.9)	−0.8%
Sequa Corp.	42.3	(5.9)	−13.9%	9.1	1.7	19.2%	9.1	(7.3)	−80.8%	30.5	2.9	9.4%	30.0	0.4	1.3%	21.8	(9.3)	−42.5%	20.2	(4.3)	−21.5%
Shell Oil	1,728.0	61.0	3.5%	1,273.0	(17.0)	−1.3%	2,644.0	237.0	9.0%	2,868.0	702.0	24.5%	2,664.0	551.0	20.7%	2,586.0	588.0	22.7%	2,731.0	602.0	22.0%
Sherwin-Williams	141.6	46.4	32.8%	155.8	49.5	31.8%	116.6	39.4	33.7%	107.0	39.4	36.9%	89.6	41.0	45.8%	63.4	27.6	43.5%	47.8	14.3	29.9%
Singer	17.2	1.3	7.6%	54.1	0.0	0.0%	70.4	1.1	1.6%	89.6	0.9	1.0%	65.9	0.0	0.0%	24.1	(5.4)	−22.4%	14.6	(7.1)	−48.6%
SmithKline Beckman	440.4	106.2	24.1%	413.0	78.4	19.0%	479.0	96.8	20.2%	450.7	86.2	19.1%	439.3	75.3	17.1%	387.6	71.8	18.5%	317.9	66.5	20.9%
Sonoco	89.1	34.1	38.3%	79.0	27.7	35.1%	74.3	32.0	43.1%	62.2	22.8	36.7%	52.4	17.0	32.4%	38.6	10.3	26.7%	53.7	21.2	39.5%
Southeast Banking Corp.	115.7	3.4	2.9%	77.8	1.8	2.4%	71.2	2.7	3.7%	70.6	1.1	1.6%	51.7	(2.6)	−5.0%	41.5	2.6	6.2%	34.6	(7.3)	−21.2%
Southern California Edison	1,281.3	391.9	30.6%	1,361.1	324.7	23.9%	1,458.3	(39.6)	−2.7%	1,285.9	140.5	10.9%	1,012.2	178.2	17.6%	576.7	140.4	24.3%	607.9	44.8	7.4%
Southern Company	1,162.8	119.3	10.3%	1,638.2	43.3	2.6%	1,544.4	196.1	12.7%	1,384.9	76.8	5.5%	1,201.1	23.0	1.9%	1,009.4	25.4	2.5%	722.5	20.9	2.9%
Southwest Airlines	28.5	11.1	39.0%	65.4	1.4	2.1%	60.8	1.0	1.6%	67.8	(0.9)	−1.3%	63.6	3.8	6.0%	33.3	(15.7)	−47.1%	48.3	4.7	9.7%
Southwestern Bell	1,565.7	427.9	27.3%	1,703.4	345.2	20.3%	1,631.4	149.4	9.2%	1,443.6	90.9	6.3%	1,489.4	151.1	10.1%	1,403.8	16.5	1.2%	1,317.6	113.7	8.6%
Springs Industries	95.1	32.0	33.6%	54.8	13.2	24.1%	19.2	3.0	15.7%	51.2	10.2	19.9%	52.9	4.4	8.3%	58.6	18.5	31.6%	66.6	23.0	34.6%
Square D	155.4	57.9	37.2%	148.9	57.0	38.3%	147.7	39.9	27.0%	153.4	56.8	37.0%	110.0	34.5	31.4%	91.8	36.2	39.4%	165.3	61.5	37.2%
Squibb	336.0	66.4	19.8%	244.2	69.9	28.6%	123.3	28.4	23.1%	140.6	52.7	37.5%	145.6	19.6	13.5%	135.1	12.5	9.3%	0.1	9.3	NM
Stanley Works	110.1	29.1	26.4%	103.3	30.6	29.6%	110.9	30.5	27.5%	101.3	26.0	25.6%	66.1	19.0	28.7%	43.0	16.0	37.2%	63.3	18.7	29.5%
St. Paul Cos.	364.2	7.1	2.0%	216.4	0.0	0.0%	94.2	3.3	3.5%	(207.1)	(5.2)	NM	94.5	9.1	9.7%	195.2	3.7	1.9%	146.3	(11.4)	−7.8%

Company:	1987 Profit	1987 Tax	1987 Rate	1986 Profit	1986 Tax	1986 Rate	1985 Profit	1985 Tax	1985 Rate	1984 Profit	1984 Tax	1984 Rate	1983 Profit	1983 Tax	1983 Rate	1982 Profit	1982 Tax	1982 Rate	1981 Profit	1981 Tax	1981 Rate
Sun Co.	392.0	16.0	4.1%	513.0	(26.0)	−5.1%	692.0	138.0	19.9%	757.0	23.0	3.0%	594.0	148.0	24.9%	716.0	28.0	3.9%	1,649.0	321.0	19.5%
Sundstrand	46.8	6.1	13.1%	57.9	(6.3)	−10.9%	111.0	(18.1)	−16.3%	106.2	7.8	7.3%	66.2	(13.8)	−20.8%	94.4	0.2	0.2%	138.2	31.3	22.7%
Suntrust Banks	339.8	35.0	10.3%	246.8	2.7	1.1%	185.7	(3.1)	−1.7%	167.4	11.8	7.0%	79.7	3.0	3.8%	48.9	(11.9)	−24.3%	53.3	2.1	4.0%
SuperValu Stores	184.1	63.0	34.2%	172.6	89.0	51.5%	156.4	49.7	31.8%	144.0	55.2	38.3%	132.8	50.9	38.3%	117.0	47.1	40.3%	112.5	47.7	42.4%
Tandy	433.9	181.9	41.9%	344.5	134.6	39.1%	311.0	146.6	47.1%	460.3	210.8	45.8%	455.7	200.5	44.0%	352.0	159.0	45.2%	274.5	122.7	44.7%
Teledyne	461.3	82.6	17.9%	291.4	88.4	30.3%	552.4	77.9	14.1%	600.6	62.5	10.4%	366.2	30.9	8.4%	324.5	44.9	13.8%	590.7	117.3	19.9%
Texas Eastern	269.7	30.4	11.3%	103.4	0.5	0.5%	16.4	(14.8)	−90.2%	164.1	24.3	14.8%	186.4	(28.9)	−15.5%	206.5	120.0	58.1%	270.0	(22.1)	−8.2%
Texas Utilities Co.	963.7	42.9	4.5%	966.5	44.0	4.6%	928.6	117.5	12.7%	867.0	118.4	13.7%	737.7	73.3	9.9%	700.2	71.0	10.1%	641.6	101.4	15.8%
Textron	315.3	76.5	24.3%	318.2	69.1	21.7%	242.1	36.9	15.2%	168.9	34.8	20.6%	123.2	17.5	14.2%	109.9	8.9	8.1%	224.8	41.6	18.5%
Time, Inc.	475.0	113.0	23.8%	595.0	151.0	25.4%	317.7	61.2	19.3%	343.3	70.6	20.6%	235.9	77.4	32.8%	180.3	56.6	31.4%	138.1	36.0	26.1%
Torchmark	312.3	57.3	18.4%	231.9	19.1	8.2%	225.1	4.2	1.9%	179.9	0.5	0.3%	124.4	(4.4)	−3.6%	94.4	1.4	1.5%	100.6	0.6	0.6%
Transamerica	452.2	6.6	1.5%	146.7	(11.1)	−7.5%	4.2	(7.3)	−176%	145.5	(5.8)	−4.0%	211.9	(2.9)	−1.4%	163.4	(57.1)	−34.9%	227.7	(27.7)	−12.2%
Tribune Co.	174.7	76.9	44.0%	455.5	207.9	45.7%	179.6	67.0	37.3%	173.7	53.9	31.0%	129.5	37.8	29.1%	12.8	(17.6)	−137%	71.3	(0.8)	−1.2%
TRW	283.0	65.0	23.0%	206.0	40.0	19.4%	129.5	24.0	18.5%	340.4	200.2	58.8%	272.4	44.8	16.4%	233.4	(12.1)	−5.2%	278.4	19.5	7.0%
Tyson Foods	114.4	10.4	9.1%	94.6	6.7	7.1%	65.3	4.0	6.1%	30.8	0.5	1.7%	19.2	(0.4)	−1.9%	14.6	(3.7)	−25.3%	1.3	(0.8)	−61.5%
Union Camp	318.4	57.6	18.1%	191.1	(4.0)	−2.1%	117.6	(13.3)	−11.3%	263.2	(3.8)	−1.4%	152.0	(19.3)	−12.7%	158.0	(0.6)	−0.4%	242.8	34.6	14.3%
Union Electric	530.2	82.4	15.5%	443.9	21.8	4.9%	419.5	8.5	2.0%	472.8	(6.5)	−1.4%	411.5	6.7	1.6%	300.4	7.6	2.5%	235.8	(5.2)	−2.2%
Union Pacific	791.5	88.0	11.1%	732.2	20.0	2.7%	749.0	23.0	3.1%	766.0	40.0	5.2%	687.0	23.0	3.3%	475.0	35.0	7.4%	649.0	6.0	0.9%
United Technologies	344.9	145.3	42.1%	320.9	62.0	19.3%	772.2	251.7	32.6%	668.5	139.8	20.9%	582.8	136.8	23.5%	470.9	78.3	16.6%	522.5	149.9	28.7%
Upjohn	348.9	46.8	13.4%	323.8	23.8	7.3%	268.0	78.0	29.1%	256.1	68.1	26.6%	263.3	69.8	26.5%	193.9	14.8	7.6%	222.1	19.3	8.7%
USAIR Group	248.4	31.4	12.6%	168.7	0.7	0.4%	174.5	(11.5)	−6.6%	199.2	13.8	6.9%	119.3	(0.9)	−0.7%	66.1	(25.4)	−38.5%	58.0	(10.5)	−18.1%
USG Corp.	272.4	89.6	32.9%	398.5	154.0	38.6%	360.0	124.9	34.7%	288.6	129.6	44.9%	129.2	42.0	32.5%	43.2	(10.6)	−24.5%	96.6	15.8	16.4%
U.S. Bancorp	128.6	34.8	27.1%	76.9	(18.3)	−23.8%	73.7	14.5	19.7%	68.2	(9.4)	−13.8%	51.7	(22.0)	−42.5%	45.0	(24.5)	−54.5%	79.2	3.4	4.3%
VF Corporation	287.0	108.7	37.9%	226.5	86.8	38.3%	263.2	114.0	43.3%	230.3	101.5	44.1%	208.4	95.0	45.6%	165.4	74.5	45.0%	116.2	51.0	43.9%
Walt Disney Co.	732.0	212.5	29.0%	425.3	55.6	13.1%	280.2	5.0	1.8%	(7.3)	(54.0)	NM	138.4	(67.9)	−49.1%	163.6	(29.1)	−17.8%	202.8	81.2	40.0%
Wal-Mart Stores	1,024.9	388.4	37.9%	811.6	339.0	41.8%	580.1	234.7	40.5%	482.8	202.3	41.9%	343.3	138.3	40.3%	215.8	78.0	36.1%	142.7	50.9	35.6%
Waste Management	541.7	178.7	33.0%	499.2	129.4	25.9%	297.2	83.8	28.2%	218.5	74.5	34.1%	172.1	58.2	33.8%	146.1	55.0	37.7%	124.8	49.2	39.4%
West Point-Pepperell	111.0	40.6	36.6%	93.3	38.5	41.3%	45.5	12.9	28.4%	90.0	23.3	25.9%	82.2	20.6	25.1%	63.5	15.6	24.6%	63.0	20.7	32.9%
Westinghouse	977.8	76.5	7.8%	742.0	99.3	13.4%	723.7	54.3	7.5%	619.8	(16.0)	−2.6%	393.7	20.2	5.1%	452.4	(48.2)	−10.7%	523.3	54.3	10.4%
Westvaco	206.2	24.4	11.9%	137.9	(21.5)	−15.6%	130.9	19.7	15.0%	168.8	30.3	17.9%	84.2	6.8	8.1%	67.4	(2.1)	−3.2%	150.6	35.4	23.5%
Weyerhaeuser	581.5	123.8	21.3%	380.1	71.3	18.8%	289.2	58.6	20.3%	288.5	79.5	27.5%	274.2	46.4	16.9%	115.1	(40.8)	−35.4%	251.4	(144.2)	−57.4%
Whirlpool	236.6	100.7	42.6%	283.7	127.2	44.8%	288.4	77.3	26.8%	289.4	101.1	34.9%	255.5	123.5	48.3%	193.0	84.8	43.9%	201.7	88.5	43.9%
Witco	70.5	26.3	37.3%	86.8	25.4	29.2%	77.3	22.5	29.2%	76.6	23.8	31.1%	75.0	27.3	36.4%	42.2	7.6	18.0%	60.7	13.4	22.1%
Wrigley (Wm., Jr.)Co.	75.8	29.4	38.7%	67.5	28.0	41.4%	54.3	20.4	37.5%	42.3	15.3	36.0%	43.7	16.0	36.7%	32.6	11.4	34.9%	30.9	9.6	31.1%
Xerox	414.0	33.0	8.0%	211.0	(22.0)	−10.4%	70.0	(10.0)	−14.3%	46.2	(20.5)	−44.4%	339.5	46.2	13.6%	251.8	(54.0)	−21.4%	480.9	4.5	0.9%
Total, 250 Cos.:	$123,377	$27,283	22.1%	$106,035	$15,715	14.8%	$113,959	$17,342	15.2%	$114,431	$19,303	16.9%	$104,122	$15,069	14.5%	$87,140	$10,300	11.8%	$89,719	$13,943	15.5%

Notes on Individual Companies

Abbott Laboratories: According to the 1987 report, tax incentive grants related to subsidiaries in Puerto Rico and Ireland were worth $78 million to the company in 1987, $92 million in 1986 and $86 million in 1985. The company was only able to defer a total of $7.5 million in federal taxes in 1987, as compared to $57.7 million in 1986 and $50.8 million in 1985.

Aetna: The company's tax figures, according to the 1987 annual report, include "a current tax credit on operating earnings for 1987 and 1986 due to the realization of tax benefits from net operating losses being offset against taxes on operating income and capital gains." At the end of 1987, the company had $217 million in tax loss carryforwards to offset future taxes.

Air Products and Chemicals: The company's fiscal year ends on September 30 of the years listed. According to the 1987 report, "The benefit from the reduction of the U.S. federal statutory rate from 46% to 43% in fiscal 1987 was more than offset by the repeal of the investment tax credit." 1983 results were adjusted to reflect $27.6 million received by the company from the sale of tax benefits through "safe-harbor leasing" (which the company treated as an addition to income rather than as a tax benefit.)

Alco Standard: The company's tax figures were adjusted to reflect tax benefits purchased through "safe harbor leasing" which the company did not reflect in its statement of taxes paid. The 1987 report notes: "While not reducing the current provision for income taxes, the tax benefits of $3,700,000 in 1987, $12,772,000 in 1986 and $22,999,000 in 1985, from . . . leasing transactions have reduced current payments." The benefits in earlier years amounted to $12.3 million in 1984, $10.3 million in 1983 and $11 million in 1982. Taxes were also reduced by acquisition-related tax benefits of $25.7 million in 1987, $13.2 million in 1986 and $12.3 million in 1985 relating to Paper Corporation of America.

American Cyanamid: In 1985, the company booked a $54.3 million charge on a plan to curtail and consolidate certain chemical and fertilizer businesses. This cut its reported 1985 profits to the low level shown in the study, although the tax effects were primarily deferred.

American Electric Power: Investment tax credits were $53 million in '86 and $107 million in '85.

American Express: The company does not directly disclose its current federal tax in its annual report; all deferred taxes, which it does list, are assumed to be federal taxes.

American Home Products: The company does not disclose current federal tax in its annual report; deferred tax was allocated between federal and foreign operations based on their share of the total tax liability. The company's operations in Puerto Rico are taxed at a special low rate.

AMETEK: In 1987, the company experienced a turnaround on tax breaks purchased through "safe-harbor leasing" of $0.9 million. Safe-harbor leasing cut the company's taxes by a total of $76 million from 1981 to 1986: $7.4 million in 1986, $13.3 million in 1985, $14.8 million in 1984, $13.6 million in 1983, $19 million in 1982 and $7.8 million in 1981.

Amoco: Prior to 1987, the company obtained very substantial tax reductions from the purchase of tax benefits through "safe-harbor leasing." Apparently, these amounts are fully reflected in the company's tax statement.

AMP: In 1987, the company had a turnaround in deferred taxes (i.e., a tax increase) from "Tax Reform Act of 1986 inventory adjustments." The company's taxes were reduced by the special treatment of its Puerto Rican affiliate, Pamcor.

Anheuser-Busch: According to the company's 1987 annual report: "The 1987 and 1986 provisions for income taxes reflect the benefit of $14.0 million and $43.5 million of investment tax credit on transitional capital projects." The company's taxes deferred through accelerated depreciation declined to $79.5 million in 1987, down from $160 million in 1986 and $193 million in 1985. The company's current tax figures were adjusted downward by $9.7 million in 1983, $15.7 million in 1982 and $6.3 million in 1981 to take account of purchased tax benefits that were not reflected in the company's current tax provision.

AON Corporation: The company was known as Combined International Corp. until April 1987. According to its 1987 annual report, the company's large realized capital losses in that year "reflect market conditions and decisions made to obtain tax benefits and restructure elements of the portfolio."

Archer Daniels Midland: The company's fiscal year ends on June 30 of the years listed. Investment tax credits reduced the company's taxes by $6 million in 1987, $19.4 million in 1986 and $12.6 million in 1985. Accelerated depreciation saved the company $19.5 million in 1987, $27.5 million in 1986 and $39.9 million in 1985. In 1987, the company paid $27.5 million in taxes previously deferred on inventories.

Armstrong World Industries: The company's tax figures were reduced by the estimated tax reductions that the company received from purchased tax benefits, amounting to $9.7 million in 1986, $18.9 million in 1985, $18.9 million in 1984, $25.9 million in 1983, $9.7 million in 1982 and $16.2 million in 1981.

Ashland Oil: The company's entire 1987 tax bill (and more) was wiped out by tax deferrals. The company attributes its 1987 tax refund to losses relating to its refining operations. The fact that the company's fiscal year ends on September 30 may explain why it did not pay the minimum tax.

AT&T: The company's higher taxes in 1987 reflect a reduction in tax deferrals (mainly due to accelerated depreciation)—to $36 million, compared to the 1981-85 average of $1.7 billion a year—and lower tax credits—down to $363 million, compared to an average of $1.3 billion a year from 1981-85. Figures include the results of AT&T Credit Corporation which began operations in 1985. The 1986 profit figure does not include a 1986 non-cash restructuring charge ($2,157 million). A portion of this charge (approximately $982 million), expended in 1987, was subtracted from 1987 profits.

Avon: The 1987 profit figure excludes a $50 million, non-cash restructuring provision.

Ball Corporation: The company had investment tax credits of $0.4 million in 1987, $2.0 million in 1986 and $4.2 million in 1985. Its high 1987 tax bill reflects payment of $13 million in taxes previously deferred in connection with its disposition of its commercial glass container and mould business.

Bankers Trust: Income figures for 1985 to 1987 have been allocated to domestic and foreign operations based on the geographic distribution of average assets, which reflects the domicile of the customer. (Thus, a $700 million special charge in 1987 to cover the allowance for foreign credit losses has been charged to foreign income.) According to the 1987 annual report: "Consolidated income taxes were reduced by approximately $42 million and $23 million during 1986 and 1985, due to the effect on certain leasing activities from the enactment of 1986 and 1985 tax legislation."

Barnett Banks: The 1987 report states: "The Tax Reform Act of 1986 included numerous provisions affecting large banks. The most significant provision affecting Barnett in the current year was the increase from 20% to 100% for the disallowance of interest on most tax-exempt obligations. Other significant provisions include the elimination of the deduction for additions to the allowance for loan losses, the recapture of tax loan loss reserves, and the elimination of the investment tax credit and cash-basis of accounting."

Baxter Travenol Laboratories: The company's tax-exempt operations are the primary reason for its low taxes. Its 1987 annual report states that "most Puerto Rico operations [are] partially tax exempt until the year 2000 . . . . A subsidiary of the company has manufacturing operations in Ireland which are expected to be tax exempt until April 1990. Upon expiration of the exemption period, earnings of this operation are expected to be subject to taxes at rates not to exceed 10% until 2000. In addition, the company has subsidiaries operating in Singapore which are tax exempt under local grants expiring in 1993." Tax exempt operations saved the company $79 million in 1987, $108 million in 1986 and $64 million in 1985. Although the company reports a net federal tax refund of $32 million in 1987 and a total federal income tax of only $4 million in 1986, it says these figures include a minimum tax of $1 million in 1987 and $28 million in 1986. Figures for 1985-87 include the company's finance subsidiary.

Becton, Dickinson: A special restructuring charge, which was booked in 1983 but actually incurred in 1984 and 1985, was treated as reducing profits in 1984 and 1985, rather than 1983. Tax breaks relating to the company's Puerto Rico and Virgin Islands operations saved the company $19 million in 1987, $16 million in 1986 and $18 million in 1985.

Boeing: The company's high 1987 tax rate reflects a $316 million turnaround in taxes previously deferred through the use of completed contract accounting. This tax break saved the company a total of $1.3 billion in federal income taxes from 1981 to 1986, including $354 million in tax savings in 1986 alone.

Briggs & Stratton: The company's fiscal year ends on June 30 of the years listed. For financial reporting purposes, the company amortizes its investment tax credits as reductions in depreciation expense. In this study, the investment tax credit (affecting years prior to 1987 only) is accounted for as a reduction in taxes paid (and a corresponding adjustment was made to the company's pretax profits).

Bristol-Myers: Taxes were reduced by research and investment tax credits of $7 million in 1987, $14 million in 1986 and $14 million in 1985.

Brown-Forman Distillers: The company's fiscal year ends on April 30 of the years listed. Tax figures include "Charge equivalent arising from acquisitions," which apparently contributed to the company's current federal income tax.

Burlington Northern: The 1986 income figure does not include a $957 million "non-cash" special charge for asset write-downs. This charge had no apparent cash effect on earnings or taxes in 1986 and 1987. Investment tax credits amounted to $5 million in 1986 and $79 million in 1985. At the end of 1987, the company had $91.7 million in investment tax credit carryovers and $50 million in tax loss carryovers available to reduce future taxes.

Campbell Soup Company: The company's fiscal year ends on August 2, 1987. The tax figures in this study include reductions of $16 million in 1987, 1986 and 1985, $21 million in 1984 and $23 million in 1983 due to the purchase of tax benefits through "safe-harbor leasing." In 1987 the company entered into a transaction to purchase tax benefits from an Alaskan Native Corporation which resulted in a $4.5 million tax reduction. According to the annual report, "The elimination of the investment tax credit . . . will be more than compensated for by the lower statutory tax rate of 34% also enacted by the Tax Reform Act of 1986."

Capital Cities/ABC: The company was formed in January 1986 upon the merger of Capital Cities and ABC. The figures up to that point reflect the results of Capital Cities only.

Carolina Power & Light: In 1987, a sharp increase in taxes deferred through accelerated depreciation write-offs ($206 million in 1987 compared to $44 million in 1986 and $35 million in 1985) more than offset a drop in the company's tax credits (from $154 million in 1985 to $96 million in 1986 to $45 million in 1987). Although the company reports a negative total federal income tax liability for 1987, it lists an Alternative Minimum Tax of $10 million for that year.

Centerior Energy: The company was formed in April 1986 upon the affiliation of Cleveland Electric Illuminating Company and Toledo Edison Company. The pre-1986 figures reflect the results of Cleveland Electric only. In 1987, the company experienced a large turnaround on taxes previously deferred under sale and leaseback transactions. The 1987 annual report states, "Most of the increase in tax payments [from the Tax Reform Act of 1986] is because the Alternative Minimum Tax reduces the amount of investment tax credit allowed as an offset to federal tax payable." At the end of 1987, the company had $27 million in unused investment tax credits available to reduce future taxes.

Centex: The company's fiscal year ends on March 31 following the years listed. Most of its (very high) 1987 tax liability reflects a $30 million turnaround in taxes previously deferred under the instalment sales method of accounting—a tax break that saved the company a total of $152 million from 1981-85, a period over which it paid essentially nothing in federal income taxes. The figures do not include Centex Mortgage Company.

Central and South West Corp.: Although the company, in its 1987 annual report, states that its purchases of tax benefits through "safe harbor leasing" "served to reduce Federal income taxes currently payable," the company no longer discloses the amount of its tax savings therefrom.

Champion International: A deferred restructuring charge booked in 1984 was subtracted from profits in 1985-87 as actually incurred. At the end of 1987, the company had investment tax credit carryforwards of $142 million available to reduce taxes in subsequent years.

Chase Manhattan: According to the 1987 annual report, "Income taxes for 1987 reflected a Federal tax benefit of approximately $150 million arising from the $1.6 billion special addition to the Reserve for possible Credit Losses."

Chevron: The company's figures from 1985 onward reflect its acquisition of Gulf Oil. The 1987 annual report notes, "Although the federal statutory corporate rate was lower in 1987, this was more than offset by lower investment tax credits resulting from the Tax Reform Act of 1986, reduced capital gain benefits, and increased state and local income taxes."

Chrysler: The company's increased tax rate in 1987 compared to 1986 reflects "the favorable tax effect of the Peugeot sale in 1986 and a substantially greater utilization of investment tax and research and development credits in 1986 compared with 1987," according to the 1987 annual report. The figures include the results of Chrysler Financial Corporation. Results include $19.8 million in 1983, $10.1 million in 1982 and $38.4 million in 1981 that the company received from the sale of tax benefits. (The company treated these proceeds as an increase in income rather than as a tax benefit.)

Citizens and Southern Corp.: The company paid $13 million in Alternative Minimum Tax in 1987 (representing 59 percent of its total tax). The company's 1987 annual report notes, "The increase in the effective tax rate [from 1986 to

Digital Equipment Corp.: The company's fiscal year ends on the last Saturday of June of the years listed. The company's tax statements reflect tax reductions in 1982 through 1986 from the purchase of tax benefits through "safe-harbor leasing." The drying up of these benefits, along with the repeal of the investment tax credit, are the primary causes of the company's higher tax rate in 1987. According to the 1987 annual report, "The company's manufacturing subsidiary operating in Puerto Rico is subject to tax at a rate of approximately 9% on its manufacturing earnings through fiscal 1995. The income from products manufactured for export by the Company's Irish manufacturing subsidiary is exempt from Irish taxes through April 1990. The income from certain products manufactured by the Company's Singaporean manufacturing subsidiary is wholly exempt from Singaporean taxes through March 1991 and partially exempt through December 1996."

Dillard Department Stores: The company's 1987 annual report states "Taxes currently payable doubled in fiscal 1987 compared to the prior two fiscal years due principally to the phase out of the instalment method of reporting income from charge sales and to the inventory capitalization rules for certain buying and merchandising costs."

Dominion Resources: The company's taxes were reduced by investment tax credits of $38 million in 1987, $18 million in 1986 and $156 million in 1985.

Donnelley (R.R.) & Sons: The company's tax figures include tax benefits purchased through "safe harbor leasing." The 1987 annual report notes, "In December 1987, the company entered into certain agreements with a corporation established pursuant to the Alaskan Native Claim Settlement Act for the purpose of purchasing certain tax benefits. The amounts of benefits ultimately available will be determined in 1988 when the final effects of the agreement can be determined."

Dow Chemical: The company's return to the tax rolls reflects, among other things, turnarounds on taxes previously deferred on instalment sales and loss of the investment tax credit. The latter saved the company $361 million in taxes from 1981 to 1986.

Du Pont: The company is back on the tax rolls primarily because of a sharp decline in its tax savings from accelerated depreciation, which were $41 million in 1987, compared to a total of $1.9 billion from 1981-85, and the loss of the investment tax credit, which saved the company $702 million from 1981-85.

Dun & Bradstreet: The company's current tax was reduced by tax benefits it acquired through leasing transactions amounting to $118.5 million in 1981, $118.5 million in 1982, $93.6 million in 1983, $86.8 million in 1985, $80 million in 1985, $13 million in 1986 and a turnaround (addition to tax) of $8.7 million in 1987. (The small amounts the company included in pretax profits relating to leasing were subtracted from both taxes and profits.) The 1987 tax figure includes $8 million in tax losses purchased from an Alaskan Native Corporation.

Eastman Kodak: A 1985 deferred special charge for discontinuance of the company's instant photo business (after the Polaroid litigation) was deducted from reported profits in 1986 and 1987 as actually incurred. Investment, research and development and other tax credits reduced the company's taxes by $48 million in 1986 and $117 million in 1985.

Eaton: Figures do not include the results of the company's finance subsidiaries. Nor do they include discontinued operations (Defense Electronics Operations).

Englehard: The company reports paying the minimum tax in 1986.

ENSERCH: At the end of 1987, the company had $221 million in tax loss carryforwards and $16 million in other tax credit carryforwards available to reduce taxes in future years. Profit figure for 1985 does not include a $262 million non-cash provision for asset write-downs.

Exxon: The company's investment tax credits amounted to $20 million in 1987, $119 million in 1986 and $229 million in 1985. In 1986, Exxon lost its appeal of a judgment against it for windfall profit tax avoidance between 1975 and 1981. It booked the cost of the judgment in earlier years, including $948 million for 1985. In this study, that $948 million is treated as paid in 1986 (when the judgment was actually paid) rather than in 1985. In 1986, Exxon took $1.6 billion out of its employee pension plan.

E-Systems: The company's tax figures include a turnaround in taxes related to the purchase of tax benefits through safe-harbor leasing of $0.2 million in 1987. Safe-harbor leasing reduced the company's taxes by $3.8 million in 1986, $3.9 million in 1985, $3.9 million in 1984, $4.1 million in 1983 and $6.9 million in 1982.

Federal Express: The company's fiscal year ends on May 31 of the years listed. The increase in taxes in 1987 reflects the loss of tax benefits from "safe harbor leasing" after 1985. At May 31, 1987, the company had investment tax carryforwards of $34 million available to reduce taxes in future years.

First Boston: In 1987, the company experienced turnarounds on taxes deferred due to employee's deferred compensation and benefits and net gain on disposition of assets.

First Executive Corp.: At the end of 1987, the company had tax loss carryforwards of $576 million available to reduce future taxes.

First Union Corp.: According to the company's 1987 annual report, "The Tax Reform Act of 1986 had an essentially neutral impact on our net income." The share of the company's income made up of tax-exempt interest rose to 70 percent in 1987 from 58 percent in 1985.

FMC: In 1987, the company took $333.3 million in cash out of its employee pension plan. It paid $146.7 million in taxes on this, but for book purposes it is deferring the recognition of the gain, and is amortizing it into income over 13.5 years. The figures in this study have included the entire transaction in 1987, when the cash was received and the tax was paid. The company's taxes were reduced by investment tax credits of $20.5 million in 1985 and $16.4 million in 1986.

Ford Motor Co.: The figures include the results of Ford Motor Credit Company. The 1981-1983 figures include the proceeds the company received from the sale of tax benefits. (The company treated these proceeds as an increase in income rather than as a tax benefit; both income and taxes were adjusted in this study.)

Gannett Co.: Figures for 1981 to 1985 include estimated tax savings from tax breaks purchased through "safe-harbor leasing" in 1981. The reductions amounted to $23.3 million per year in 1983-85 and $24.4 million in 1981-82.

General Dynamics: The company became a significant taxpayer in 1987 due to a $340 million turnaround on taxes previously deferred using completed contract accounting. That tax break saved the company a total of $289 million in taxes in 1985 and 1986. The company's sales of tax breaks in 1981 and 1982 have been treated as reductions in taxes, rather than as increases in profits (as the company recorded them). Starting in 1986, the company stopped disclosing its actual current tax liability; for 1986 and 1987, current taxes had to be calculated by subtracting deferred taxes (listed in the cash flow statement) from total current and deferred taxes.

General Electric: The company's tax refunds in 1981 through 1983 and its low taxes in 1984 and 1985 stem largely from tax credits and deductions generated by its leasing subsidiary, General Electric Credit Corp. Those tax benefits, while still significant, have declined in recent years.

General Mills: The company's fiscal year ends on the last Sunday of May of the years listed. A decline in the company's tax breaks from safe-harbor leasing is the key to its higher tax bill in 1987. The company was able to reduce its taxes by $55 million in 1987, $112 million in 1986, $113 million in 1985, $118 million in 1984, $175 million in 1983 and $130 million in 1982 through tax breaks purchased under "safe harbor leasing." The company's taxes also were reduced by investment tax credits of $6.2 million in 1987, $10.7 million in 1986 and $10.1 million in 1985,

General Motors: For 1987, the company took $8.8 billion in depreciation write-offs on its tax return—which exceeded its $5.6 billion in book depreciation deductions by a staggering 59 percent. In contrast, from 1981 to 1986, the company's tax depreciation exceeded its book depreciation by only 14 percent. The $1.3 billion in 1987 taxes that GM deferred using accelerated depreciation write-offs was itself sufficient to wipe out GM's 1987 federal income tax liability. (The company's deferred taxes due to extra depreciation rose to $1.3 billion in 1987 from $269 million in 1985.) These added depreciation tax benefits may relate in part to the faster write-offs the 1986 Tax Reform Act allows for auto makers' special tools. (Ford shows a similar jump in its tax depreciation write-offs in 1987.)

The company's investment tax credits were $226 million in 1987, $582 million in 1986 and $740 million in 1985—with the 1986 and 1987 credits apparently the result of "transition rules" to the Tax Reform Act of 1986.

In addition, tax deferrals relating to vehicle instalment sales saved GM a total of $1.1 billion in taxes in 1986 and 87. Again, GM took advantage of a "transition rule" to the Tax Reform Act, but in this case one that supposedly was intended only to aid another company. Under the old tax law, if a company shipped products to its dealers in one year, received partial payment for the products immediately and then got full payment in the following year after the products were sold by the dealers, it didn't have to pay taxes on the income from the sales until the second year. The Tax Reform Act changed the rules for such "instalment sales." Now the income from such sales must be declared in the year the first payment is received.

An exception was put into the law, however, intended to benefit the John Deere Company. Technically, this "transition rule" permits a company whose contracts with its dealers allow the company to buy back shipped products within nine months to continue to defer taxes under the old instalment sales rules—if the contractual practice predates January 1, 1987. Deere was supposed to be the only beneficiary of the rule, but General Motors, Ford and Chrysler quickly added a nine-month repurchase provision to their dealer arrangements in late 1986, thereby beating the deadline and, arguably, qualifying for the tax break. (Unlike GM, Ford and Chrysler do not spell out how much the tax break was worth to them in their annual reports.)

According to a January 1987 article in *The Washington Post*, auto industry experts estimated that the three auto makers could save $2 billion in taxes from their continued use of the instalment sales loophole. In the summer of 1987, however, the Treasury Department threw cold water on this tax bonanza, ruling that the "transition rule" would be limited only to John Deere. The ruling applies retroactively, so GM (and the other auto companies) should have to pay back the taxes saved from the loophole in the near future.

In this study, GM's profits for 1981 and 1983 were adjusted by treating approximately $1 billion in benefit plan expenses accrued in 1981 but paid in 1983 as 1983 expenses (rather than as 1981 expenses as GM treated them). This adjustment had no effect on the company's overall 81-85 effective tax rate, but does avoid what would otherwise be an anomaly in the 1981 rate. Figures include the profits and taxes of General Motors Acceptance Corporation.

General Re: The company's 1984 pretax loss reflects a loss on the sale of the Trident Companies. The company says that it paid the Alternative Minimum Tax in 1987.

General Signal: A turnaround on taxes previously deferred under the completed contract method of accounting increased the company's taxes by $24.2 million in 1987. (That tax accounting rule saved the company $1.7 million in taxes in 1986, and cost it $7.8 million in 1985.) Profits for 1985 to 1987 were adjusted to reflect the current portion of a large restructuring charge booked in 1985.

Georgia-Pacific: The company's higher tax rate in 1987 reflects the loss of the investment tax credit and the capital gains tax break for timber (except for transition tax benefits) and reduced accelerated depreciation write-offs.

Goodyear Tire & Rubber: The figures for 1986 and 1987 include the results of Goodyear Financial Corporation. The company's investment tax credits amounted to $4.2 million in 1987, $28.7 million in 1986 and $60.5 million in 1985.

Great Northern Nekoosa: The company's taxes reflect investment tax credits of $4.8 million in 1987, $5.9 million in 1986 and $8.0 million in 1985.

Greyhound: Figures include the company's financial subsidiaries, which are the key to the company's consistent lack of tax payments. Investment tax credits treated by the company as income were treated as tax reductions in this study.

Grumman: The company's high 1985-87 tax rates reflect turnarounds on taxes previously deferred through the completed contract method of accounting. The company experienced turnarounds of $37.1 million in 1987, $44.2 million in 1986 and $79.8 million in 1985, after saving a total of $188 million from completed contract accounting from 1981 to 1984.

GTE: A restructuring charge in 1986, which was booked retroactively to 1985, has been excluded from the 1985 income calculations; the current portion of the charge has been subtracted from the 1986 and 1987 income figures.

Gulf States Utilities: At the end of 1987, the company had tax loss carry-forwards of $797 million and investment tax credit carryforwards of approximately $180 million available to reduce income taxes in future years.

Gulf+Western: The company's fiscal year ends on October 31 of the year listed. Tax figures include investment tax credits of $46 million in 1987, $19 million in 1986 and $18 million in 1985.

Harris: The company's fiscal year ends on June 30 of the years listed. The company's high tax rate in 1987 primarily reflects a $20 million turnaround on taxes previously deferred due to the "completed contract method of accounting" (which saved the company $69 million in taxes from 1981-86); the loss of the investment tax credit (which saved the company $53 million from 1981 to 1986); and a $2 million turnaround on instalment sales (which saved the company $20 million from 1981-86). The figures do not include the results of the company's finance subsidiary (which would affect 1987 and 1986 results).

Harris Bankcorp: The company was subject to the Alternative Minimum Tax in 1987. Tax-exempt interest income accounts for the company's low tax rate. At the end of 1987, the company had $25.8 million in tax losses available to reduce future taxes.

Harsco: The company's high tax rate for 1985 reflects expenses that were accrued for book purposes, but were not yet deductible for tax purposes (because they had not yet been paid). The high rate in 1987 also reflects expense accruals, as well as a turnaround on depreciation deferrals.

Heinz (H.J.) Co.: The company's fiscal year ends on the Wednesday nearest April 30 for the years listed. The company's investment tax credits amounted to $1.5 million in 1987, $6.9 million in 1986 and $3.7 million in 1985.

Hercules: Tax figures prior to 1985 include both federal and state taxes. The company experienced turnarounds of $8.5 million in 1987 and $18 million in 1986 on taxes previously deferred under the completed contract method of accounting. In 1985, that accounting method saved the company $25.2 million. The company's investment tax credits were $1.4 million in 1987, $19 million in 1986 and $12.4 million in 1985. The company's higher tax rate in 1987 largely reflects a taxable gain on its sale of Himont, Inc.

Hershey Foods: The company's 1987 annual report notes: "In 1987, the Corporation modified its tax treatment of certain insurance, marketing and employee benefit expenses. While these expenses continue to be recognized currently for financial statement purposes, the Corporation now deducts such amounts for income tax purposes when paid. This change necessitated a cumulative adjustment which served to increase the current provision for income taxes with a corresponding decrease in the deferred provision in 1987."

Hewlett-Packard: Federal tax breaks for the company's Puerto Rico operations saved the company an estimated $20 million in taxes in 1987 and $13 million in 1986. Besides its tax savings from its Puerto Rico operations, the company notes in its 1987 annual report: "As a result of certain . . . actions undertaken by the company, income from manufacturing activities in certain countries is subject to reduced tax rates and in some cases is wholly exempt from taxes for years through 1994 to 2002. The income tax benefits attributable to the tax status of these subsidiaries are estimated to be $43 million, $40 million and $37 million for 1987, 1986, and 1985 respectively." The company also was able to defer taxes of $90 million in 1987, $30 million in 1986 and $99 million in 1985 relating to "deferred payment contracts." The research and development tax credit saved the company $19 million in 1987, $30 million in 1986 and $27 million in 1985.

Honeywell: Profits for 1986 and 1987 were adjusted to reflect the current impact of a $219 million restructuring charge booked in 1986. Profits for 1986 and 1987 were calculated using the company's geographical breakdown of operating profits and other expenses. The 1987 annual report notes that U.S. current federal taxes "have been reduced by U.S. tax credits of $4.6 [million] in 1986 and $24.4 [million] in 1985." The company's 1987 tax rate was inflated by $64 million in negative deferred taxes relating to pensions, inventories and accruals. The figures do not include the results of the company's unconsolidated finance subsidiaries.

Hormel (Geo. A.) & Co.: The company's fiscal year ends on the last Saturday of October of the years listed. The higher tax rate in 1987 reflects the loss of the investment tax credit and a decrease in the amount of taxes deferred because of accelerated depreciation.

Household International: The income figure for 1986 does not include a $91 million non-cash restructuring charge, which apparently had little or no cash effect in 1987 as well. At the end of 1987, the company had net operating loss carryforwards of $205.9 million available to reduce taxes in future years.

Humana: The company's fiscal year ends on August 31 of the years listed. The 1986 profit figure does not include a deferred unusual charge that the company booked in that year. The 1987 profit figure includes the current portion of the 1986 unusual charge.

IBM: The company's 1987 annual report notes: "For 1987, the current U.S. Federal taxes payable were impacted by credits for taxes paid to other jurisdictions." Similarly, the 1986 report states: "For 1986, . . . the impact of [foreign] tax credits resulted in negative current U.S. Federal taxes payable." According to *The Wall Street Journal*, IBM's chairman, John Akers, stated at IBM's most recent annual meeting that the company benefited in 1987 from "the lower statutory [tax] rate, plus . . . foreign tax credits." Michael Van Vranken, an IBM assistant controller, told the *Journal* that foreign tax credits were "significant." "We pay income taxes at the 50% rate in Australia, more than a 50% rate in West Germany and the United Kingdom, and 60% in Japan," he told the *Journal*.

The fact that IBM pays heavy foreign taxes is interesting. But in theory, foreign tax credits are supposed to be limited to relieving U.S. taxes on an American company's *foreign* profits, when those profits have already been taxed by a foreign government. (The idea is to avoid double taxation of the same profits.) In order to use foreign tax credits to reduce U.S. taxes on *U.S.* profits, a company would have to show lower domestic profits (and higher foreign profits) on its federal tax return than it discloses in its annual report.

If, as IBM's executives and the statements quoted from its annual reports seem to indicate, IBM is somehow using foreign tax credits to offset U.S. taxes on its domestic profits, then the company's annual reports suggest that it has been doing so for years. From 1981 to 1985, the amounts involved appear to have averaged $496 million a year. In recent years, the amounts seem to have increased, to $729 million in 1986 and $962 million in 1987—enough to explain IBM's new tax-exempt status.

Figures include the results of IBM Credit Corporation (which also generated tax savings for the company).

Illinois Power: In 1987, the company's tax savings from accelerated depreciation jumped to $85.7 million, from an average of $10.7 million per year in 1981-86. The company got a tax refund in 1987 despite a $32.7 million Alternative Minimum Tax payment in that year.

INTERCO: The company's fiscal year ends on February 28 following the years listed.

International Multifoods: The company's fiscal year ends on the last day of February following the years listed. The annual report notes, "The provisions of the Tax Reform Act . . . were applied during the fiscal year ended February 28, 1987 [1986 in this report]. Accordingly, earnings from continuing operations after income taxes were reduced by approximately $730,000 principally from the loss of investment tax credits."

International Paper: At the end of 1987, the company had tax credit carryforwards of $139 million available to reduce taxes in future years. The amount of taxes the company deferred through accelerated depreciation grew to $164 million in 1987, up from $137 million in 1986 and $103 million in 1985. Figures for 1982 were adjusted to reflect $37.9 million in proceeds received by the company from the sale of tax benefits (which the company treated as a tax benefit). In addition, $109.3 million in taxes booked as current in 1982 and as deferred in 1981 were treated in this study as current in 1981 when the related income was reported on the company's books.

Johnson Controls: The company's fiscal year ends on September 30 of the years listed. The company experienced turnarounds related to "safe harbor leasing" that cost it $1 million in 1987, but reduced its taxes by $3.4 million in 1986, $7.1 million in 1985, $8.1 million in 1984, $7.9 million in 1983 and $8.1 million in 1982. Investment tax credits decreased the company's taxes by $2.4 million in 1986 and $4.8 million in 1985. Payment of taxes previously deferred using completed contract accounting increased the company's taxes by $9 million in 1987 and $11 million in 1986. The accounting system saved the company $10 million in taxes in 1985. All told, safe harbor leasing, investment tax credits, accelerated depreciation and completed contract accounting increased the company's tax bill by 5 percent in 1987, had no effect in 1986 and cut the company's tax bill by 26 percent in 1985.

Johnson & Johnson: The 1987 annual report states: "Tax benefits of $300 million were provided in 1986 related to the redirection charges and over-the-counter capsule products [Tylenol] withdrawal costs of $680 million [$645 million domestic]. The major portion of the tax benefits was realized in 1986 and 1987." In this study, $346 million of this special charge was estimated to be current in 1986 and $199 million was estimated to be current in 1987; the company's reported domestic profits were adjusted accordingly. The company's report also notes: "The company has domestic subsidiaries operating in Puerto Rico under a consolidated grant providing for tax relief expiring April 1, 1999."

J.C. Penney: The company's fiscal year ends on the last Saturday of January following the years listed. The company's tax figures apparently reflect the tax benefits purchased under "safe-harbor leasing." The company experienced a turnaround in 1987 of taxes previously deferred under the instalment sales method of accounting.

K mart: The company's fiscal year ends on the last Wednesday in January after the years listed.

Kellogg: Purchased tax benefits from "safe-harbor leasing" (which reduced the company's taxes by $1.2 million in 1985, $3.1 million in 1984, $6.2 million in 1983 and $12 million in 1982) are no longer listed in the company's annual report.

Keycorp: Tax-exempt interest represents about three-quarters of the company's pretax profits.

Kimberly-Clark: The company's taxes were cut by investment tax credits of $2.4 million in 1987, $13 million in 1986 and $29.6 million in 1985. "Certain assets," the 1987 annual report notes, "were entitled to the investment tax credit under the transition rules of the [1986 Reform] Act."

Knight-Ridder: The company's investment tax credits amounted to $0.6 million in 1987, $3 million in 1986 and $8 million in 1985.

Kraft: The company was formerly known as Dart & Kraft, Inc. In July 1987, the company sold D&K Financial Corporation, its leasing subsidiary, which had previously served as a source of tax credits; the company's tax figures include DKFC's results for the periods prior to its sale.

Kroger: A special charge for restructuring in 1986 was allocated to 1986 and 1987 based on its cash effect in those years. Investment and other tax credits amounted to $2.4 million in 1987, $7.7 million in 1986 and $23.0 million in 1985.

Lilly (Eli) and Co.: The 1987 income figure does not include $140 million in deferred restructuring charges. The company's high 1987 tax rate reflects a turnaround in deferred taxes on instalment sales, liability insurance and other items. The United States Tax Court assessed $14.4 million against the company in 1985 relating to its operations in Puerto Rico for 1971-1973. The IRS is currently seeking another $160 million for the years 1974-1981. The company reports tax savings from its operations in Puerto Rico of $64 million in 1987, $76 million in 1986 and $64 million in 1985.

Litton Industries: The company's fiscal year ends on July 31 of the years listed. In 1987 the company experienced a $36.9 million turnaround of taxes previously deferred under completed contract accounting, but saved $69.6 million in 1986 and $34.9 million in 1985 under the rule.

Lockheed: Completed contract accounting continues to be the key factor underlying the company's low tax payments. The company's tax savings from completed contract accounting amounted to $230 million in 1987, $343 million in 1986 and a total of $962 million from 1981 to 1985. Figures do not include the (apparently insignificant) results of Lockheed Finance Corp.

Loews Corporation: The 1987 annual report states: "Under the [1986 Tax Reform] Act, property and casualty insurance companies are required to discount reserves for income tax purposes as of January 1, 1987. This reduction of reserves, previously deducted for tax purposes, does not give rise to taxable income under the Act (the 'fresh start adjustment'). The Company will recognize this tax benefit over the period covered by the discounted reserves."

Long Island Lighting Co.: At the end of 1987, the company had $335 million in investment tax credit carryforwards available to reduce taxes in future years.

Lubrizol: The company's tax figures for 1985-87 include both state income taxes and federal taxes on foreign profits.

MacMillan: In 1987, the company had a turnaround on taxes previously deferred in connection with inventory and publishing costs. The turnaround reflects the effects of costs capitalized in accordance with the 1986 Tax Reform Act.

MAPCO: The company's tax figures were cut by investment tax credits of $1.4 million in 1987, $0.9 million in 1986 and $8.3 million in 1985.

Marsh & McLennan: The company's annual report does not directly disclose its current federal tax payments. Since the report states deferred income tax "relates principally to the utilization of the cash basis method of accounting for U.S. tax purposes," all deferred taxes are assumed to be federal. The low 1984 profit figure reflects unusual charges for investment losses. The company's tax benefits from "safe-harbor leasing" transactions (primarily in 1981-85) were subtracted in computing its current taxes.

Martin Marietta: Figures for 1982 were adjusted to reflect $60.5 million in proceeds received by the company from the sale of tax benefits [part of which ($22.4 million in 1982 and $2.4 million in 1984) the company treated as an increase in income. The increase in taxes in 1987 reflects a turnaround of $32.9 million in taxes previously deferred under the completed contract method of accounting. Completed contract accounting cut the company's tax bill by $50.3 million in 1986 and $70.9 million in 1985.

May Department Stores: The Tax Reform Act of 1986 curbed the company's ability to defer taxes using the instalment sales method of accounting.

MCA: The company's taxes were reduced by investment tax credits of $15.5 million in 1987, $25 million in 1986 and $39.3 million in 1985.

McDonnell Douglas: Figures include McDonnell Douglas Finance Corp., which apparently plays a significant role in producing the company's low federal tax bills. The company's 1987 annual report predicts that the Tax Reform Act of 1986 and the Revenue Act of 1987 "are expected to increase the amount of taxes paid by MDC over the next five years by an estimated $340.0 million." Completed contract accounting, which the company calls the "principal factor underlying the deferred tax liability," cost the company $17 million in 1987, but saved it $658 million from 1981 to 1986. At the end of 1987, the company had tax loss carryforwards of $415.5 million, unused investment tax credits of $295.4 million and other credits of $119.7 million available to reduce future taxes.

Media General: The company's higher effective tax rate in 1987 resulted from lower investment tax credits ($2.1 million in 1987, $8.8 million in 1986 and $9.1 million in 1985), which offset the reduced corporate tax rate.

Merck & Co.: The company's leasing activities were worth $45 million in reduced taxes in 1985, but the benefits were mostly eliminated by 1987. Merck's tax benefits from its Puerto Rican subsidiaries increased in 1987, but its taxes deferred using accelerated depreciation declined (to $23.3 million in 1987 from $44.4 million in 1985). Furthermore, the company experienced a turnaround in 1987 for taxes deferred through instalment sales ($10.8 million) and inventory related items ($43.8 million).

Merrill Lynch: In 1987, the company reports an Alternative Minimum Tax of $4.2 million—more than its total federal income tax liability.

Middle South Utilities: The company's entire (tiny) 1987 tax bill was a result of the Alternative Minimum Tax. At the end of 1987, the company had $896.5 million in "loss" carryforwards and $477.1 million in investment tax credit carryforwards available to reduce taxes in the future.

Minnesota Mining & Manufacturing (3M): The company's investment tax credits were $6 million in 1986 (resulting from "asset additions qualifying under transition rules [of the Tax Reform Act of 1986]") and $31 million in 1985. The company had a turnaround in total taxes deferred of $63 million in 1987, but deferred taxes of $6 million in 1986 and $9 million in 1985.

Mitchell Energy & Development: The company's fiscal year ends on January 31 following the years listed. The company's consistently low taxes primarily reflect oil tax breaks (expensing of intangible drilling costs)—worth $173.4 million to the company from 1981 to 1987—and real estate tax breaks (expensing of capitalized costs)—worth $116.3 million to the company from 1981 to 1987. Together, these two tax preferences were more than enough to wipe out the company's entire federal income tax liability from 1981 to 1987. At the end of 1987, the company had tax loss carryforwards of $180 million and investment tax credit carryforwards of $44 million available to reduce taxes in future years. Results for 1981 and 1982 include proceeds from the sale of tax benefits of $17.3 million and $18.5 million, respectively (part of which the company allocated to profits rather than to tax benefits).

Mobil: The company's profits for 1985 were depressed by a $775 million charge for Montgomery Ward restructuring. Profits in 1986 were reduced by a $150 million loss on the sale of Container Corporation of America. The 1987 annual report notes, "Overall, the 1986 Tax Reform Act affected 1987 results unfavorably by approximately $100 million. The loss of benefits from investment credits and the unfavorable impact of the new foreign sourcing rules were only partially offset by the reduced tax rate." The quality of Mobil's disclosure deteriorated in its 1987 report.

Morgan (J.P.) & Co.: Investment tax credits in 1986, resulting from transitional rules of the Tax Reform Act of 1986, amounted to $4 million and were "utilized in connection with a prior year's tax return." At December 31, 1987, the company had $300 million in "unutilized tax benefits" which represented the tax effects of "$710 million of deductions which are expected to be available as a reduction of income tax expense in future years."

Nalco Chemical: The figures do not include the results of the company's finance subsidiaries.

National Service Industries: The company's fiscal year ends on August 31 of the years listed. Tax figures for 1983-87 reflect tax benefits purchased under "safe-harbor leasing" (which the company likewise reports as a reduction in taxes paid). The 1987 annual report notes, "The investment tax credits in 1987 [$2.3 million] arose under the transition provisions of the Tax Reform Act of 1986."

NCR: The company's high tax rate in 1987 resulted from a turnaround in deferred taxes on "Instalment Sales/Sales Type Leases."

Niagara Mohawk Power: In 1987, the company experienced a turnaround of $56.8 million in deferred taxes related to tax adjustments associated with disallowed plant costs.

Norfolk Southern: The 1987 figures do not include the non-cash portion of a $620.4 million restructuring charge. In 1987, the company experienced a turnaround of $5.3 million in deferred taxes related to "safe-harbor leasing." Safe-harbor leasing cut the company's taxes by $16.4 million in 1986 and $16.9 million in 1985.

Northern Indiana PSC: The 1986 loss reflects $193.6 million paid to Carbon County Coal Co. to settle a contract dispute. At the end of 1987, the company had $62.6 million in investment tax credit carryforwards available to reduce taxes in future years.

Northern States Power: The increase in the company's taxes in 1987 reflects an end to its tax benefits from "safe-harbor leasing," which had reduced its taxes by $47.5 million in 1986 and $52.3 million in 1985.

Northrop: The $773 in tax benefits that the company enjoyed from 1981 to 1987 due to completed contract accounting were sufficient not only to more than wipe out the company's entire federal income tax liability, but also to create large carryover benefits to cut taxes in future years. At the end of 1987, the company had $279 million in tax loss carryforwards and $124 million in tax credit carryforwards available to reduce taxes in future years. A spokesman for the company says that the new Alternative Minimum Tax did not apply to the company in 1987.

Ogden: At the end of 1987, the company had $8.5 million in investment and energy tax credit carryforwards available to reduce taxes in future years.

Ohio Edison: A $128.5 million turnaround in deferred taxes in 1987 for "deferred sale and leaseback costs" cut total deferred taxes to only $43 million, from $145 million in 1986 and $97 million in 1985. In 1987, the company received $1.3 billion in a sale and leaseback of utility facilities, reflecting a large share of ownership in two recently completed nuclear power plants. Tax figures for 1982 and 1981 reflect $10.5 million and $37.5 million, respectively, from the sale of tax benefits through "safe-harbor leasing."

Overseas Shipholding Group: Income figures include both domestic and tax-haven income. (The company refers to the latter as income "not subject to income taxes in the country of incorporation.") The 1987 annual report notes that the Tax Reform Act of 1986 makes the earnings of US controlled foreign shipping companies subject to current Federal tax and says "the effect of this 1986 Act change could be significant in future years."

PACCAR: Figures include the results of PACCAR Financial Corp.

Pacificorp: The figures include the results of PacifiCorp Financial Services. Proceeds from the sale of tax benefits ($1.1 million in 1982 and $42.8 million in 1981) are reflected in the study as a reduction in taxes paid. (The company booked these benefits as an addition to cash flow with no income or tax effect.)

Parker Hannifin: The company's fiscal year ends on June 30 of the years listed. The 1987 annual report attributes the company's increased tax rate in 1987 to "the repeal of investment tax credits and . . . to the Company's fiscal year ending prior to the effective date of the rate reduction included in the Tax Reform Act of 1986." The company experienced turnarounds in 1987 in deferred taxes related to completed contract accounting, the instalment sales method of accounting and the purchase of tax benefits through "safe-harbor leasing."

Pennsylvania Power & Light: At the end of 1987, the company had $141 million in investment tax credit carryforwards available to reduce taxes in future years. Its 1987 report complains: "Major provisions [of the 1986 Tax Reform Act] include . . . a limitation of the amount of investment tax credits the company can currently utilize due to the alternative minimum tax."

Pennzoil: For 1987, the company reports an Alternative Minimum Tax liability of $5.9 million, but nevertheless received a tax refund as a result of a carryback of capital losses. The company's taxes were reduced by investment tax credits of $0.7 million in 1987, $3.2 million in 1986 and $6.9 million in 1985. The figures listed in this study reflect the company's continuing operations only. Including discontinued operations, the company received a tax refund in 1986, too.

Pepsico: Puerto Rican profits (which Pepsico treats as "foreign") are included, as are the effects of tax benefit transfers (safe-harbor leasing). The company's higher tax rate in 1987 reflects a turnaround in tax benefits from safe harbor leasing which cost the company $23.7 million in 1987 and $1.1 million in 1986. Safe-harbor leasing reduced the company's taxes by a total of $725 million from 1981 to 1985.

Pfizer: The domestic profit figures listed in this study are based on the company's domestic operating profit minus a prorated share of its interest and overhead expenses. In 1987, the company experienced a turnaround of $30.2 million on taxes previously deferred using the instalment sales method of accounting. Tax breaks from subsidiaries in Puerto Rico and Ireland saved the company $127 million in 1987, $144 million in 1986 and $117 million in 1985.

Philadelphia Electric Co.: The 1987 annual report states: "Investment tax credits (ITC) and income tax credits resulting from contributions to employee stock ownership plans reduced Federal income taxes currently payable by $20 million in 1987, $43 million in 1986 and $12 million in 1985. Under the Tax Reform Act of 1986, ITC has been repealed effective January 1, 1986 with the exception of transition property. The Company believes that Limerick Unit No. 2 [a nuclear power plant] qualifies as transition property eligible for ITC." The report also notes, "The company's current tax liability for 1987 was determined under the AMT [Alternative Minimum Tax] method resulting in an $83 million tax credit to be utilized in future years in which regular tax liability exceeds the AMT liability."

Philip Morris: According to the 1987 annual report, "The decrease [in the effective tax rate] resulted primarily from provisions of the Tax Reform Act of 1986 which reduced corporate income tax rates." The figures do not include the results of the company's finance subsidiary, Philip Morris Credit Corp.

Pillsbury: The company's fiscal year ends on May 31 of the years listed. Tax figures were adjusted to include reversals (tax increases) of $21.4 million in 1987 and $15 million in 1986 and tax reductions of $15.5 million in 1985, $17.5 million in 1984 and $33.6 million in 1983 from tax benefits purchased through "safe-harbor leasing." The company's 1987 annual report states: "Although the new tax law adversely impacted Fiscal 1987, it will benefit future years" through the reduction in rates. The company concludes: "we welcome the new law."

Pinnacle West: The company was known as AZP Group until 1987. The 1987 figures include the unconsolidated subsidiary, MeraBank (acquired in December 1986).

Pitney Bowes: Figures include the results of Pitney Bowes Credit Corporation. The 1987 annual report states: "While certain investment tax credits continue to be allowable under transitional rules, the enactment of this law resulted in a reduction of investment tax credits recognized by non-finance operations from $14.1 million in 1985 to $3.4 million and $2.2 million in 1986 and 1987, respectively. While investment tax credits for leasing operations were likewise eliminated, the impact on these was largely offset by indemnification clauses contained in many lease agreements. In addition, the financing in 1987 of commercial and non-commercial jet aircraft which qualify for ITC transitional treatment, have *(sic)* helped offset the decline in this credit."

Pittway: The company's 1987 tax figure includes a reversal (tax increase) related to "safe-harbor leasing," while the 1981 to 1986 figures reflect tax reductions from safe-harbor leasing.

Prime Computer: The 1987 annual report states: "Most of the earnings of the Company's domestic manufacturing subsidiary in Puerto Rico are not subject to tax under an exemption which expires in 1994." Similarly, "Earnings of the Company's foreign manufacturing subsidiary in Ireland are not subject to Irish income tax under an exemption which expires in 1990. Earnings subsequent to the expiration of the exemption will be subject to tax at a rate of 10%." Although only 11 percent of Prime's property square footage is foreign, the company claims that almost two-thirds of its pretax profits are foreign; these profits are taxed (by foreign governments) at a rate of less than 6 percent.

Procter & Gamble: The company's fiscal year ends on June 30 of the years listed. The 1987 income figure does not include an announced restructuring provision which had no cash effect in fiscal 1987.

PSE&G (New Jersey): Accelerated depreciation saved the company $203 million in 1987, $63 million in 1986 and $42 million in 1985. Deductions (or lack thereof) for "deferred fuel costs" reduced the company's taxes by $56 million in 1987 and added $161 million and $20 million to the company's taxes in 1986 and 1985, respectively.

Quaker Oats: The company's 1987 annual report notes: "In fiscal 1987, the Company entered into certain agreements with various Alaskan Native Corporations (ANCs) for the purpose of purchasing net operating losses. The company has not recognized the benefit of these losses in the results of operations for fiscal 1987 as the amounts and terms of the agreements have not yet been finalized."

Quantum Chemical: The company was known as National Distillers and Chemical Corporation until January 4, 1988. The figures include the results of discontinued operations (which are not separated out in the annual report).

Ralston Purina: The company's fiscal year ends on September 30 of the years listed.

Raytheon: The company's sharp swings in tax rates reflect taxes deferred and then paid under "completed contract accounting." Investment tax credits amounted to $1 million in 1987, $6 million in 1986 and $18.3 million in 1985. The figures do not include the results of the company's unconsolidated finance subsidiary.

RJR Nabisco: The figures for 1987 do not include a non-current restructuring charge of $308 million. In June of 1985, the company acquired Nabisco and changed its name from R.J. Reynolds Industries. The company's investment tax credits amounted to $14 million in 1987, $46 million in 1986 and $60 million 1985.

Rockwell International: The company's fiscal year ends on September 30 of the years listed. From 1981 to 1987, the company deferred a total of more than $1 billion in federal income taxes using the completed contract method of accounting. More than half of this tax avoidance occurred in 1987 and 1986, when completed contract accounting cut the company's tax bills by $273.6 million and $260.4 million, respectively—up sharply from the 1981-85 average deferral of $101 million per year. The company says that its 1986-87 deferrals are primarily related to the B-1B program (whose completion is expected in 1988). Figures do not include the results of the company's financial subsidiary.

Santa Fe Southern Pacific: The 1986 results do not include a non-cash charge related to the restructuring of railroad operations. The 1987 results are reduced by the cash effects of the restructuring in that year. Investment tax credit benefits amounted to $18 million in 1986 and $66.5 million in 1985. Figures reflect $12 million in 1983, $40.4 million in 1982 and $64.9 million in 1981 in proceeds from the sale of tax benefits (treated as tax benefits, rather than as increases in income, as the company lists them).

Sara Lee: The company's fiscal year ends the last Saturday of June of the years listed. The company's high tax rates in recent years reflect turnarounds in taxes previously deferred through safe harbor leasing, amounting to $39.4 million in 1987, $34.3 million in 1986 and $1.5 million in 1985. (Safe harbor leasing had saved the company substantial amounts in earlier years.) The company's 1987 annual report states: "Although net income in 1987 and 1986 was adversely affected by the Tax Reform Act of 1986 through the loss of investment tax credits, future earnings will be benefited by a reduction in the federal statutory tax rate which should more than offset the loss." Figures do not include results for Sara Lee Credit Corporation.

Schering-Plough: The company's lower tax rate in 1985 was due to tax losses of Key Pharmaceuticals, with which the company merged in that year. According to the 1987 annual report, "The company has subsidiaries in Puerto Rico and Ireland that manufacture pharmaceutical products for distribution to both domestic and foreign markets. These subsidiaries are operating under tax-exemption grants expiring at various dates between 1990 and 2001." In 1987, the company's Puerto Rican and Irish operations represented 9 percent of the company's total worldwide assets. But, says the company, Puerto Rican operations alone contributed 29 percent of the company's worldwide pretax earnings and almost half of its U.S. pretax profits.

Scott Paper: In 1985, the company purchased a Brascan Limited U.S. subsidiary that had a $56 million tax loss carryforward. "Utilization of the . . . carryforward is restricted by the Internal Revenue Code," the 1987 annual report states. "[H]owever, the Company expects to utilize the [tax loss] before it expires." The company experienced turnarounds on deferred taxes of $9.8 million in 1987, $11.3 million in 1986 and $10.8 million in 1985 related to "safe-harbor leasing."

Sears, Roebuck: According to the 1987 annual report: "A significant source of funds in prior years was deferred taxes related to the instalment method of reporting credit sales for tax purposes. The Tax Reform Act of 1986 eliminated the instalment sales method effective in 1987." The company paid $90 million in Alternative Minimum Tax in 1987.

Sequa Corp.: The company was known as Sun Chemical Corp. until May 1987. The tax figures through 1985 include state and local income taxes. The figures include the tax benefits of the company's leasing subsidiary, Sequa Capital Corporation.

Shell Oil: The company's taxes were reduced by investment tax credits of $20 million in 1987, $51 million in 1986 and $129 million in 1985.

Singer: The company experienced turnarounds of $3 million in 1987 and $5.8 million in 1985 and a tax reduction of $12.3 million in 1986 related to the completed contract method of accounting. The 1987 annual report notes: "In 1987 and 1986, the Company recorded extraordinary credits of $3 million and $18 million, respectively, representing the utilization of tax benefits related to the spin-off of SSMC Inc. and previously sold sewing and related products operations." At the end of 1987, the company had $28 million in investment tax credit carryforwards and $93 million in operating loss carryforwards available to reduce taxes in future years. Figures do not include Singer Credit Corp.

SmithKline Beckman: The company's 1987 annual report states, "Certain income of subsidiaries operating in Puerto Rico and Ireland is substantially exempt from income taxes. The exemptions reduced expected income taxes and increased net earnings by approximately $112.4 [million] in 1987, $143.1 [million] in 1986, and $132.9 [million] in 1985. These exemptions expire at various dates between 1995 and 2006."

Southeast Banking Corp.: The company's low taxes are primarily a result of tax-exempt interest.

Methodology

This study represents a continuation of CTJ's earlier reports, *130 Reasons Why We Need Tax Reform* (July 1986), *Corporate Taxpayers & Corporate Freeloaders* (August 1985) and *Corporate Income Taxes in the Reagan Years* (October 1984). Our 1984 report analyzed 250 major corporations and their federal taxes for 1981-83; our 1985 report covered 275 companies through 1984; and our 1986 report covered 250 companies through 1985. The new report extends the analysis through 1987—thereby offering the first picture of what has happened to corporate taxes in the wake of the monumental Tax Reform Act of 1986.

1. Choosing the Companies:

a. The original 1981-83 report. In preparing for our original report, we wrote to 600 major American companies in the spring and early summer of 1984 asking for copies of their 1983 annual reports and forms 10-K filed with the Securities and Exchange Commission. The companies chosen were the top 300 firms from the Fortune 500, along with the companies listed in Fortune's lists of the top 50 companies among utilities, service industries, commercial banks, life insurance companies and transportation companies. We also supplemented our list by writing to several companies not included in the Fortune lists but covered in the study of corporate taxes performed by the staff of the congressional Joint Committee on Taxation in 1983.

Most companies responded to our request, although some did not. In fact, in the case of several companies, we were unable to obtain information despite repeated requests.

We eliminated companies whose reports we were able to obtain based on two criteria: either (1) a company lost money over the three years, lost money in 1983, or lost so much in 1981 or 1982 that the results would have been distorted; or (2) a company's report did not provide sufficient information to calculate domestic profits, current federal income taxes, or both. This process of elimination left the 250 corporations included in the original study.

b. The companies in the 1981-84 report. In preparing for our 1981-84 study, we began by writing to the same 250 companies covered in our original study. In addition, we requested 1984 and 1983 annual reports from Fortune 500 companies we had not covered earlier, on the assumption that some of the companies in our original report would have to be dropped. In fact, that assumption proved to be correct. Of our original 250 companies: we lost six to mergers; nine were dropped because of losses in 1984; five were eliminated because of unusual or complex accounting practices in 1984 that made computations difficult or impossible; and three companies failed to respond to our repeated requests and their annual reports were unavailable at the Securities and Exchange Commission.

Of the several hundred "new" companies from which we requested reports, about eighty provided us with information for the entire 1981-84 period. We included 48 of these "new" companies based on the same criteria we used in our original report.

c. The companies in the 1981-85 report. From our list of 275 companies in the 1981-84 report, we lost 37 due to mergers, losses, or other difficulties. We added 12 new firms to bring the number of companies surveyed to a total of 250 that year.

d. The companies in the current, 1981-87 report. Our current list of companies is similar to that in the last report. As usual, however, several companies had to be replaced due to mergers, losses or other problems.

2. Method of Calculation:

For most companies, the method of calculation was very straightforward. First, a company's domestic profit was determined, either as the company listed it (as was usually the case) or based on a geographic breakdown of operating profits minus a pro-rated share of overhead and interest expenses. Then, current state and local income taxes were subtracted from this amount (unless the company had already done so). This produced net domestic pretax profits before federal income taxes.

Second, federal income taxes currently payable were obtained from the company's tax note to its financial statement. (Current taxes are those the company is obligated to pay during the year; they do not include taxes "deferred" due to various federal "tax incentives" such as accelerated depreciation.)

Third, taxes were divided by profits to produce the "effective tax rates" shown in the study. A negative effective rate means that a company enjoyed a tax rebate, usually obtained by carrying back excess tax deductions and credits to an earlier year and receiving a tax refund check from the U.S. Treasury Department.

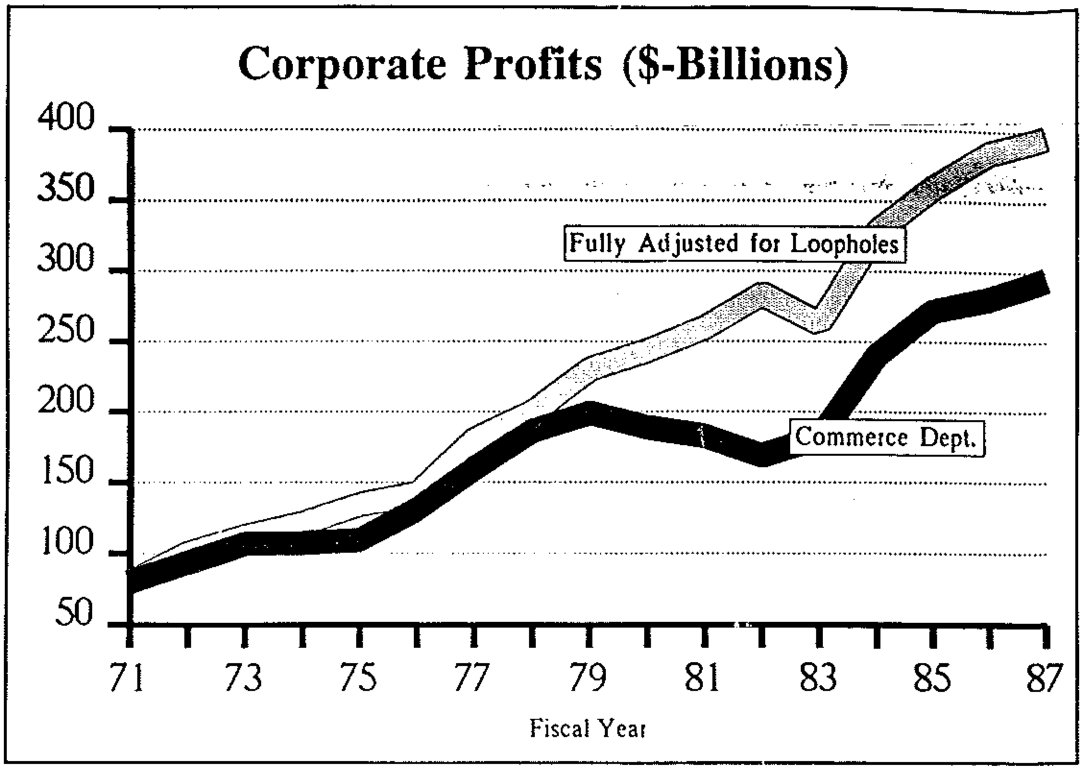
3. A note on our treatment of "safe-harbor leasing," that is, sales and purchases of tax benefits:

A number of the companies we examined had either sold or purchased tax benefits during early 1980s, pursuant to the the Reagan administration's since-repealed "safe-harbor leasing" program. Most affected companies treated the benefits they obtained from these transactions, both sales and purchases, as reductions in their current federal taxes. For those which did not, we adjusted the results to follow that approach. (In more recent years, some of the tax deferrals obtained from tax breaks purchased under "safe-harbor" leasing have been reversed, thereby increasing federal taxes for some companies. Most affected companies treated these reversals as increases in their current federal tax payments. For those which did not, we adjusted the results to follow that approach.)

4. Computing Effective Corporate Tax Rates Over Time:

The graph on page 18 illustrates corporate effective tax rates over the past 28 years. From 1981 on, the figures reflect the taxes and profits of the 250 companies surveyed in this study. For previous years, the rates were computed by dividing actual corporate tax payments to the Treasury by corporate profits.

There's no problem in obtaining data on actual corporate tax payments in past years. Federal budget documents provide all the information needed. But some simple calculations were necessary to compute pretax corporate profits for earlier years. The methodology used was straightforward. We began by adding together the taxes corporations paid in each of the years and the taxes they avoided due to legal tax loopholes, as reported annually by the congressional Joint Committee on Taxation and the Office of Management and Budget. (For years for which official estimates were not available, the cost of loopholes was estimated.) The sums thus obtained represent the taxes companies would have paid in the absence of loopholes. Then, we divided the sum of taxes paid and taxes avoided by the statutory corporate tax rate for each year. This produced the pretax corporate profits we used in computing historical effective tax rates.



Some business analysts have attempted to paint a different picture of effective corporate tax rates by using a different set of data. For starters, they rely on "corporate tax accruals," as reported by the Commerce Department, rather than actual federal income taxes paid. This concept of corporate taxes, reflected in the National Income and Product Accounts, includes, along with federal income taxes, both state income taxes and the earnings of the Federal Reserve Board (which in recent years have been quite substantial). After thus overstating corporate taxes, these analysts then go on to understate corporate profits. Again, they rely on figures from the Commerce Department, which are based on taxable profits as reported to the Internal Revenue Service—in other words, profits after they have been reduced by various special tax deductions. Commerce's only major adjustment to the IRS corporate taxable income figures is to recompute depreciation write-offs, to disallow some excessive tax depreciation deductions in favor of inflation-indexed regular depreciation. (Commerce also makes one other adjustment—subtracting so-called inventory profits. This second modification usually is not large, although it did cause Commerce to conclude that oil companies made no windfall profit in the 1970s, when OPEC actions caused oil prices to skyrocket).

Before the onset of corporate loophole mania, the Commerce Department's system of calculating corporate earnings actually worked quite well. Indeed, from 1960 to 1971, corporate profits as reported by the Commerce Department and profits computed under the method used in this study are almost identical: averaging just over $72 billion and just under 10 percent of the gross national product. But as corporate loopholes proliferated in the 1970s and 1980s, the gap between Commerce's concept of corporate earnings and profits computed by taking *all* tax preferences into account has grown larger and larger—reaching $100 billion or more in recent years.[1] Because they ignore so much sheltered income, Commerce's figures are no longer useful in determining effective corporate tax rates.

1. The anomalies inherent in Commerce's concept of corporate profits are striking not only in the aggregate, but in the details. For example, Commerce's approach implies that many major defense contractors have made little or nothing in profits over the past decade, despite the military build-up. (The contractors' loophole, "completed contract accounting," which Commerce ignores, has often allowed them to report zero taxable income to the IRS.)