IT'S WORKING, but . . .

TAX REFORM IS WORKING. That's the principal finding of this study, the fifth annual Citizens for Tax Justice report on America's corporations and the taxes they pay —or don't pay.

Prior to the passage of the Tax Reform Act of 1986, our reports were filled with outrageous examples of corporate tax avoidance. Indeed, in a report issued just before the tax reform bill became law, we found that more than half of the 250 profitable corporations we surveyed had enjoyed at least one year between 1981 and 1985 in which they failed to pay a dime of federal income tax.

Public outrage over these findings forced Congress and the President to act. And act they did. They toughened the corporate minimum tax, repealed the investment tax credit, tightened up "completed-contract accounting" rules that had wiped out taxes for defense contractors, and restricted other corporate tax shelters. At the same time, Congress and the President reduced the top corporate tax rate from 46 percent to 34 percent.

It took courage to do these things. And these actions are beginning to pay off.

- **No-Tax Companies Now Are Paying:** The 132 companies in our survey that enjoyed at least one no-tax year between 1981 and 1985 paid a mere 3.6 percent of their total domestic profits in federal income taxes over that period. In 1988, however, these corporations paid an average tax rate of 24.1 percent.
- **Former Freeloaders Are Back on the Tax Rolls:** The 41 most egregious freeloaders of the pre-tax-reform years, which not only paid no tax at all between 1981 and 1985 on profits of $45 billion, but received net refunds of $1.9 billion, paid an average 1988 tax rate of 27.9 percent.
- **"Zero-Tax Club" Membership Down to Seven:** Only seven of the 250 large, profitable corporations in our survey managed to "zero out" on their federal tax returns in 1988. Only forty-five companies were able to bring their effective tax rate down below 10 percent. In contrast, 113 of these same companies had paid less than 10 percent of their profits in taxes over the full 1981-1985 period.
- **Corporate Share of the Tax Burden is Up:** Corporate taxes, which paid for almost one-quarter of the cost of federal programs (excluding social security) in the 1960s and more than 17 percent in the 1970s, fell to less than eight percent in the first half of the 1980s. But in 1988, corporate tax payments covered almost 12 percent of the non-social security federal budget.

A Strong Surge in Business Investment: Meanwhile, none of the dreadful things that opponents of tax reform said would occur have come to pass. Indeed, just the opposite has occurred:

- Real business investment in industrial equipment, which *declined* by 8.4 percent from 1981 to 1986 (the glory years of corporate loopholes), has jumped by 19.1 percent since the loopholes were traded in for lower rates.
- Overall, real business fixed investment has grown at an annual rate of 6 percent since 1986, almost triple the meager 2.1 percent rate of growth over the previous five years.

Good news like this may not immediately grab the attention of headline writers the way that bad news does. "Corporations Start to Pay Up" doesn't instantly titillate the way that "General Electric and Forty Other Companies Pay No Tax" does. But the fact that most major American corporations are taxpayers again is a story the press and the public need to pay attention to.

Unfortunately, up until now, the good news about tax reform has gone largely unreported and unnoticed. The passage of tax reform, which in every important way must be counted an economic success, has been a mixed bag politically. Perhaps that's not so surprising, since it will take a while for a public that has every reason to be cynical to adjust to a fundamentally changed system. But it's too bad, because the paucity of good news has given new heart to the legions of loophole lobbyists who roam the corridors of Capitol Hill.

These lobbyists, led by their champions President Bush and Secretary of the Treasury Brady, are set to launch an all-out attack on tax reform. They're off to a fast start, having convinced the House of Representatives to back the reinstatement of a lower tax rate on capital gains profits than on ordinary earned income. Their next target? You don't have to guess. Already, Treasury Secretary Brady has announced his plans to try to gut the newly reinvigorated corporate income tax. And if the enemies of tax reform prevail, it won't be too long before Citizens for Tax Justice's annual reports once again contain the same plethora of horror stories for which they were famous not so long ago.

The Major Findings

Under the new tax reform law, the days of widespread, wholesale corporate tax avoidance have come to an end.

From 1981 through 1985, 132 of the 250 companies in our sample enjoyed at least one tax-free year. In any single year during that span, the number of no-tax companies ranged from 35 to 73. In 1988, however, only 7 profitable companies managed to avoid paying any corporate income tax at all.

The average effective tax rate for all of the 250 companies we surveyed in 1988 was 26.5 percent—a sharp jump from the 14.3 percent average effective rate from 1981 to 1985. Overall, 173 of the 250 companies paid a higher effective tax rate in 1988 than they did from 1981 to 1985. This means that the companies in our survey paid $16 billion more in 1988 than they would have under the pre-reform effective rates.

Some of the most notorious corporate tax avoiders of the pre-tax reform era have been returned to the tax rolls. Companies such as ITT, Dow Chemical, Greyhound, Ashland Oil, Pepsico and Xerox, which paid no federal income tax at all from 1981 to 1985, are now taxpayers again.

Indeed, all but two of the forty-one corporations that paid no tax at all over the 1981 to 1985 period had to pay at least some federal income tax in 1988. The combined tax rate for these 41 companies, which was a *negative* 4.3% from 1981 to 1985, amounted to 27.9 percent of their profits in 1988.

Similarly, the 113 companies that paid less than 10 percent of their profits in federal income taxes between 1981 and 1985 saw their effective tax rate jump from a mere 1.6 percent to 20.5 percent in 1988.

These are pretty amazing numbers. They represent a dramatic turnaround in the effectiveness of the federal corporate income tax. They should help restore some of the confidence the American public has lost in the underlying fairness of the federal tax system.

1981-85's Top Freeloaders in 1988

($-millions)

	1981-85 (5-years)			1988		
	Profit	Refund	Rate	Profit	Tax	Rate
ITT	$681.7	($230.3)	−33.8%	$463.0	$175.0	37.8%
Dow Chemical	771.0	(200.0)	−25.9%	1,756.0	526.0	30.0%
Sequa Corp.	111.7	(17.7)	−15.9%	77.3	6.5	8.4%
Transamerica	752.7	(100.9)	−13.4%	272.2	4.3	1.6%
U.S. Bancorp	317.9	(38.0)	−11.9%	161.6	73.9	45.7%
Greyhound	496.9	(57.3)	−11.5%	79.6	36.4	45.7%
Ashland Oil	553.0	(50.6)	−9.1%	169.0	118.3	70.0%
Walt Disney Co.	777.7	(64.9)	−8.3%	770.0	250.8	32.6%
Boeing	2,962.0	(247.0)	−8.3%	820.0	916.0	111.7%
Mitchell Energy & Development	538.8	(41.1)	−7.6%	7.3	0.8	10.9%
Whitman Corp.	743.8	(50.0)	−6.7%	250.3	72.2	28.8%
Pepsico	2,524.2	(167.7)	−6.6%	836.5	248.0	29.6%
Stone Container	93.6	(5.7)	−6.1%	522.9	161.2	30.8%
Ogden	182.9	(11.0)	−6.0%	56.7	6.0	10.6%
USAIR Group	617.1	(34.6)	−5.6%	284.3	90.0	31.7%
Comerica	184.5	(10.2)	−5.5%	140.1	40.4	28.9%
Northrop	764.0	(38.0)	−5.0%	95.5	19.1	20.0%
Occidental Petroleum	1,349.9	(65.2)	−4.8%	278.0	38.0	13.7%
Merrill Lynch	1,248.8	(56.7)	−4.5%	521.5	67.9	13.0%
Georgia-Pacific	1,087.0	(46.0)	−4.2%	733.0	222.0	30.3%
Santa Fe Southern Pacific	2,961.5	(124.8)	−4.2%	179.6	(2.1)	−1.2%
American Cyanamid	439.0	(16.9)	−3.8%	142.9	27.5	19.2%
International Multifoods	54.8	(2.1)	−3.8%	21.5	16.5	76.7%
Centex	350.1	(10.2)	−2.9%	57.6	25.2	43.8%
Xerox	1,188.4	(33.8)	−2.8%	447.6	66.0	14.7%
Baxter International	719.3	(18.8)	−2.6%	341.0	64.0	18.8%
Southwest Airlines	273.8	(7.1)	−2.6%	83.4	10.0	12.0%
General Dynamics	2,281.9	(37.6)	−1.6%	455.0	136.5	30.0%
NIPSCO Industries	823.5	(13.0)	−1.6%	191.6	18.6	9.7%
Du Pont	5,079.0	(72.0)	−1.4%	1,903.0	426.0	22.4%
Southeast Banking Corp.	269.6	(3.6)	−1.3%	81.3	19.6	24.1%
Philadelphia Electric Co.	2,485.1	(32.9)	−1.3%	716.9	74.1	10.3%
ENSERCH	1,088.1	(11.3)	−1.0%	30.1	4.1	13.7%
Ohio Edison	2,067.8	(12.3)	−0.6%	328.0	39.1	11.9%
Pinnacle West	1,711.7	(4.9)	−0.3%	75.0	(21.1)	−28.1%
Tyson Foods	131.3	(0.4)	−0.3%	98.1	15.3	15.6%
Union Camp	933.7	(2.3)	−0.2%	422.0	102.2	24.2%
Scott Paper	777.4	(1.4)	−0.2%	459.4	122.4	26.6%
St. Paul Cos.	323.1	(0.4)	−0.1%	394.5	106.2	26.9%
Weyerhaeuser	1,218.3	(0.5)	−0.0%	695.2	160.8	23.1%
Middle South Utilities	2,916.1	(1.0)	−0.0%	724.2	17.1	2.4%
Total, 41 companies:	**$44,853**	**($1,940)**	**−4.3%**	**$16,142**	**$4,501**	**27.9%**

Why the turnaround? Well, the attorneys and accountants for these companies haven't gotten any less creative or less diligent. They haven't lost any of their native intelligence. The difference today is that they must deal with a new set of laws which simply does not permit the kind of gamesmanship that the old laws encouraged.

The New Alternative Minimum Tax: They must, for instance, face up to the reality of a much tougher corporate minimum tax. This tax was Congress's way of telling the biggest corporate tax avoiders that even if some loopholes persisted in the law, the free ride was over.

The 1988 data show that, for the vast majority of companies, the free ride is indeed over. Where companies used to be able to report one set of figures to their shareholders (so-called "book" profits) and another set to the IRS, now those companies must tell the IRS everything—and pay some taxes, typically 10 percent on those "book" profits.

Our survey found 26 companies that reported paying the "alternative minimum tax," or AMT, in 1988. In the absence of the AMT, Merrill Lynch, Xerox, IBM and at least seven other of these companies would have paid no federal income tax at all

Companies Paying the Alternative Minimum Tax in '88

($-millions)

	Profit	Tot.Tax Paid	Rate	AMT	Tax w/o AMT	*AMT Change*	AMT/ Tot.Tax
Merrill Lynch	$521.5	$67.9	13.0%	**$93.1**	*-4.8%*	*+17.8%*	137%
Xerox	447.6	66.0	14.7%	**68.3**	*-0.5%*	*+15.3%*	104%
Dana	154.7	21.0	13.5%	**23.5**	*-1.7%*	*+15.2%*	112%
Security Pacific Corp	883.9	54.9	6.2%	**121.6**	*-7.5%*	*+13.8%*	221%
First Union Corp.	354.8	32.4	9.1%	**41.2**	*-2.5%*	*+11.6%*	127%
Niagara Mohawk Power Corp.	313.7	31.1	9.9%	**33.8**	*-0.9%*	*+10.8%*	109%
FMC	87.6	13.3	15.2%	**9.0**	*4.9%*	*+10.3%*	68%
IBM	1,993.0	79.0	4.0%	**182.0**	*-5.2%*	*+9.1%*	230%
Champion International	489.1	41.7	8.5%	**42.5**	*-0.2%*	*+8.7%*	102%
Chrysler	1,314.6	116.0	8.8%	**110.0**	*0.5%*	*+8.4%*	95%
Sun Co.	317.3	55.0	17.3%	**24.0**	*9.8%*	*+7.6%*	44%
Carpenter Technology Corp.	40.7	7.5	18.4%	**2.7**	*11.7%*	*+6.7%*	36%
Pennzoil	2,229.0	164.4	7.4%	**109.0**	*2.5%*	*+4.9%*	66%
Ohio Edison	328.0	39.1	11.9%	**14.3**	*7.6%*	*+4.4%*	37%
Illinois Power	227.0	(25.7)	-11.3%	**9.8**	*-15.6%*	*+4.3%*	NM
Philadelphia Electric Co.	716.9	74.1	10.3%	**29.8**	*6.2%*	*+4.2%*	40%
NIPSCO Industries	191.6	18.6	9.7%	**7.7**	*5.7%*	*+4.0%*	42%
Northrop	95.5	19.1	20.0%	**3.8**	*16.0%*	*+4.0%*	20%
Houston Industries	560.8	28.8	5.1%	**21.8**	*1.3%*	*+3.9%*	76%
Baxter International	341.0	64.0	18.8%	**13.0**	*15.0%*	*+3.8%*	20%
Continental Corporation	102.8	8.4	8.2%	**3.5**	*4.8%*	*+3.4%*	42%
CMS Energy	357.2	6.4	1.8%	**8.8**	*-0.7%*	*+2.5%*	138%
First Executive Corp.	306.7	17.1	5.6%	**5.9**	*3.6%*	*+1.9%*	35%
Texas Utilities	863.6	140.5	16.3%	**13.1**	*14.8%*	*+1.5%*	9%
St. Paul Cos.	394.5	106.2	26.9%	**4.1**	*25.9%*	*+1.1%*	4%
Suntrust Banks	361.4	53.7	14.9%	**1.1**	*14.5%*	*+0.3%*	2%
Totals, 26 Companies:	**$13,994**	**$1,301**	**9.3%**	**$997**	***2.2%***	***+7.1%***	**77%**

in 1988. And the 26 companies would have paid an average tax rate of only 2.2 percent on their $14 billlion in domestic profits. With the new AMT in place, their effective tax rate was 9.3 percent. In total, the AMT added $1 billion to the taxes that otherwise would have been paid by these 26 companies, and was responsible for more than three-quarters of their overall federal income tax bill.

Other Reforms: Of course, the enactment of a tougher minimum tax was only a part of the reform package that became law in 1986. In addition, Congress repealed the $40-billion-a-year investment tax credit. It curbed some of the most egregious abuses of the foreign tax credit. It reduced special breaks for financial institutions. And it sharply scaled back the completed-contract method of accounting, which previously had exempted most major defense contractors from paying any significant taxes despite tens of billions of dollars in profits. Indeed, many big defense contractors such as General Dynamics are now paying back some of the taxes they avoided in the past (see box). All of these reforms and more are reflected in the sharp reduction in tax free-loading we found in our survey.

Sympathy for the Devils?

Overall, tax reform nudged most corporations' effective tax rates upward. And a few corporations, notably some big defense contractors, are now paying extremely high effective rates. Companies such as Boeing, Rockwell International, Grumman, General Dynamics and TRW paid 1987-88 rates ranging from 50.8 percent to 98.7 percent.

But look closely at the numbers. The ten highest taxed companies in 1987-88 enjoyed a total of 22 tax-free years since 1981. Because of tax deferrals that are now ending, General Dynamics, for example, paid zero in taxes between 1981 and 1986. Now that many—although not all—of the loopholes have been closed, General Dynamics and the other companies have to pay back some of those deferred taxes. But they are still far ahead of the game. In fact, the true value of taxes that have been and continue to be avoided by these 10 companies—that is, the amount of money these corporations have saved by paying less than the statutory corporate rate in past years minus what they have paid back recently—is at least $10.4 billion.

The Ten Highest Tax Companies in 1987-88 & Their Past Record of Tax Avoidance

	1987-88 Tax Rate	1981-86 Tax Rate	1981-88 Tax Rate	*No Tax Yrs. 1981-86*
Boeing	98.7%	−4.5%	23.4%	*4*
Rockwell International	83.8%	19.9%	38.8%	*1*
Harris	83.4%	−1.9%	20.6%	*3*
Centex	76.1%	0.3%	13.8%	*3*
Harsco	68.2%	36.2%	42.3%	*1*
Litton Industries	60.3%	22.8%	28.7%	*1*
Grumman	57.8%	18.4%	24.7%	*4*
General Dynamics	54.3%	−0.0%	16.1%	*4*
Johnson Controls	52.1%	26.3%	34.5%	—
TRW	50.8%	21.7%	28.9%	*1*
Average/Total:	**75.4%**	**11.1%**	**27.8%**	**22**

Taxes avoided, 81-86 . . . . **−$5,865 million**
Taxes paid back, 87-88 . . . . **+$2,257 million**
Net avoided, 81-88 . . . . **−$3,608 million**
Net avoided, 81-88, including the time value of money . . . . ***−$10,406 million***

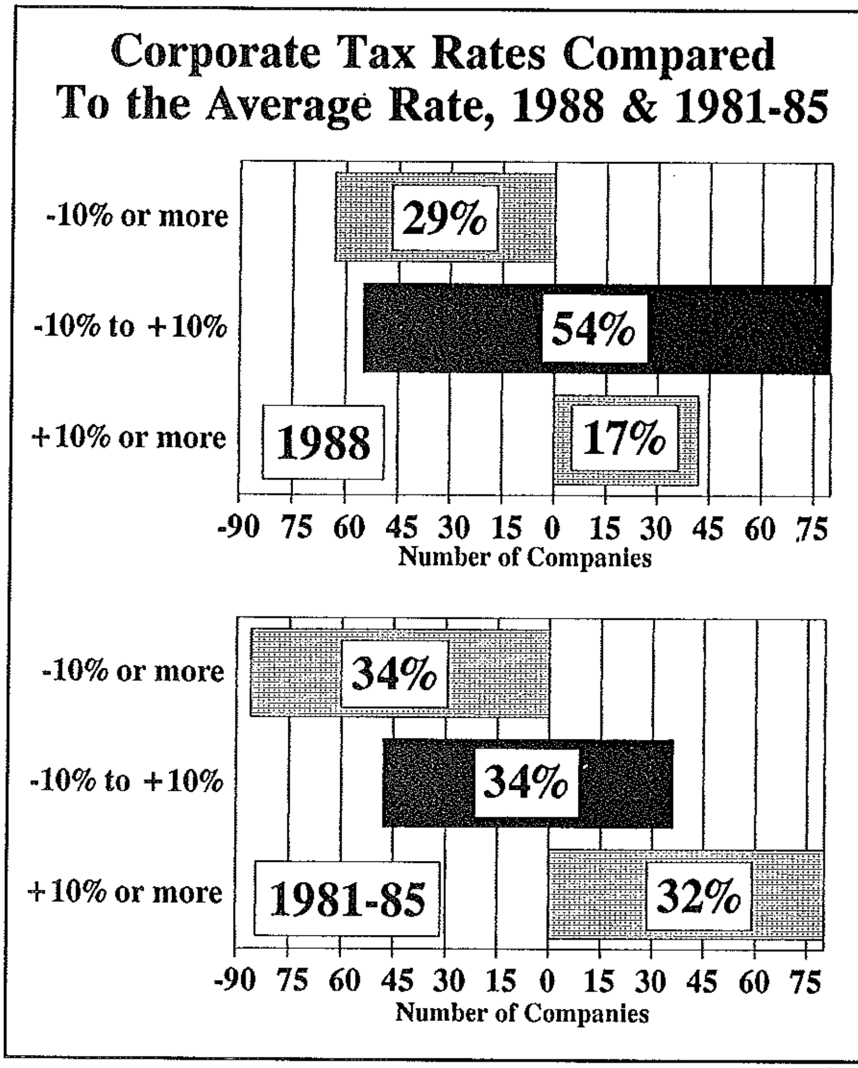
The time-value of money. Due to inflation and real rates of return, taxes avoided in, say, 1981 are worth a lot more in today's terms than taxes paid today. To gain a better picture of the yields from tax avoidance, a 17.5% "discount rate" or corporate rate of return was used to convert earlier years' tax-avoidance dollars into their value today.

A More Level Playing Field

The goal of tax reform was not only to put the tax avoiders back on the rolls, but also to create a more level playing field for all corporations; that is, to reduce the dramatic variation in effective rates that existed prior to reform. This variation gave some companies an edge in the marketplace for reasons other than economic efficiency—for reasons such as political clout and lobbying muscle.

General Electric & Whirlpool—A Case Study: In our first study back in 1984, General Electric earned the dubious distinction of being the biggest corporate freeloader in America. GE obtained an astonishing $283 million in tax *rebates* on top of its $6.5 billion in 1981-83 profits. Meanwhile, at the other end of the spectrum, the highest taxed corporation in our survey also was a major manufacturer of appliances. Whirlpool Corporation—the nation's most patriotic company, as we called it—paid 45.6 percent of its profits in federal income taxes. Talk about a tilted playing field!

As a result of tax reform, however, the playing field has leveled off between these two major manufacturers of appliances. In 1988, GE paid 21 percent of its profits in taxes; Whirlpool paid 27 percent. The gap between their effective tax rates has narrowed from 50 percentage points to only six.



Overall, A More Level Playing Field: The rest of the 1988 data tell a similar story: the disparities in effective rates have declined sharply.

- In 1988, 135 of the 250 companies we surveyed—more than half—paid effective tax rates within 10 percentage points of the 26.5 percent overall average rate (i.e., between 16.5 percent and 36.5 percent).
- In contrast, in the years from 1981 through 1985 period, only a third of the companies surveyed paid effective rates within ten percentage points of the yearly average rates.

Former High-Tax Companies Have Benefited: The passage of tax reform, because it reduced the top marginal corporate tax rate from 46 percent to 34 percent, has provided some relief to those companies which previously bore a disproportionate share of the corporate tax burden.

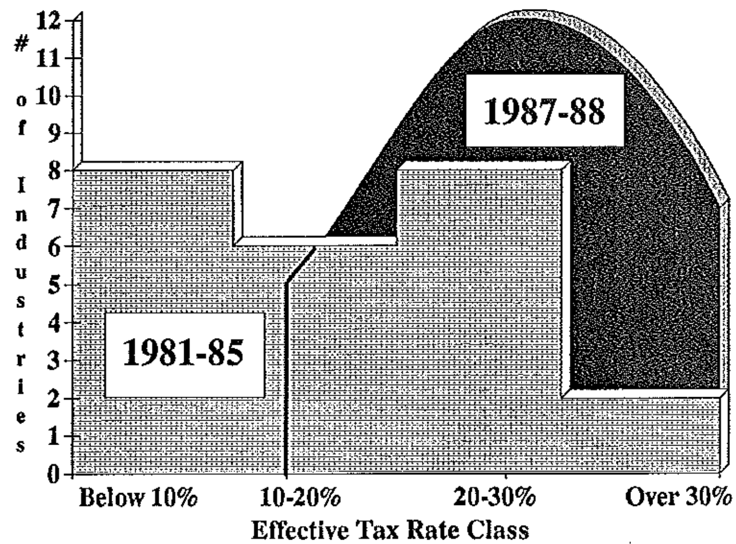
Our 1988 survey includes fifty companies whose effective tax rates were greater than 30 percent from 1981 to 1985. These companies have seen their effective rate fall on average by three percentage points, from 35.8 percent to 32.9 percent in 1988.

For example, Bristol-Myers's effective rate fell from 37.6 percent in 1981-85 to 29.8 percent in 1988, for a tax savings of $68 million. Proctor & Gamble's rate went from 32.5 percent to 24.3 percent, saving the company $95.9 million. Nalco Chemical's rate fell from 38.4 percent to 24.4 percent; Whirlpool's, from 38.7 percent to 27.3 percent; Maytag's from 41.9 percent to 32.3 percent; Ralston Purina's, from 42.7 percent to 34.1 percent; Sherwin-Williams's, from 38.1 percent to 33.5 percent; Waste Management's, from 33.5 percent to 24.7 percent; and Briggs & Stratton's from 30.3 percent to 26 percent. Altogether, the 35 companies in this group with lower tax rates in 1988 than in 1981-85 saved a total of more than $1 billion in federal income taxes.

Industry-Wide Tax Rates Are Much More Alike: A similar leveling of effective tax rates due to tax reform can be seen when the 250 companies are grouped by industry.

- In the 1987-88 period, half the 24 industries paid effective tax rates between 20 and 30 percent. Of the remaining 12 industries, five were between 10 and 20 percent and seven were more than 30 percent.
- In contrast, from 1981 to 1985, the range of tax rates was far wider: eight industries paid less than 10 percent; six paid 10 to 20 percent; eight paid 20 to 30 percent; and two paid more than 30 percent.

The More Level Playing Field
By Industry, 1987-88 vs. 1981-85



A Boon For The Economy

The 1986 Tax Reform Act is working. It's working because large-scale corporate tax avoidance has come to an end. It's working because the variation in effective rates has been reduced. And it's working because it has caused investment to be shifted away from tax shelters and toward the types of business machinery and equipment that are most crucial to the long-term international competitiveness of our country.

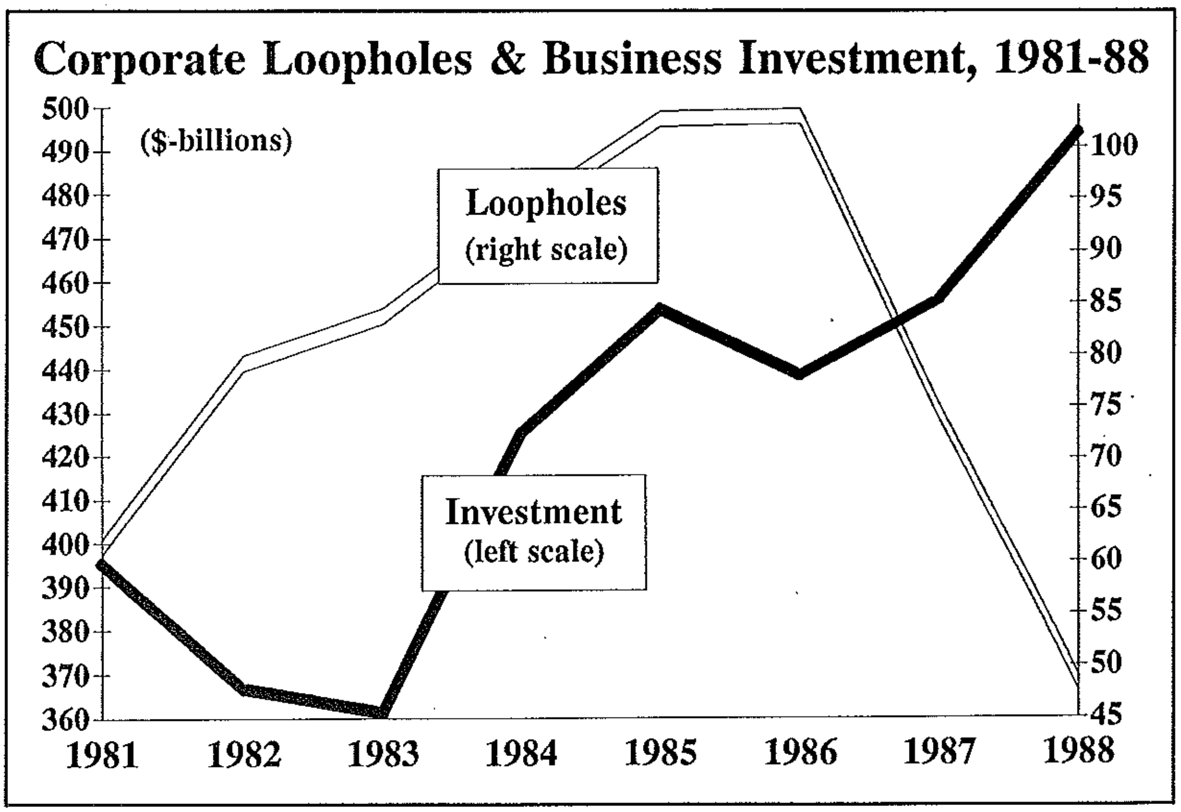
That's right. The tax reform bill has been good for the economy, good for business investment, and good for capital formation. This may come as a shock to those who bemoaned the passage of tax reform with predictions of imminent economic collapse. It may annoy those who lobby for the reintroduction of loopholes on the grounds that they are not really loopholes, but "incentives"—incentives that they say are the key to our nation's economic revitalization. But it's true. Tax reform works.

Back in December of 1985, the congressional friends of the loophole lobby took to the House floor to denounce the idea of tax reform. They said it would "hamper capital formation and further diminish our ability to compete abroad"; that it would "discourage savings and investment" and "decimate capital formation"; and that it would even "throw us into a recession" and "result in the loss of millions of jobs."[1]

But here are the facts.

The Economy Has Grown Faster Since Tax Reform: From 1981 to 1986, our nation's real gross national product grew by 2.7 percent per year. In contrast, since 1986, real GNP has risen by 4.2 percent per year. And the investment figures after tax reform are even more favorable.

Investment Has Boomed: During the height of corporate tax avoidance, at the zenith of corporate loopholes, in the years immediately following the passage of the 1981 tax act up to the passage of the 1986 tax reform bill, total real business fixed investment rose at the meager rate of 2.1 percent a year.[2] In the two years since the passage of tax reform, business investment has risen at a rate of 6.1 percent per year.



Now, some types of capital spending are more clearly relevant than others to the challenges posed by our economic competitors from abroad. For instance, investment in commercial buildings would seem to have little bearing on how well we compete internationally, since we cannot export and other countries cannot import such buildings. Investment in industrial buildings and investment in industrial equip-

[1]These statements, from Jim Kolbe (R-AZ), David Drier (R-CA), Ron Marlanee (R-MT) and Frank Wolf (R-VA), and similar dire predictions can be found in the Congressional Record of Dec. 17, 1985.

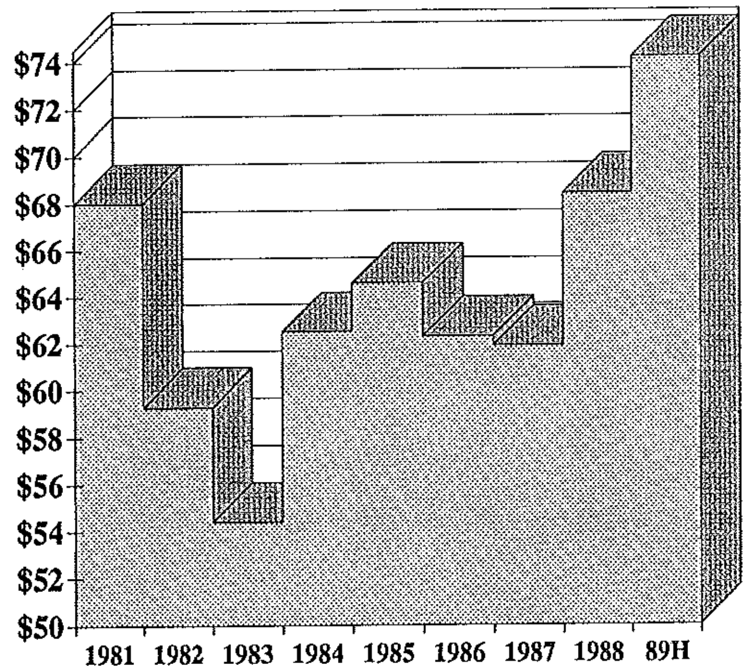
[2]Indeed, excluding computers and office equipment, which received no added tax breaks in the 1981 supply-side tax act, real business investment actually declined by 2.6 percent from 1981 to 1986.

ment do, however, have a clear and direct impact on our ability to produce goods at a price and quality that can attract customers both here and abroad.

The Right Kinds of Investment Are Up: Let's look, then, at what the investment data show when they are broken down in greater detail (all figures are adjusted for inflation):

- **Commercial Buildings—Less:** Investment in commercial buildings boomed during the pre-reform years, rising at a rate of 6.3 percent a year from 1981 to 1986. Since the passage of reform, it has actually fallen at a rate of 2.6 percent per year.
- **Industrial Buildings—Up:** By contrast, investment in industrial buildings, which declined at a 6.7 percent a year clip during the pre-reform years, has begun to climb, albeit modestly, under the new law.
- **Industrial Equipment—Way Up:** Most important, investment in industrial equipment, which fell by 1.7 percent a year between 1981 and 1986, has turned around since the new law took effect. **From 1986 to 1988, real investment in industrial equipment grew by 4.8 percent a year, and it jumped at an annual rate of 17.7 percent in the first half of 1989.**

Industrial Equipment Investment 1981 to the first half of 1989
(Billions of 1982 Dollars)



These shifts in the direction of investment dollars did not happen by accident. The best that could be said about the old investment tax "incentives" was that usually they merely rewarded businesses for investments they would have made anyway. Unfortunately, sometimes the incentives "worked," thereby diverting investment dollars into otherwise economically unsound investments. Prior to tax reform, investment in commercial buildings was perhaps the most tax-advantaged investment in a code riddled with tax advantages of one sort or another. Money flowed there almost regardless of the underlying economics of a given development. All over America, high-rise buildings went up which were unneeded, unwanted, and now go largely unrented.

Annual Rates of Change In Real Business Investment Before & After Tax Reform

	81-86	86-88
All non-residential fixed inv.:	+2.1%	+6.1%
Structures	−2.6%	−3.1%
Industrial buildings	−6.7%	+0.4%
Commercial buildings	+6.3%	−2.6%
All other structures	−6.3%	−4.2%
Producer's durable equipment	+4.6%	+9.8%
Industrial equipment	−1.7%	+4.8%
Computers & office equip.	+29.6%	+24.7%
All other equipment	+1.8%	+4.7%

SOURCE: U.S. Department of Commerce

By eliminating the tax break for capital gains, scaling back real-estate write-offs and curbing other tax-shelter loopholes that distorted the marketplace, the new tax code freed up significant new money for projects which make economic sense, both before-tax and after-tax. As a result, money has flowed precisely to those investment areas—notably industrial plant and equipment—which are most directly relevant to our long-run international competitiveness. Congress and the President decided that the national economic interest would be best served if they—and the tax code—butted out of business investment decisions.[3]

They were right. Tax reform has been good for American business. Not only has reform permitted more efficient and freer decision-making, but corporate profits have risen at a much faster rate in the years after tax reform than in the years before. For the 250 companies in our survey, pretax domestic profits jumped by 10.9 percent per year from 1986 to 1988, three times the 3.6 percent annual rate of growth from 1981 to 1986.[4]

What's Not Working

While the overall picture is very encouraging, significant corporate tax avoidance continues. Despite the repeal or restriction of such abusive tax loopholes as the investment tax credit and completed-contract accounting, as well as the enactment of a much tougher alternative minimum tax, the overwhelming majority of America's largest and most profitable companies still pay far less than the statutory corporate income tax rate of 34 percent.

- **Seven Companies Still Zeroed-Out in 1988:** Seven of the corporations examined in the survey—all of them profitable—paid zero in federal income taxes in 1988: Kroger, Pinnacle West, CSX, Illinois Power, Media General, Santa Fe Southern Pacific and Gulf States Utilities. In fact, on $1.2 billion in total pretax domestic profits, these seven companies received tax *refunds* of $120 million.
- **Many Other Companies Are Still Low-Tax:** A total of 45 corporations paid effective tax rates below 10 percent. And 91 companies—more than a third of those surveyed—paid less than the supposed "minimum" amount of 20 percent.

  Among the well-known low-tax companies in 1988 were: J.P Morgan & Co. (tax rate: 0.2%); Lockheed (0.7%); Transamerica (1.6%); IBM (4.1%); SmithKline Beckman (6.1%); Johnson & Johnson (7.7%); Chrysler (8.8%); Commonwealth Edison (8.9%); and Westinghouse (9.4%).

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[3]According to the Internal Revenue Service, rental, partnership, and other business tax "losses" reported on individual tax returns fell from a staggering $149 billion in 1986 to $105 billion in 1987—a 30 percent drop in just the first year. Because the tax-shelter reforms are being phased in, reported "losses" are likely to have been down by close to 50 percent in 1988 compared to 1986. As the incentive to mine the tax code has been reduced, tens of billions of investment dollars have left shelters to seek real returns in the productive economy.

[4] The Commerce Department's figures on overall pretax corporate profits (with inventory valuation and capital consumption adjustment) show the same pattern, a 13.3% growth rate from 1986 to 1988 versus a 5.4% rate of growth from 1981 to 1986.

- **Most Companies Still Pay Less Than the Statutory Rate:** More than three-quarters of the 250 companies surveyed paid less than the statutory corporate income tax rate of 34 percent in 1988. As a result, these 193 companies avoided $13.8 billion in taxes on their $105 billion in pretax profits.
- **The Cost of Corporate Tax Avoidance Remains High:** If every company that paid less than the statutory tax rate in 1988 and 1987 had instead paid the full rate (34 percent in 1988 and 40 percent in 1987), these corporations would have contributed $38 billion more to the federal Treasury over the two years.

How can so many companies continue to pay such low effective tax rates despite tax reform? The reasons is simple: the job of tax reform is far from completed. Loopholes remain in the law, and even the alternative minimum tax has flaws.

Weaknesses in the Alternative Minimum Tax

When Congress passed the corporate alternative minimum tax as part of the 1986 Tax Reform Act, the "AMT" was billed as requiring big profitable companies to pay at least 20 percent of their profits in federal income taxes. While the minimum tax rate is nominally 20 percent, however, it hardly ever works out that a company actually pays 20 percent of its reported profits in taxes even when the minimum tax applies. Here's why:

- The 20 percent rate doesn't apply to total reported profits. Instead, the minimum tax base is either (a) regular taxable income plus earnings sheltered by certain tax preferences or (b) *half* of a company's reported profits (whichever is larger). Thus, in the second case, the minimum tax rate is effectively only 10 percent of reported profits.
- Minimum taxable income can be reduced (but not eliminated) by tax "losses" left over from loopholes allowed in previous years.
- The alternative minimum tax also can be offset to a degree by certain tax credits.
  - It can be reduced by as much as 25 percent by investment tax credits (usually ones left over from previous years).
  - Foreign tax credits also can be used to reduce the AMT.
- In combination, left-over tax "losses," investment tax credits and foreign tax credits can cut the alternative minimum tax by as much as 90 percent.
- Finally, a company that generates a regular tax "loss" or excess regular tax credits in, say, 1988 can carry the "loss" or the credits back to earlier years (with a three-year limit), and get a refund of taxes previously paid.

The bottom line is that far from assuring that every company pays at least 20 percent of their reported profits in federal income taxes, the AMT doesn't necessarily assure that a company pays anything at all in net federal income taxes.

The corporate AMT needs to be strengthened. It ought to be set at a true 20 percent of reported profits (or "adjusted current earnings," as new technical rules are scheduled to provide). The use of previously-generated tax "losses" should be further constrained. Investment tax credits should not be allowed against the AMT. Carry-backs should not be allowed in years that a company owes the AMT. And the rules for determining domestic (versus foreign) profits need to be reexamined and revised.

Accelerated Depreciation (ACRS)

The largest corporate loophole left in the tax code by the 1986 Tax Reform Act was accelerated depreciation, which the congressional Joint Committee on Taxation estimates will cost the Treasury more than $101 billion over the next five fiscal years.

Although the "Accelerated Cost Recovery System" was scaled back sharply for commercial buildings, it was largely left intact for business equipment. As a result, most companies continue to write off their equipment purchases far faster for tax purposes than they do in computing the profits they report to their shareholders.

In 1988, 188 of the 250 companies we surveyed reported tax benefits from the Accelerated Cost Recovery System. Total reported benefits were $7.3 billion, an average of $39 million per company. On average, ACRS cut taxes for these 188 firms by almost one-quarter compared to the 34 percent statutory tax rate.

Fifteen companies each reported more than $100 million in tax savings from ACRS in 1988, including: the Big Three auto companies—General Motors, Chrysler and Ford; seven utilities—Commonwealth Edison, Pacific Gas & Electric, PSEG of New Jersey, SCEcorp, Illinois Power, Detroit Edison and Niagara Mohawk Power; two railroads—Union Pacific and Norfolk Southern; Exxon, GTE and International Paper.

1988 Tax Savings from ACRS by 188 Companies Reporting ACRS Benefits

($-millions)

Top 15 Companies:	1988 Profit	ACRS Tax Cut	% Tax Cut from ACRS
General Motors	$3,108.1	$544.7	-52%
Chrysler	1,314.6	286.1	-64%
Exxon	2,653.0	277.0	-31%
Commonwealth Edison	1,102.7	261.7	-70%
Pacific Gas & Electric	956.2	223.5	-69%
PSEG (New Jersey)	752.1	176.3	-69%
SCEcorp	1,227.1	173.4	-42%
Union Pacific	913.5	166.0	-53%
Norfolk Southern	972.8	151.0	-46%
Ford Motor Co.	4,389.4	139.0	-9%
Illinois Power	227.0	129.1	-167%
GTE	1,279.3	122.0	-28%
Detroit Edison	510.7	116.9	-67%
International Paper	1,092.0	111.0	-30%
Niagara Mohawk Power	313.7	109.9	-103%
Total, top 15 companies	**$20,812.1**	**$2,987.5**	**-42%**
All others (173 cos.):	70,595.5	4,284.3	-18%
Totals, 188 cos.:	**$91,407.6**	**$7,271.8**	**-23%**

ADDENDUM:	Average Tax Cut	% of total Tax savings
Top 15 Companies	$199.2	41%
Other 173 Companies	24.8	59%
Total, 188 Companies	$38.7	100%

These 15 companies got more than two-fifths of the total reported ACRS benefits. On average, ACRS cut their federal income tax bills by $199 million—a 42 percent reduction compared to the 34 percent statutory tax rate.

- **ACRS & Low Taxes on Utilities:** The huge ACRS write-offs taken by electric and gas utilities—including the seven on the list of the biggest ACRS beneficiaries— are a key reason why taxes on utilities remain low despite tax reform. In 1988, three-quarters of the 36 utilities included in this study paid less than 20 percent of their profits in taxes, and one-third of them paid less than 10 percent. In contrast, fewer than one out of three of the remaining 214 companies paid less than 20 percent in 1988, and only one out of six paid less than 10%. The average 1988 tax rate on the 36 utilities—15.9 percent—was just over half the 28.3 percent rate paid by the remaining 214 companies.[5]

Both because of its cost and because of the continued tax avoidance it allows, excessive tax depreciation needs to curtailed. Straight-line rather than accelerated depreciation schedules ought to be the norm, and the periods over which equipment is written off should be lengthened in many cases to comport better with reality.

An Indefensible Utility Rip-Off

For decades, America's public utilities have charged their customers for federal income taxes that they didn't have to pay. Various tax preferences, most notably excessive depreciation write-offs and investment tax credits, cut utilities' tax payments to far below the official federal tax rate of 46 percent—indeed, sometimes down to zero. But utilities nevertheless were allowed to charge their customers as if they had paid the full 46 percent tax rate on their profits.

The dubious theory was that these "phantom taxes" were only "deferred"—that customers were merely prepaying for taxes that would someday come due. In reality, someday never arrived. New deferrals more than offset any previous ones that turned around, so that by the end of 1986, utility customers had "prepaid" phantom taxes totalling more than $70 billion.

In the Tax Reform Act of 1986, however, the corporate tax rate was cut from 46 percent to only 34 percent. That meant that about a quarter of the outstanding "deferred" taxes—some $19 billion—was, in effect, totally forgiven.

Although they clearly are holding $19 billion of their customers' money—about $190 for each American family on average, and upwards of $300 per family in a number of states—the utilities have persuaded Congress to let them keep the cash for a while longer. Under the 1986 Tax Reform Act, the utilities are scheduled to dribble back their forgiven taxes over as long as 30 years—a windfall worth about $10 billion to the utilities compared to giving back the $19 billion right away.

Two members of the House Ways & Means Committee, Rep. Byron Dorgan (D-ND) and Rep. Bob Matsui (D-CA), have proposed to change the law so that state public utility commissions would have the power to determine the timing of when utilities return their windfall to consumers. Although their approaches differ slightly, both bills are premised on the principle that state public utility commissions, rather than congressional taxwriting committees, should have the authority to determine fair utility rates.

Unfortunately, heavy pressure from utilities, backed by the Bush administration, caused the Ways and Means Committee to reject the Dorgan-Matsui bills this October.

[5]From 1981 to 1988, pretax profits for the 36 utilities increased by 56 percent—almost a quarter more than for the remaining 214 companies surveyed. From 1981 through 1988, three out of four of the utilities enjoyed at least one profitable year in which they paid no federal income tax or less. These 27 utilities had a total of 60 no-tax years, an average of 2.2 no-tax years each. Between 1981 and 1988, total federal income taxes legally avoided by the 36 utilities in the survey came to a staggering $50.6 billion. Almost half of that went to just 10 utilities, which avoided an average of $2.5 billion each in taxes.

Building Further on Tax Reform

It's not hard to come up with other loophole-closing measures that also would build upon the Tax Reform Act of 1986. Further reforms in the foreign area, for example, are needed to assure that corporations doing business in the United States —whether American- or foreign-owned—pay their fair share of taxes. Such reforms are important to protect both our tax base and our workers. Limitations on tax breaks for mergers and acquisitions also would make sense, not only from a tax policy point of view, but also to help curb the wave of leveraged buyouts that has engulfed our economy in the 1980s.

In fact, despite the opposition of influential lobbyists, Congress has already taken some positive steps to build on tax reform. The House recently approved a tax bill that includes loophole-closing provisions estimated to raise some $24 billion over the next five years, mostly from corporations. Among the items are:

- **Repeal of the remainder of "completed-contract method of accounting,"** a maneuver that has been used by major defense contractors to defer taxes, on the dubious grounds that they should not be taxed until they finish a project, even though the Pentagon pays them up-front;[6]
- **Curtailment of the current gross abuses of ESOPs,** such as when they are used by takeover artists to provide extra loans—and extra interest deductions—for leveraged buyout transactions;
- **Limits on tax-free rollovers of commercial real estate,** which have allowed speculators to defer taxes (and thus in effect avoid taxes) on transactions that are economically identical to taxable sales.

The Senate Finance Committee's version of the bill retained more than $18 billion in these tax reforms.[7]

Many members of Congress clearly recognize that eliminating unfair and distortive tax preferences is the best way to keep productive investment strong. Moreover, Congress must also face the facts about the federal budget deficit, which is the most serious threat to our national economic health. Building upon tax reform is the best way to deal fairly with the federal budget while not adding to the burdens on average Americans.

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[6]The Tax Reform Act repealed 80-percent of completed-contract accounting, but left the remainder in place.

[7]Unfortunately, both bills proposed to use the money from closing these loopholes to extend or reopen other loopholes, but this need not be the case.

Storm Clouds & Shadows

The far-reaching reforms enacted in 1986 are beginning to take effect. But a shadow is again being cast over the tax system—the shadow of the loophole lobbyists, who were run out of town three years ago but who are back today, threatening to undermine the gains of tax reform.

Predictably, lobbyists for many big corporations are already demanding that tax reform be emasculated. While tax avoidance continues to steer billions from the Treasury directly into the pockets of wealthy corporate stockholders and corporate executives, loophole lobbyists demand a litany of special favors for their well-heeled clients. Right now, Congress is bombarded with demands for special favors. Among the issues Congress faces are:

A Capital Gains Tax Cut? Restoring this, the biggest loophole of all, would destroy the very foundation of tax reform. A lower capital gains tax rate would once again lead wealthy individuals to seek out tax shelters rather than economically sound investments, and thereby reduce real, productive investment. And, as Senator Bob Packwood (R-OR) has noted, it would reopen "the biggest loophole for the rich."[8]

Lurking with the proposal to cut capital gains taxes is a big tax cut for timber corporations. When the 1986 Tax Reform Act eliminated the tax break for capital gains, it also wiped out a special loophole for timber companies that had allowed them to treat a major portion of their profits as lightly taxed capital gains. This break was a key reason why so many timber corporations paid such low tax rates in the first half of the 1980s. A leading Senate capital gains tax cut proposal would restore the corporate timber loophole, potentially wiping out billions of dollars in taxes for big companies such as Weyerhaeuser.

Weaken the Corporate Minimum Tax? The corporate Alternative Minimum Tax was designed to make it difficult for profitable corporations to avoid federal income taxes entirely. One key part of the AMT makes the profits a company reports to its shareholders part of the minimum tax calculation—and that link ought to be strengthened. But the House has approved a provision that would eviscerate the link to reported profits, and thereby give a multi-billion dollar windfall to a number of huge, profit-making corporations, notably utilities.

Permanent Tax Exemption for IBM? Both the House and the Senate are on the verge of extending a tax break that could come close to exempting multinational corporations such as IBM from anything but token federal income tax payments in perpetuity.

The tax break in question would allow IBM and other companies with large foreign manufacturing operations to deduct virtually all their U.S.-performed research and development expenses—including those that go toward earning foreign profits—in computing their U.S. taxable income. Such a tax break has been "temporarily" on

[8]Senator Packwood also predicted that pressure from the loophole lobby would continue despite tax reform: "Those who want tax shelters, loopholes, exemptions and privileges have not given up," he predicted. "[T]hey are girding their loins." *Congressional Record*, June 18, 1986, p. 14335-37.

the books for the past several years, and is the main reason why IBM hasn't paid any federal income tax recently on its billions in domestic profits.

The Tax Reform Act set an expiration date for this loophole, but the Bush administration wants to make the tax break permanent. And so far, the tax-writing committees in Congress seem willing to go along.

Hands-Off Treatment for Leveraged Buyouts? Periodically, over the past few years, Congress has considered whether to curb the tax advantages of leveraged buyouts. But each time, so far at least, the lobbyists have prevailed, leaving takeover artists free to make ever more risky deals that rely entirely on the deductibility of interest. While bankers and junk-bond dealers get richer, employees get squeezed, and too often laid off, and the Treasury loses billions of dollars in revenues.

Restoration of the Investment Tax Credit? This old favorite of the loophole lobby led to massive tax avoidance in the early 1980s while failing to spur investment. But its backers are waiting in the wings to promote its reenactment—perhaps coupled with a regressive new national sales tax to pay its huge cost.

A Corporate Dividend Deduction? Treasury Secretary Brady has already floated the idea of giving companies a tax deduction for the dividends they pay to shareholders. How he plans to deal with the $40-50 billion a year cost of such a deduction he doesn't say. Perhaps, as with so much else on the administration's agenda, he simply plans to send the bill to our children.

Conclusion

The strategy of the loophole lobby—always—is to make Congress and opinion leaders think that there is a dichotomy between tax equity on the one hand and growth on the other. This can be a powerful strategy, since Americans are frequently willing to accept a little more inequality on the promise of a rising tide that will lift all boats. But the dichotomy is a false one. As the economic news since tax reform shows, fair taxes go hand in hand with economic efficiency and economic growth.

As the current capital gains tax fiasco illustrates, supporters of reform don't always do a very good job of engaging the debate about economic growth. We should, because the spurious claims about the alleged costs of reform, and the alleged benefits of loopholes, are still taken seriously.

Who will pay if tax reform is rolled back? There's only one answer. It will be middle- and low-income American families, the ones for whom tax reform was such a major victory—and against whom George Bush and the loophole lobby are waging an intense class war.

Tax reform is working—at least for now. The question facing America today is whether reform will be saved or scuttled.

1988 Profits & Federal Income Taxes For 250 Major American Corporations

(Listed by 1988 Effective Tax Rates; $-millions)

Company:	88Profit	88Tax	88Rate
Kroger	$29.0	($8.2)	−28.3%
Pinnacle West	75.0	(21.1)	−28.1%
CSX	402.2	(59.0)	−14.7%
Illinois Power	227.0	(25.7)	−11.3%
Media General	75.0	(4.3)	−5.7%
Santa Fe Southern Pacific	179.6	(2.1)	−1.2%
Gulf States Utilities	164.1	0.0	0.0%
Morgan (J.P.) & Co.	657.4	1.6	0.2%
Lockheed	566.4	4.0	0.7%
Hercules	36.0	0.4	1.1%
General Re	532.4	8.3	1.6%
Transamerica	272.2	4.3	1.6%
CMS Energy	357.2	6.4	1.8%
Chase Manhattan	1,050.2	18.7	1.8%
Bank of Boston	420.6	8.4	2.0%
Middle South Utilities	724.2	17.1	2.4%
Household International	207.1	5.8	2.8%
IBM	1,933.0	79.0	4.1%
Long Island Lighting Co.	410.3	18.4	4.5%
Chemical Banking Corp.	335.1	16.2	4.8%
USG Corp.	45.9	2.2	4.9%
Houston Industries	560.8	28.8	5.1%
Burlington Northern	663.3	34.5	5.2%
First Executive Corp.	306.7	17.1	5.6%
Bankers Trust	435.4	24.3	5.6%
Centerior Energy	541.1	33.1	6.1%
SmithKline Beckman	305.3	18.7	6.1%
Security Pacific Corp.	883.9	54.9	6.2%
AON Corporation	175.0	12.3	7.0%
Pennzoil	2,229.0	164.4	7.4%
Johnson & Johnson	366.0	28.0	7.7%
Pitney Bowes	253.8	20.0	7.9%
Detroit Edison	510.7	40.3	7.9%
Continental Corp.	102.8	8.4	8.2%
Sequa Corp.	77.3	6.5	8.4%
Champion International	489.1	41.7	8.5%
Ethyl	279.4	24.4	8.7%
Chrysler	1,314.6	116.0	8.8%
Commonwealth Edison	1,102.7	97.8	8.9%
First Union Corp.	354.8	32.4	9.1%
Prime Computer	35.2	3.2	9.2%
Westinghouse	888.5	83.1	9.4%
Englehard	44.4	4.3	9.6%
NIPSCO Industries	191.6	18.6	9.7%
Niagara Mohawk Power	313.7	31.1	9.9%
PSEG (New Jersey)	752.1	75.9	10.1%
Southern Company	1,337.0	138.0	10.3%

Company:	88Profit	88Tax	88Rate
Philadelphia Electric Co.	$716.9	$74.1	10.3%
Ogden	56.7	6.0	10.6%
Mitchell Energy & Development	7.3	0.8	10.9%
Becton, Dickinson	130.0	14.5	11.2%
Coca Cola	469.1	53.1	11.3%
Ohio Edison	328.0	39.1	11.9%
Southwest Airlines	83.4	10.0	12.0%
Pennsylvania Power & Light	493.1	59.1	12.0%
Central and South West Corp.	468.0	60.0	12.8%
Coastal Corp.	217.9	28.0	12.8%
Merrill Lynch	521.5	67.9	13.0%
Aetna	799.1	105.4	13.2%
Dana Corp.	154.7	21.0	13.5%
Occidental Petroleum	278.0	38.0	13.7%
ENSERCH	30.1	4.1	13.7%
Texas Eastern	41.4	5.7	13.8%
Xerox	447.6	66.0	14.7%
Sundstrand	40.4	6.0	14.8%
Baltimore Gas & Electric	390.9	58.0	14.8%
Suntrust Banks	361.4	53.7	14.9%
FMC	87.6	13.3	15.2%
Carolina Power & Light	300.5	45.7	15.2%
Tyson Foods	98.1	15.3	15.6%
International Paper	1,092.0	177.0	16.2%
Goodyear Tire & Rubber	166.1	27.0	16.3%
Texas Utilities Co.	863.6	140.5	16.3%
Alco Standard	115.8	19.1	16.5%
McDonnell Douglas	444.0	75.0	16.9%
Citizens and Southern Corp.	229.3	38.7	16.9%
American Electric Power	942.4	161.3	17.1%
Sun Co.	317.3	55.0	17.3%
Textron	244.2	42.6	17.4%
Scana	191.1	33.6	17.6%
Rohm and Haas	169.3	30.0	17.7%
Schering-Plough	349.7	64.0	18.3%
Carpenter Technology	40.7	7.5	18.4%
Union Pacific	913.5	168.0	18.4%
GTE	1,279.3	237.0	18.5%
Baxter International	341.0	64.0	18.8%
Pacific Gas & Electric	956.2	181.3	19.0%
Norfolk Southern	972.8	185.4	19.1%
American Cyanamid	142.9	27.5	19.2%
SCEcorp	1,227.1	241.9	19.7%
Northrop	95.5	19.1	20.0%
Westvaco	275.5	56.2	20.4%
Corning	265.9	54.7	20.6%
Overseas Shipholding Group	62.7	13.0	20.7%
Upjohn	372.9	77.8	20.9%
Coors (Adolph) Co.	74.2	15.6	21.0%
General Electric	3,800.9	799.9	21.0%
Squibb	400.9	86.0	21.4%

Company:	88Profit	88Tax	88Rate
Abbott Laboratories	$815.0	$181.5	22.3%
Du Pont	1,903.0	426.0	22.4%
American Express	861.4	193.0	22.4%
Weyerhaeuser	695.2	160.8	23.1%
Time, Inc.	446.0	106.0	23.8%
Southeast Banking Corp.	81.3	19.6	24.1%
Digital Equipment Corp.	724.2	175.1	24.2%
Union Camp	422.0	102.2	24.2%
Square D	134.9	32.7	24.2%
American Home Products	1,037.5	251.4	24.2%
Shell Oil	1,698.0	413.0	24.3%
Procter & Gamble	1,179.0	287.0	24.3%
Nalco Chemical	98.7	24.0	24.4%
Pfizer	609.6	148.8	24.4%
Pacificorp	665.9	163.7	24.6%
Loews Corporation	1,268.2	312.1	24.6%
Waste Management	691.4	170.5	24.7%
Barnett Banks	293.5	72.5	24.7%
Federal Paper Board	212.9	52.6	24.7%
Great Northern Nekoosa	529.8	132.4	25.0%
Air Products and Chemicals	200.6	50.1	25.0%
Dominion Resources	615.3	153.8	25.0%
MAPCO	157.3	39.5	25.1%
Dun & Bradstreet	1,406.1	355.3	25.3%
AT&T	2,000.5	507.0	25.3%
Keycorp	146.6	37.4	25.5%
Union Electric	471.2	120.3	25.5%
Olin	97.6	25.0	25.6%
Consolidated Papers	225.7	58.7	26.0%
Briggs & Stratton	39.8	10.4	26.0%
Ball Corporation	45.1	12.0	26.6%
PACCAR	198.6	52.9	26.6%
CPC International	181.3	48.3	26.6%
Scott Paper	459.4	122.4	26.6%
MCA	118.9	31.7	26.7%
St. Paul Cos.	394.5	106.2	26.9%
Whirlpool	221.5	60.4	27.3%
Kimberly-Clark	356.4	97.9	27.5%
Chevron	1,364.0	375.0	27.5%
Federal Express	297.1	81.9	27.6%
Gulf+Western	442.5	124.2	28.1%
Philip Morris	3,324.0	935.0	28.1%
Whitman Corp.	250.3	72.2	28.8%
Comerica	140.1	40.4	28.9%
Wrigley (Wm., Jr.) Co.	78.8	22.8	29.0%
Martin Marietta	445.0	129.3	29.1%
ConAgra	218.6	63.6	29.1%
National Service Industries	129.6	38.1	29.4%
Exxon	2,653.0	780.0	29.4%
Heinz (H.J.) Co.	361.5	106.6	29.5%
Pepsico	836.5	248.0	29.6%

Company:	88Profit	88Tax	88Rate
Amoco	$2,512.0	$748.0	29.8%
Bristol-Myers	879.6	262.2	29.8%
Clorox	192.3	57.6	29.9%
Lubrizol	88.1	26.4	29.9%
Dow Chemical	1,756.0	526.0	30.0%
FPL Group	603.1	180.9	30.0%
General Dynamics	455.0	136.5	30.0%
General Mills	386.5	116.0	30.0%
Contel	462.0	139.0	30.1%
Eastman Kodak	1,056.5	318.0	30.1%
E-Systems	109.7	33.0	30.1%
Anheuser-Busch	1,093.4	330.5	30.2%
Georgia-Pacific	733.0	222.0	30.3%
Duke Power Co.	619.4	188.0	30.3%
Brown-Forman	143.9	43.9	30.5%
Campbell Soup Company	329.3	101.4	30.8%
Stone Container	522.9	161.2	30.8%
Teledyne	502.5	155.2	30.9%
Knight-Ridder	199.4	61.7	30.9%
Cooper Tire & Rubber	61.9	19.4	31.3%
McDonald's	732.4	229.4	31.3%
Dover Corp.	165.6	52.0	31.4%
General Signal	74.6	23.5	31.5%
Archer Daniels Midland	545.1	171.5	31.5%
USAIR Group	284.3	90.0	31.7%
Armstrong World Industries	190.6	60.4	31.7%
PPG Industries	531.3	168.8	31.8%
Hershey Foods	219.9	70.5	32.1%
Maytag	201.9	65.2	32.3%
Ford Motor Co.	4,389.4	1,426.3	32.5%
K mart	1,015.0	330.0	32.5%
Consolidated Edison	900.4	293.1	32.6%
Walt Disney Co.	770.0	250.8	32.6%
Wal-Mart Stores	1,265.2	413.8	32.7%
Witco	78.6	25.7	32.7%
Harris Bankcorp	84.9	28.0	33.0%
Dillard Department Stores	167.5	55.5	33.1%
West Point-Pepperell	110.0	36.7	33.3%
Kellogg	544.0	181.6	33.4%
Sherwin-Williams	109.7	36.8	33.5%
Gannett Co.	562.6	190.0	33.8%
Springs Industries	92.8	31.4	33.9%
Northern States Power	303.4	102.8	33.9%
J.C. Penney	1,117.0	380.0	34.0%
Ralston Purina	478.8	163.2	34.1%
SuperValu Stores	208.5	71.1	34.1%
Donnelley (R.R.) & Sons	297.4	102.9	34.6%
Stanley Works	98.1	34.1	34.7%
Pittway	41.2	14.4	35.0%
Humana	298.7	105.0	35.1%
Allegheny Power System	308.9	108.8	35.2%

Company:	88Profit	88Tax	88Rate
Hewlett-Packard	$649.9	$230.0	35.4%
Sara Lee	308.8	110.1	35.7%
Eaton	212.9	76.7	36.0%
AMETEK	50.0	18.1	36.3%
Tandy	477.3	173.3	36.3%
May Department Stores	724.0	263.0	36.3%
NCR	154.1	56.2	36.5%
Sears, Roebuck	1,555.8	568.3	36.5%
Quaker Oats	297.1	108.8	36.6%
AMP	200.1	73.8	36.9%
Avon	103.2	38.2	37.0%
General Public Utilities	464.0	172.0	37.1%
Emhart	101.6	38.0	37.4%
ITT	463.0	175.0	37.8%
Capital Cities/ABC	629.3	239.6	38.1%
Sonoco	129.3	49.5	38.3%
Minnesota Mining & Manuf. (3M)	1,032.0	395.0	38.3%
McGraw-Hill	456.8	176.3	38.6%
Quantum Chemical	622.0	241.1	38.8%
Torchmark	282.0	109.9	39.0%
Southwestern Bell	1,368.5	533.6	39.0%
Motorola	385.0	152.0	39.5%
VF Corporation	252.9	102.0	40.3%
Dayton Hudson	433.0	175.0	40.4%
Merck & Co.	1,047.4	441.2	42.1%
Pillsbury	242.6	102.8	42.4%
Tribune Co.	267.0	113.3	42.4%
Lilly (Eli) and Co.	670.3	286.4	42.7%
Marsh & McLennan	325.3	140.2	43.1%
Centex	57.6	25.2	43.8%
Grumman	130.5	57.2	43.8%
Greyhound	79.6	36.4	45.7%
U.S. Bancorp	161.6	73.9	45.7%
Parker Hannifin	113.1	52.2	46.2%
American Brands	477.8	227.0	47.5%
Hormel (Geo. A.) & Co.	89.9	43.3	48.2%
United Technologies	556.5	275.6	49.5%
Mobil	939.5	489.0	52.1%
General Motors	3,108.1	1,641.6	52.8%
Cooper Industries	285.3	152.8	53.6%
Raytheon	688.7	377.8	54.9%
Johnson Controls	142.0	81.6	57.5%
Ashland Oil	169.0	118.3	70.0%
International Multifoods	21.5	16.5	76.7%
TRW	201.0	181.0	90.0%
Litton Industries	201.0	218.1	108.5%
Boeing	820.0	916.0	111.7%
Harris	49.8	84.3	169.3%
Harsco	9.6	17.8	185.3%
Rockwell International	713.7	1,373.7	192.5%
TOTALS, 250 COMPANIES:	**$130,142**	**$34,462**	**26.5%**

1987-88 Profits & Federal Income Taxes By Industry for 250 Major Corporations

($-millions; listed by 1987-88 tax rate within groups)

Industry/Company:	---1987-88--- Profit	Tax	Rate	*Change from 81-85*
Financial	$21,977	$2,703	**12.3%**	*+5.4%*
Computers, Office Equipment	9,385	1,183	**12.6%**	*−9.8%*
Railroads	6,177	802	**13.0%**	*+10.3%*
Rubber	1,249	185	**14.8%**	*−1.0%*
Utilities (Electric & Gas)	40,768	6,297	**15.4%**	*+8.4%*
Paper & Forest Products	10,577	2,250	**21.3%**	*+15.4%*
Oil & Gas, Coal, Mining	20,175	4,292	**21.3%**	*+3.1%*
Airlines	645	142	**22.1%**	*+26.8%*
Automotive	19,630	4,368	**22.3%**	*+3.1%*
Telecommunications	10,205	2,429	**23.8%**	*+21.2%*
Conglomerates	5,049	1,262	**25.0%**	*+12.8%*
Drugs, Hospital Supplies	13,776	3,569	**25.9%**	*+2.0%*
Instruments	3,505	957	**27.3%**	*+3.0%*
Leisure, Personal Care	4,650	1,271	**27.3%**	—
Tobacco	7,035	1,967	**28.0%**	*−6.6%*
Electrical, Electronics	14,644	4,155	**28.4%**	*+14.7%*
Building Materials, Glass	2,080	593	**28.5%**	*+3.8%*
Food & Beverages	14,293	4,479	**31.3%**	*+12.0%*
Chemicals	11,123	3,529	**31.7%**	*+25.7%*
Publishing & Broadcasting	6,758	2,206	**32.6%**	*+4.5%*
Services, Trade	17,361	6,153	**35.4%**	*+12.8%*
Miscellaneous Manufacturing	3,712	1,330	**35.8%**	*+9.2%*
Textiles	949	351	**37.0%**	*−0.3%*
Aerospace	7,689	4,115	**53.5%**	*+46.2%*
Total, All Industries:	**$253,412**	**$60,590**	23.9%	*+9.6%*

1. Aerospace

Industry/Company:	Profit	Tax	Rate	*Change from 81-85*
Lockheed	$1,281.5	$21.0	**1.6%**	*+1.5%*
Northrop	232.2	19.2	**8.3%**	*+13.2%*
McDonnell Douglas	850.0	81.0	**9.5%**	*+8.8%*
United Technologies	904.3	423.8	**46.9%**	*+21.8%*
General Dynamics	1,053.6	571.6	**54.3%**	*+55.9%*
Grumman	171.5	99.2	**57.8%**	*+46.1%*
Rockwell International	1,718.3	1,440.6	**83.8%**	*+61.3%*
Boeing	1,478.0	1,459.0	**98.7%**	*+107.1%*
Total, Aerospace:	**$7,689**	**$4,115**	**53.5%**	*+46.2%*

2. Airlines

Industry/Company:	Profit	Tax	Rate	*Change from 81-85*
Southwest Airlines	$111.9	$21.1	**18.8%**	*+21.4%*
USAIR Group	532.6	121.4	**22.8%**	*+28.4%*
Total, Airlines:	**$645**	**$142**	22.1%	*+26.8%*

Industry/Company:	1987-88 Profit	Tax	Rate	*Change from 81-85*
3. Automotive				
Chrysler	$3,140.8	$332.0	**10.6%**	*+9.9%*
Dana Corp.	268.7	31.5	**11.7%**	*−22.4%*
General Motors	5,454.1	986.5	**18.1%**	*−5.7%*
PACCAR	335.7	79.3	**23.6%**	*−13.7%*
Ford Motor Co.	9,946.3	2,692.6	**27.1%**	*+13.5%*
TRW	484.0	246.0	**50.8%**	*+28.8%*
Total, Automotive:	**$19,630**	**$4,368**	**22.3%**	*+3.1%*
4. Building Materials, Glass				
Corning	$388.5	$38.4	**9.9%**	*+3.7%*
USG Corp.	318.2	91.9	**28.9%**	*−4.0%*
PPG Industries	982.1	319.8	**32.6%**	*+13.2%*
Sherwin-Williams	251.3	83.2	**33.1%**	*−5.0%*
Ball Corporation	139.4	60.2	**43.2%**	*+21.9%*
Total, Building Materials:	**$2,080**	**$593**	**28.5%**	*+3.8%*
5. Chemicals				
Sequa Corp.	$119.6	$0.6	**0.5%**	*+16.4%*
Ethyl	505.7	50.5	**10.0%**	*−14.1%*
American Cyanamid	270.7	42.9	**15.8%**	*+19.7%*
Rohm and Haas	287.1	55.0	**19.2%**	*−1.5%*
Olin	202.1	45.0	**22.3%**	*+15.3%*
Air Products and Chemicals	368.0	90.2	**24.5%**	*+16.9%*
Lubrizol	142.9	43.1	**30.1%**	*+11.1%*
Nalco Chemical	186.5	57.7	**30.9%**	*−7.5%*
Dow Chemical	2,675.0	837.0	**31.3%**	*+57.2%*
Du Pont	3,930.0	1,276.0	**32.5%**	*+33.9%*
Witco	149.1	52.1	**34.9%**	*+6.4%*
Hercules	1,176.3	478.8	**40.7%**	*+21.0%*
Quantum Chemical	1,109.9	500.2	**45.1%**	*+11.4%*
Total, Chemicals:	**$11,123**	**$3,529**	**31.7%**	*+25.7%*
6. Computers, Office Equipment				
IBM	$4,860.0	($44.0)	**−0.9%**	*−22.4%*
Prime Computer	112.5	5.2	**4.7%**	*+3.0%*
Pitney Bowes	477.3	56.5	**11.8%**	*−3.4%*
Hewlett-Packard	1,169.9	215.0	**18.4%**	*+2.4%*
Digital Equipment Corp.	1,508.1	440.0	**29.2%**	*+5.0%*
Tandy	911.2	355.2	**39.0%**	*−6.3%*
NCR	345.8	154.6	**44.7%**	*+15.9%*
Total, Computers, Off.Equip.:	**$9,385**	**$1,183**	**12.6%**	*−9.8%*

Industry/Company:	1987-88 Profit	Tax	Rate	*Change from 81-85*
7. Conglomerates				
Ogden	$106.9	($0.5)	**−0.5%**	*+5.6%*
Household International	448.4	15.9	**3.6%**	*−3.4%*
Alco Standard	241.1	27.7	**11.5%**	*−9.5%*
Textron	560.9	119.1	**21.2%**	*+5.2%*
Teledyne	963.8	237.8	**24.7%**	*+11.0%*
Gulf+Western	952.9	267.0	**28.0%**	*+5.5%*
Eaton	410.5	129.4	**31.5%**	*+11.3%*
Martin Marietta	801.7	271.5	**33.9%**	*+26.2%*
Whitman Corp.	562.9	194.5	**34.6%**	*+41.3%*
Total, Conglomerates	**$5,049**	**$1,262**	**25.0%**	***+12.8%***
8. Drugs, Hospital Supplies				
Baxter International	$574.0	$32.0	**5.6%**	*+8.2%*
Johnson & Johnson	590.8	68.0	**11.5%**	*−2.0%*
Becton, Dickinson	262.0	34.1	**13.0%**	*+7.6%*
SmithKline Beckman	745.7	124.9	**16.8%**	*−2.4%*
Upjohn	721.8	124.6	**17.3%**	*−3.5%*
Schering-Plough	658.0	121.1	**18.4%**	*+5.6%*
Squibb	785.0	152.3	**19.4%**	*+0.2%*
American Home Products	2,043.5	474.2	**23.2%**	*−15.5%*
Pfizer	1,174.8	273.5	**23.3%**	*+6.7%*
Abbott Laboratories	1,537.8	361.5	**23.5%**	*−1.9%*
Bristol-Myers	1,715.3	561.1	**32.7%**	*−4.8%*
Merck & Co.	1,832.9	696.4	**38.0%**	*+24.6%*
Lilly (Eli) and Co.	1,134.1	544.8	**48.0%**	*+22.1%*
Total, Drugs, Hosp. Supplies:	**$13,776**	**$3,569**	**25.9%**	***+2.0%***
9. Electrical, Electronics				
Westinghouse	$1,841.8	$150.0	**8.1%**	*+5.8%*
Square D	284.9	61.8	**21.7%**	*−12.5%*
General Electric	6,417.9	1,543.9	**24.1%**	*+22.8%*
ITT	1,194.6	320.7	**26.8%**	*+60.6%*
National Service Industries	258.3	71.8	**27.8%**	*+2.9%*
E-Systems	205.8	59.0	**28.7%**	*−4.8%*
Motorola	611.0	185.0	**30.3%**	*+11.5%*
Whirlpool	483.2	150.7	**31.2%**	*−7.5%*
AMETEK	109.4	35.0	**32.0%**	*+16.8%*
Maytag	452.4	163.9	**36.2%**	*−5.7%*
AMP	353.0	148.1	**42.0%**	*+10.5%*
Cooper Industries	522.2	228.6	**43.8%**	*+6.3%*
Raytheon	1,365.6	672.9	**49.3%**	*+1.5%*
Litton Industries	390.4	235.5	**60.3%**	*+34.1%*
Harris	153.1	127.7	**83.4%**	*+83.2%*
Total, Electrical, Electronics:	**$14,644**	**$4,155**	**28.4%**	***+14.7%***

Industry/Company:	1987-88 Profit	Tax	Rate	*Change from 81-85*
10. Financial				
General Re	$1,066.6	$12.8	**1.2%**	***+0.9%***
Transamerica	724.4	10.9	**1.5%**	***+14.9%***
Chase Manhattan	1,694.1	28.8	**1.7%**	***−3.8%***
Chemical Banking Corp.	787.0	16.2	**2.1%**	***+0.2%***
First Executive Corp.	592.0	18.1	**3.1%**	***+2.7%***
Aetna	1,806.5	70.6	**3.9%**	***−11.1%***
Bank of Boston	802.0	33.9	**4.2%**	***−8.9%***
Morgan (J.P.) & Co.	1,168.4	75.1	**6.4%**	***−4.9%***
Security Pacific Corp.	1,608.5	118.7	**7.4%**	***+3.6%***
Merrill Lynch	844.0	68.4	**8.1%**	***+12.6%***
First Union Corp.	690.3	74.3	**10.8%**	***−2.7%***
Southeast Banking Corp.	197.1	22.9	**11.6%**	***+13.0%***
AON Corporation	353.1	41.6	**11.8%**	***+2.0%***
Continental Corp.	175.0	21.0	**12.0%**	***+11.3%***
Suntrust Banks	701.2	88.7	**12.7%**	***+12.3%***
St. Paul Cos.	758.6	113.4	**14.9%**	***+15.1%***
Citizens and Southern Corp.	405.9	61.4	**15.1%**	***+8.1%***
Bankers Trust	742.1	114.4	**15.4%**	***+12.5%***
Loews Corporation	1,948.6	400.0	**20.5%**	***+18.0%***
American Express	2,152.4	452.0	**21.0%**	***−6.5%***
Keycorp	238.6	52.9	**22.2%**	***+21.2%***
Harris Bankcorp	184.0	43.3	**23.6%**	***+11.9%***
Barnett Banks	548.0	134.8	**24.6%**	***+22.2%***
Torchmark	594.3	167.2	**28.1%**	***+27.8%***
Comerica	247.1	78.3	**31.7%**	***+37.2%***
U.S. Bancorp	290.1	108.7	**37.5%**	***+49.4%***
Marsh & McLennan	657.3	274.8	**41.8%**	***+26.2%***
Total, Financial:	**$21,977**	**$2,703**	**12.3%**	***+5.4%***
11. Food & Beverages				
Tyson Foods	$212.4	$25.7	**12.1%**	***+12.4%***
Coca Cola	763.0	102.4	**13.4%**	***−5.3%***
Greyhound	155.1	29.3	**18.9%**	***+30.4%***
Campbell Soup Company	669.4	155.8	**23.3%**	***−10.9%***
Heinz (H.J.) Co.	717.3	182.5	**25.4%**	***−3.8%***
Coors (Adolph) Co.	156.0	43.8	**28.1%**	***+15.2%***
General Mills	764.2	221.8	**29.0%**	***+26.0%***
CPC International	525.5	153.0	**29.1%**	***+9.0%***
Brown-Forman	286.4	84.6	**29.5%**	***−9.5%***
Anheuser-Busch	2,117.0	658.2	**31.1%**	***+18.3%***
Pepsico	1,596.9	502.9	**31.5%**	***+38.1%***
ConAgra	475.3	153.5	**32.3%**	***+12.4%***
Wrigley (Wm., Jr.) Co.	154.6	52.2	**33.8%**	***−1.9%***
Archer Daniels Midland	998.8	348.5	**34.9%**	***+24.1%***
Kellogg	1,048.7	371.1	**35.4%**	***−0.9%***

(continued)

Industry/Company:	Profit (1987-88)	Tax (1987-88)	Rate (1987-88)	*Change from 81-85*
Food & Beverages, continued:				
Quaker Oats	514.6	182.2	**35.4%**	***+4.6%***
Pillsbury	560.5	203.8	**36.4%**	***+8.9%***
Sara Lee	609.2	221.9	**36.4%**	***+21.2%***
Hershey Foods	469.5	181.8	**38.7%**	***+6.2%***
Ralston Purina	1,288.6	509.6	**39.5%**	***−3.2%***
Hormel (Geo. A.) & Co.	166.2	73.2	**44.1%**	***+22.4%***
International Multifoods	44.1	21.5	**48.7%**	***+52.5%***
Total, Food & Beverages:	**$14,293**	**$4,479**	**31.3%**	***+12.0%***
12. Instruments				
Xerox	$846.6	$119.0	**14.1%**	***+16.9%***
Eastman Kodak	2,235.5	639.0	**28.6%**	***+0.4%***
General Signal	134.7	48.3	**35.9%**	***+2.5%***
Johnson Controls	288.4	150.4	**52.1%**	***+29.0%***
Total, Instruments:	**$3,505**	**$957**	**27.3%**	***+3.0%***
13. Leisure, Personal Care				
Procter & Gamble	$2,247.1	$515.0	**22.9%**	***−9.6%***
MCA	211.0	55.5	**26.3%**	***+20.9%***
Clorox	362.8	107.4	**29.6%**	***−3.8%***
Walt Disney Co.	1,502.0	463.3	**30.8%**	***+39.2%***
Avon	326.8	129.6	**39.7%**	***+4.0%***
Total, Leisure, Pers.Care:	**$4,650**	**$1,271**	**27.3%**	—
14. Miscellaneous Manufacturing				
Carpenter Technology	$49.8	$3.0	**6.0%**	***−10.0%***
Sundstrand	119.5	12.1	**10.1%**	***+8.7%***
Emhart	165.1	40.5	**24.5%**	***+6.2%***
FMC	501.2	130.2	**26.0%**	***+11.2%***
Briggs & Stratton	81.4	22.8	**28.0%**	***−2.4%***
Pittway	85.3	24.9	**29.2%**	***+16.9%***
Stanley Works	208.2	63.2	**30.3%**	***+1.7%***
Dover Corp.	317.9	100.2	**31.5%**	***−6.0%***
Parker Hannifin	224.3	90.6	**40.4%**	***+14.8%***
Minnesota Mining & Manuf. (3M)	1,882.0	790.0	**42.0%**	***+9.7%***
Harsco	77.7	53.0	**68.2%**	***+29.6%***
Total, Misc. Manufacturing:	**$3,712**	**$1,330**	**35.8%**	***+9.2%***
15. Oil & Gas, Coal, Mining				
Coastal Corp.	$378.4	$7.0	**1.8%**	***−7.7%***
Mitchell Energy & Development	21.4	1.1	**4.9%**	***+12.6%***
Englehard	104.4	6.6	**6.3%**	***+0.5%***
Pennzoil	2,301.3	159.9	**6.9%**	***−8.6%***

(continued)

Industry/Company:	----1987-88---- Profit	Tax	Rate	*Change from 81-85*
Oil & Gas, Coal, Mining, continued:				
Sun Co.	719.3	71.0	9.9%	*−5.1%*
Shell Oil	3,405.0	387.0	11.4%	*−8.5%*
Occidental Petroleum	373.0	45.0	12.1%	*+16.9%*
MAPCO	233.0	53.4	22.9%	*+13.6%*
Chevron	1,924.0	443.0	23.0%	*+2.6%*
Exxon	4,812.0	1,294.0	26.9%	*+1.3%*
Amoco	3,737.0	1,133.0	30.3%	*+16.9%*
Mobil	1,838.8	585.0	31.8%	*+19.4%*
Ashland Oil	327.5	106.5	32.5%	*+41.7%*
Total, Oil & Gas, Mining	**$20,175**	**$4,292**	21.3%	*+3.1%*
16. Paper & Forest Products				
Champion International	$925.3	$48.6	5.3%	*+2.8%*
International Paper	1,704.0	230.0	13.5%	*+13.0%*
Westvaco	481.7	80.6	16.7%	*+1.8%*
Great Northern Nekoosa	849.6	178.1	21.0%	*+20.7%*
Scott Paper	686.6	146.8	21.4%	*+21.6%*
Union Camp	740.4	159.8	21.6%	*+21.8%*
Weyerhaeuser	1,276.7	284.6	22.3%	*+22.3%*
Kimberly-Clark	685.1	162.5	23.7%	*+9.8%*
Consolidated Papers	384.5	96.4	25.1%	*−9.8%*
Federal Paper Board	341.4	86.8	25.4%	*+18.4%*
Stone Container	794.6	221.1	27.8%	*+33.9%*
Georgia-Pacific	1,489.0	471.0	31.6%	*+35.9%*
Sonoco	218.3	83.6	38.3%	*+1.5%*
Total, Paper & Forest Prod.:	**$10,577**	**$2,250**	21.3%	*+15.4%*
17. Publishing & Broadcasting				
Media General	$143.6	$12.8	8.9%	*−8.3%*
Time, Inc.	913.0	219.0	24.0%	*−0.8%*
Dun & Bradstreet	1,856.9	481.6	25.9%	*+22.4%*
Knight-Ridder	441.6	156.1	35.3%	*−1.8%*
Gannett Co.	1,105.3	398.0	36.0%	*+4.8%*
McGraw-Hill	715.4	262.5	36.7%	*−5.0%*
Capital Cities/ABC	1,140.7	486.3	42.6%	*+0.1%*
Tribune Co.	441.7	190.1	43.1%	*+18.3%*
Total, Publish./Broadcasting:	**$6,758**	**$2,206**	32.6%	*+4.5%*
18. Railroads				
CSX	$751.4	($35.0)	−4.7%	*−5.3%*
Burlington Northern	1,319.3	108.2	8.2%	*+7.7%*
Santa Fe Southern Pacific	640.9	93.2	14.5%	*+18.8%*
Union Pacific	1,705.0	256.0	15.0%	*+11.2%*
Norfolk Southern	1,760.8	379.6	21.6%	*+10.7%*
Total, Railroads:	**$6,177**	**$802**	13.0%	*+10.3%*

Industry/Company:	1987-88 Profit	Tax	Rate	Change from 81-85
19. Rubber				
Goodyear Tire & Rubber	$739.8	$24.6	**3.3%**	*−12.5%*
Armstrong World Industries	396.3	123.1	**31.1%**	*+21.5%*
Cooper Tire & Rubber	112.7	37.4	**33.2%**	*+0.1%*
Total, Rubber:	**$1,249**	**$185**	**14.8%**	*−1.0%*
20. Services, Trade				
Overseas Shipholding Group	$109.6	$19.3	**17.6%**	*+15.1%*
Kroger	258.1	69.5	**26.9%**	*+9.4%*
Federal Express	608.5	168.7	**27.7%**	*+24.6%*
Waste Management	1,233.1	349.2	**28.3%**	*−5.1%*
McDonald's	1,443.3	481.1	**33.3%**	*+1.8%*
SuperValu Stores	392.5	134.0	**34.1%**	*−3.7%*
Wal-Mart Stores	2,290.2	802.2	**35.0%**	*−4.9%*
Donnelley (R.R.) & Sons	631.9	223.1	**35.3%**	*+29.1%*
K mart	1,983.0	701.0	**35.4%**	*+1.5%*
Dillard Department Stores	318.0	113.5	**35.7%**	*+15.7%*
May Department Stores	1,424.0	516.0	**36.2%**	—
Sears, Roebuck	3,180.4	1,165.7	**36.7%**	*+30.0%*
Humana	555.5	204.3	**36.8%**	*+4.5%*
J.C. Penney	2,041.0	791.0	**38.8%**	*+18.0%*
Dayton Hudson	800.6	344.7	**43.1%**	*+9.9%*
Centex	91.7	69.8	**76.1%**	*+79.0%*
Total, Services, Trade	**$17,361**	**$6,153**	**35.4%**	*+12.8%*
21. Telecommunications				
GTE	$2,476.6	$377.3	**15.2%**	*+8.0%*
AT&T	4,052.5	929.0	**22.9%**	*+22.3%*
Contel	741.7	179.0	**24.1%**	*+17.8%*
Southwestern Bell	2,934.2	943.9	**32.2%**	*+25.0%*
Total, Telecommunications:	**$10,205**	**$2,429**	**23.8%**	*+21.2%*
22. Textiles				
Springs Industries	$187.8	$63.4	**33.8%**	*+10.0%*
West Point–Pepperell	221.0	77.2	**34.9%**	*+7.9%*
VF Corporation	539.8	210.7	**39.0%**	*−5.3%*
Total, Textiles:	**$949**	**$351**	**37.0%**	*−0.3%*
23. Tobacco				
Philip Morris	$6,051.0	$1,542.0	**25.5%**	*−7.5%*
American Brands	983.8	424.5	**43.2%**	*+4.4%*
Total, Tobacco:	**$7,035**	**$1,967**	**28.0%**	*−6.6%*

Industry/Company:	1987-88 Profit	Tax	Rate	*Change from 81-85*
24. Utilities (Electric & Gas)				
Illinois Power	$571.5	($51.3)	**−9.0%**	*−18.4%*
Pinnacle West	552.6	(10.3)	**−1.9%**	*−1.6%*
Gulf States Utilities	437.3	0.0	**0.0%**	*−1.7%*
CMS Energy	724.6	12.1	**1.7%**	*+1.2%*
Middle South Utilities	1,447.1	27.3	**1.9%**	*+1.9%*
Carolina Power & Light	836.9	18.1	**2.2%**	*−1.0%*
Long Island Lighting Co.	849.1	21.4	**2.5%**	*+1.9%*
Texas Eastern	297.7	16.5	**5.5%**	*−3.8%*
Commonwealth Edison	2,580.6	195.5	**7.6%**	*+7.3%*
PSEG (New Jersey)	1,616.6	124.0	**7.7%**	*+2.5%*
Detroit Edison	1,224.5	100.1	**8.2%**	*+6.5%*
ENSERCH	103.1	8.8	**8.6%**	*+9.6%*
NIPSCO Industries	290.0	25.5	**8.8%**	*+10.4%*
Houston Industries	1,240.8	122.4	**9.9%**	*+4.1%*
Central and South West Corp.	1,042.0	104.0	**10.0%**	*+7.8%*
Texas Utilities Co.	1,827.3	183.4	**10.0%**	*−2.4%*
Philadelphia Electric Co.	1,488.4	150.1	**10.1%**	*+11.4%*
Niagara Mohawk Power	473.5	51.6	**10.9%**	*+9.5%*
Southern Company	2,350.8	257.3	**10.9%**	*+5.1%*
Pennsylvania Power & Light	1,006.3	118.6	**11.8%**	*+11.7%*
Ohio Edison	924.7	117.1	**12.7%**	*+13.3%*
Centerior Energy	1,010.0	147.7	**14.6%**	*+11.1%*
Baltimore Gas & Electric	815.1	141.7	**17.4%**	*+0.2%*
FPL Group	1,224.9	247.3	**20.2%**	*+11.0%*
Union Electric	1,001.4	202.7	**20.2%**	*+19.6%*
Dominion Resources	1,338.1	281.7	**21.1%**	*+10.7%*
Pacific Gas & Electric	2,165.4	494.5	**22.8%**	*+12.6%*
American Electric Power	1,816.8	434.7	**23.9%**	*+20.8%*
Scana	415.5	100.5	**24.2%**	*+14.5%*
Pacificorp	1,127.6	280.8	**24.9%**	*+19.4%*
SCEcorp	2,508.3	633.8	**25.3%**	*+15.9%*
Northern States Power	600.5	170.0	**28.3%**	*+23.5%*
General Public Utilities	945.0	278.0	**29.4%**	*+17.7%*
Duke Power Co.	1,448.0	433.7	**30.0%**	*+15.4%*
Consolidated Edison	1,814.4	619.1	**34.1%**	*+1.8%*
Allegheny Power System	652.3	239.2	**36.7%**	*+12.5%*
Total, Utilities:	**$40,768**	**$6,297**	**15.4%**	***+8.4%***
TOTAL, ALL INDUSTRIES:	**$253,412**	**$60,590**	**23.9%**	***+9.6%***

1981-1988 Profits & Federal Income Taxes
For 250 Major American Corporations

(Alphabetical order; $-millions)

Company:	1988 Profit	1988 Tax	1988 Rate	1987 Profit	1987 Tax	1987 Rate	1986 Profit	1986 Tax	1986 Rate	1981-85 Profit	1981-85 Tax	1981-85 Rate
Abbott Laboratories	$815.0	$181.5	22.3%	$722.8	$180.0	24.9%	$663.4	$137.7	20.7%	$2,423.4	$616.1	25.4%
Aetna	799.1	105.4	13.2%	1,007.4	(34.8)	−3.5%	1,255.9	(42.6)	−3.4%	1,474.6	221.6	15.0%
Air Products and Chemicals	200.6	50.1	25.0%	167.4	40.1	24.0%	101.7	11.7	11.5%	612.5	46.4	7.6%
Alco Standard	115.8	19.1	16.5%	125.4	8.6	6.8%	121.9	19.8	16.2%	501.1	105.1	21.0%
Allegheny Power System	308.9	108.8	35.2%	343.4	130.4	38.0%	388.0	45.6	11.8%	1,391.3	336.9	24.2%
American Brands	477.8	227.0	47.5%	506.0	197.5	39.0%	427.0	198.6	46.5%	2,578.0	998.9	38.7%
American Cyanamid	142.9	27.5	19.2%	127.8	15.4	12.1%	96.3	6.4	6.6%	439.0	(16.9)	−3.8%
American Electric Power	942.4	161.3	17.1%	874.4	273.4	31.3%	996.0	244.6	24.6%	3,792.1	119.6	3.2%
American Express	861.4	193.0	22.4%	1,290.9	259.0	20.1%	1,263.9	216.0	17.1%	2,712.8	745.0	27.5%
American Home Products	1,037.5	251.4	24.2%	1,006.0	222.9	22.2%	1,008.8	454.3	45.0%	4,317.5	1,670.6	38.7%
AMETEK	50.0	18.1	36.3%	59.4	16.9	28.4%	49.5	9.0	18.2%	277.0	42.0	15.2%
Amoco	2,512.0	748.0	29.8%	1,225.0	385.0	31.4%	593.0	(94.0)	−15.9%	9,363.0	1,254.0	13.4%
AMP	200.1	73.8	36.9%	152.9	74.3	48.6%	88.2	23.9	27.1%	713.3	224.4	31.5%
Anheuser-Busch	1,093.4	330.5	30.2%	1,023.6	327.7	32.0%	917.7	267.0	29.1%	2,814.2	360.6	12.8%
AON Corporation	175.0	12.3	7.0%	178.1	29.3	16.4%	319.3	78.3	24.5%	682.1	66.8	9.8%
Archer Daniels Midland	545.1	171.5	31.5%	453.8	177.0	39.0%	378.2	92.0	24.3%	1,006.9	108.3	10.8%
Armstrong World Industries	190.6	60.4	31.7%	205.7	62.7	30.5%	177.3	45.0	25.4%	474.7	45.2	9.5%
Ashland Oil	169.0	118.3	70.0%	158.5	(11.8)	−7.5%	313.8	67.0	21.4%	553.0	(50.6)	−9.1%
AT&T	2,000.5	507.0	25.3%	2,052.0	422.0	20.6%	2,158.0	268.0	12.4%	35,660.1	234.9	0.7%
Avon	103.2	38.2	37.0%	223.5	91.4	40.9%	118.4	33.0	27.9%	961.4	342.9	35.7%
Ball Corporation	45.1	12.0	26.6%	94.3	48.2	51.1%	105.4	32.4	30.7%	331.9	70.6	21.3%
Baltimore Gas & Electric	390.9	58.0	14.8%	424.1	83.7	19.7%	410.0	115.8	28.2%	1,626.2	280.1	17.2%
Bank of Boston	420.6	8.4	2.0%	381.4	25.5	6.7%	275.9	94.3	34.2%	677.9	88.8	13.1%
Bankers Trust	435.4	24.3	5.6%	306.7	90.0	29.3%	356.8	27.6	7.7%	538.7	15.9	3.0%
Barnett Banks	293.5	72.5	24.7%	254.5	62.3	24.5%	202.8	22.9	11.3%	449.1	11.0	2.4%
Baxter International	341.0	64.0	18.8%	233.0	(32.0)	−13.7%	100.0	4.0	4.0%	719.3	(18.8)	−2.6%
Becton, Dickinson	130.0	14.5	11.2%	132.1	19.6	14.8%	114.8	17.1	14.9%	308.9	16.8	5.4%
Boeing	820.0	916.0	111.7%	658.0	543.0	82.5%	1,028.0	66.0	6.4%	2,962.0	(247.0)	−8.3%
Briggs & Stratton	39.8	10.4	26.0%	41.5	12.4	29.8%	57.7	17.4	30.2%	283.7	86.1	30.3%
Bristol-Myers	879.6	262.2	29.8%	835.7	298.9	35.8%	684.7	212.2	31.0%	2,398.3	900.7	37.6%
Brown-Forman	143.9	43.9	30.5%	142.5	40.7	28.6%	142.0	45.6	32.1%	680.9	265.8	39.0%
Burlington Northern	663.3	34.5	5.2%	656.1	73.7	11.2%	501.9	18.0	3.6%	3,821.0	19.5	0.5%
Campbell Soup Company	329.3	101.4	30.8%	340.1	54.4	16.0%	295.2	80.3	27.2%	1,248.4	427.1	34.2%
Capital Cities/ABC	629.3	239.6	38.1%	511.4	246.7	48.2%	388.4	205.8	53.0%	1,044.5	443.8	42.5%
Carolina Power & Light	300.5	45.7	15.2%	536.3	(27.6)	−5.2%	592.0	99.9	16.9%	2,207.8	69.9	3.2%
Carpenter Technology	40.7	7.5	18.4%	9.0	(4.5)	−49.8%	10.7	(7.8)	−72.8%	249.8	40.0	16.0%
Centerior Energy	541.1	33.1	6.1%	469.0	114.6	24.4%	508.3	(13.3)	−2.6%	1,602.4	57.1	3.6%
Centex	57.6	25.2	43.8%	34.1	44.6	130.7%	75.5	11.6	15.4%	350.1	(10.2)	−2.9%
Central and South West Corp.	468.0	60.0	12.8%	574.0	44.0	7.7%	610.0	46.0	7.5%	2,392.1	52.0	2.2%
Champion International	489.1	41.7	8.5%	436.2	6.9	1.6%	189.4	2.8	1.5%	377.4	9.1	2.4%

Company:	1988 Profit	1988 Tax	1988 Rate	1987 Profit	1987 Tax	1987 Rate	1986 Profit	1986 Tax	1986 Rate	1981-85 Profit	1981-85 Tax	1981-85 Rate
Chase Manhattan	$1,050.2	$18.7	**1.8%**	$643.9	$10.0	**1.6%**	$668.1	($33.8)	**−5.1%**	$1,408.1	77.7	**5.5%**
Chemical Banking Corp.	335.1	16.2	**4.8%**	451.9	0.0	**0.0%**	345.2	3.1	**0.9%**	1,000.3	18.7	**1.9%**
Chevron	1,364.0	375.0	**27.5%**	560.0	68.0	**12.1%**	126.0	(121.0)	**−96.0%**	7,572.0	1,549.0	**20.5%**
Chrysler	1,314.6	116.0	**8.8%**	1,826.2	216.0	**11.8%**	1,876.7	64.0	**3.4%**	4,562.1	31.3	**0.7%**
Citizens and Southern Corp.	229.3	38.7	**16.9%**	176.6	22.7	**12.8%**	164.9	4.3	**2.6%**	387.3	27.1	**7.0%**
Clorox	192.3	57.6	**29.9%**	170.5	49.8	**29.2%**	165.0	44.0	**26.6%**	530.9	177.4	**33.4%**
CMS Energy	357.2	6.4	**1.8%**	367.4	5.7	**1.6%**	328.4	2.1	**0.6%**	971.0	4.7	**0.5%**
Coastal Corp.	217.9	28.0	**12.8%**	160.5	(21.0)	**−13.1%**	135.8	12.0	**8.8%**	619.7	59.0	**9.5%**
Coca Cola	469.1	53.1	**11.3%**	293.9	49.3	**16.8%**	474.5	(11.9)	**−2.5%**	1,970.9	368.1	**18.7%**
Comerica	140.1	40.4	**28.9%**	107.0	37.9	**35.4%**	65.5	0.9	**1.4%**	184.5	(10.2)	**−5.5%**
Commonwealth Edison	1,102.7	97.8	**8.9%**	1,477.8	97.7	**6.6%**	1,492.9	73.2	**4.9%**	4,849.5	12.4	**0.3%**
ConAgra	218.6	63.6	**29.1%**	256.7	90.0	**35.0%**	222.1	76.5	**34.4%**	370.5	73.8	**19.9%**
Consolidated Edison	900.4	293.1	**32.6%**	914.0	326.0	**35.7%**	984.8	383.8	**39.0%**	4,449.1	1,435.8	**32.3%**
Consolidated Papers	225.7	58.7	**26.0%**	158.8	37.7	**23.8%**	147.9	29.3	**19.8%**	582.3	202.9	**34.8%**
Contel	462.0	139.0	**30.1%**	279.7	40.0	**14.3%**	423.9	116.3	**27.4%**	1,475.3	94.0	**6.4%**
Continental Corp.	102.8	8.4	**8.2%**	72.2	12.6	**17.4%**	590.2	7.0	**1.2%**	643.5	4.4	**0.7%**
Cooper Industries	285.3	152.8	**53.6%**	236.9	75.7	**32.0%**	212.0	61.6	**29.0%**	1,082.1	405.2	**37.4%**
Cooper Tire & Rubber	61.9	19.4	**31.3%**	50.7	18.0	**35.6%**	41.2	14.0	**34.1%**	170.3	56.4	**33.1%**
Coors (Adolph) Co.	74.2	15.6	**21.0%**	81.8	28.2	**34.5%**	105.7	32.6	**30.8%**	445.0	57.4	**12.9%**
Corning	265.9	54.7	**20.6%**	122.6	(16.3)	**−13.3%**	114.8	45.0	**39.2%**	172.2	10.6	**6.2%**
CPC International	181.3	48.3	**26.6%**	344.2	104.7	**30.4%**	135.8	2.3	**1.7%**	738.0	148.1	**20.1%**
CSX	402.2	(59.0)	**−14.7%**	349.2	24.0	**6.9%**	402.2	20.0	**5.0%**	3,262.4	20.4	**0.6%**
Dana Corp.	154.7	21.0	**13.5%**	114.0	10.5	**9.3%**	75.2	(8.6)	**−11.5%**	1,022.2	349.0	**34.1%**
Dayton Hudson	433.0	175.0	**40.4%**	367.6	169.7	**46.2%**	464.0	170.7	**36.8%**	1,956.7	648.2	**33.1%**
Detroit Edison	510.7	40.3	**7.9%**	713.8	59.8	**8.4%**	594.9	13.3	**2.2%**	2,194.9	36.3	**1.7%**
Digital Equipment Corp.	724.2	175.1	**24.2%**	784.0	265.0	**33.8%**	364.5	93.0	**25.5%**	1,559.6	377.1	**24.2%**
Dillard Department Stores	167.5	55.5	**33.1%**	150.5	58.0	**38.5%**	127.4	25.0	**19.6%**	315.3	63.1	**20.0%**
Dominion Resources	615.3	153.8	**25.0%**	722.8	127.9	**17.7%**	747.3	187.3	**25.1%**	2,582.3	267.3	**10.4%**
Donnelley (R.R.) & Sons	297.4	102.9	**34.6%**	334.5	120.2	**35.9%**	254.3	93.3	**36.7%**	963.5	59.4	**6.2%**
Dover Corp.	165.6	52.0	**31.4%**	152.3	48.2	**31.6%**	114.5	38.9	**34.0%**	707.2	265.2	**37.5%**
Dow Chemical	1,756.0	526.0	**30.0%**	919.0	311.0	**33.8%**	488.0	50.0	**10.2%**	771.0	(200.0)	**−25.9%**
Du Pont	1,903.0	426.0	**22.4%**	2,027.0	850.0	**41.9%**	1,509.0	232.0	**15.4%**	5,079.0	(72.0)	**−1.4%**
Duke Power Co.	619.4	188.0	**30.3%**	828.6	245.8	**29.7%**	842.6	213.2	**25.3%**	3,382.8	492.6	**14.6%**
Dun & Bradstreet	1,406.1	355.3	**25.3%**	450.8	126.3	**28.0%**	700.7	208.6	**29.8%**	1,398.5	49.2	**3.5%**
Eastman Kodak	1,056.5	318.0	**30.1%**	1,179.0	321.0	**27.2%**	49.2	(9.0)	**−18.3%**	6,647.0	1,873.0	**28.2%**
Eaton	212.9	76.7	**36.0%**	197.6	52.7	**26.7%**	117.2	11.8	**10.1%**	711.9	143.9	**20.2%**
Emhart	129.4	38.0	**29.4%**	35.7	2.5	**7.0%**	53.8	0.4	**0.7%**	379.5	69.7	**18.4%**
Englehard	44.4	4.3	**9.6%**	60.0	2.3	**3.8%**	50.7	4.8	**9.4%**	272.2	15.7	**5.8%**
ENSERCH	30.1	4.1	**13.7%**	73.0	4.7	**6.5%**	28.3	(2.9)	**−10.4%**	1,088.1	(11.3)	**−1.0%**
Ethyl	279.4	24.4	**8.7%**	226.3	26.1	**11.5%**	232.7	30.0	**12.9%**	672.1	161.6	**24.0%**
Exxon	2,653.0	780.0	**29.4%**	2,159.0	514.0	**23.8%**	1,202.0	124.0	**10.3%**	16,358.0	4,185.0	**25.6%**
E-Systems	109.7	33.0	**30.1%**	96.2	26.0	**27.0%**	108.3	30.3	**28.0%**	381.3	127.7	**33.5%**
Federal Express	297.1	81.9	**27.6%**	311.4	86.8	**27.9%**	160.7	5.9	**3.7%**	602.8	18.6	**3.1%**
Federal Paper Board	212.9	52.6	**24.7%**	128.5	34.2	**26.6%**	65.4	5.7	**8.7%**	152.2	10.7	**7.1%**
First Executive Corp.	306.7	17.1	**5.6%**	285.4	1.0	**0.3%**	242.3	0.0	**0.0%**	627.2	2.2	**0.4%**

Company:	1988 Profit	1988 Tax	1988 Rate	1987 Profit	1987 Tax	1987 Rate	1986 Profit	1986 Tax	1986 Rate	1981-85 Profit	1981-85 Tax	1981-85 Rate
First Union Corp.	$354.8	$32.4	9.1%	$335.6	$41.9	12.5%	$319.9	$50.7	15.9%	$505.9	$68.4	13.5%
FMC	87.6	13.3	15.2%	413.5	116.9	28.3%	50.8	(6.8)	−13.3%	975.8	144.7	14.8%
Ford Motor Co.	4,389.4	1,426.3	32.5%	5,556.9	1,266.3	22.8%	4,003.1	898.7	22.5%	5,108.4	691.9	13.5%
FPL Group	603.1	180.9	30.0%	621.7	66.4	10.7%	597.9	102.6	17.2%	2,565.1	236.4	9.2%
Gannett Co.	562.6	190.0	33.8%	542.7	208.0	38.3%	500.1	193.1	38.6%	1,813.0	565.2	31.2%
General Dynamics	455.0	136.5	30.0%	598.6	435.1	72.7%	206.2	37.0	17.9%	2,281.9	(37.6)	−1.6%
General Electric	3,800.9	799.9	21.0%	2,617.0	744.0	28.4%	2,418.0	231.0	9.6%	12,927.0	157.0	1.2%
General Mills	386.5	116.0	30.0%	377.7	105.8	28.0%	283.4	(23.7)	−8.4%	1,540.7	47.0	3.1%
General Motors	3,108.1	1,641.6	52.8%	2,346.0	(655.1)	−27.9%	2,058.8	(1,883.8)	−91.5%	18,492.5	4,395.6	23.8%
General Public Utilities	464.0	172.0	37.1%	481.0	106.0	22.0%	423.0	135.0	31.9%	970.0	114.0	11.8%
General Re	532.4	8.3	1.6%	534.2	4.5	0.8%	276.7	(13.6)	−4.9%	648.2	1.7	0.3%
General Signal	74.6	23.5	31.5%	60.1	24.9	41.4%	79.2	10.2	12.9%	763.4	254.9	33.4%
Georgia-Pacific	733.0	222.0	30.3%	756.0	249.0	32.9%	462.0	79.0	17.1%	1,087.0	(46.0)	−4.2%
Goodyear Tire & Rubber	166.1	27.0	16.3%	573.7	(2.4)	−0.4%	312.3	(20.7)	−6.6%	2,238.6	353.6	15.8%
Great Northern Nekoosa	529.8	132.4	25.0%	319.8	45.7	14.3%	138.9	0.0	0.0%	589.9	1.4	0.2%
Greyhound	79.6	36.4	45.7%	75.5	(7.1)	−9.4%	68.4	9.1	13.4%	496.9	(57.3)	−11.5%
Grumman	130.5	57.2	43.8%	41.1	42.0	102.2%	117.2	73.6	62.8%	782.5	92.0	11.8%
GTE	1,279.3	237.0	18.5%	1,197.3	140.3	11.7%	314.1	30.1	9.6%	6,775.2	489.0	7.2%
Gulf States Utilities	164.1	0.0	0.0%	273.2	0.0	0.0%	257.3	(1.1)	−0.4%	1,365.2	22.7	1.7%
Gulf+Western	442.5	124.2	28.1%	510.4	142.8	28.0%	318.2	26.7	8.4%	1,104.9	248.8	22.5%
Harris	49.8	84.3	169.3%	103.3	43.5	42.0%	41.4	(8.9)	−21.4%	385.9	0.9	0.2%
Harris Bankcorp	84.9	28.0	33.0%	99.0	15.3	15.5%	46.2	(1.7)	−3.6%	172.1	20.1	11.7%
Harsco	9.6	17.8	185.3%	68.1	35.2	51.7%	59.3	14.9	25.1%	271.9	105.0	38.6%
Heinz (H.J.) Co.	361.5	106.6	29.5%	355.8	75.9	21.3%	325.7	91.7	28.2%	1,148.5	335.6	29.2%
Hercules	36.0	0.4	1.1%	1,140.3	478.5	42.0%	140.4	50.4	35.9%	527.5	104.2	19.8%
Hershey Foods	219.9	70.5	32.1%	249.6	111.3	44.6%	239.5	80.2	33.5%	875.2	284.8	32.5%
Hewlett-Packard	649.9	230.0	35.4%	520.0	(15.0)	−2.9%	376.5	21.0	5.6%	2,452.9	393.0	16.0%
Hormel (Geo. A.) & Co.	89.9	43.3	48.2%	76.3	29.9	39.2%	68.5	22.9	33.4%	255.1	55.2	21.6%
Household International	207.1	5.8	2.8%	241.3	10.1	4.2%	137.5	33.1	24.1%	1,085.6	75.4	6.9%
Houston Industries	560.8	28.8	5.1%	680.0	93.6	13.8%	664.9	23.4	3.5%	2,575.2	147.6	5.7%
Humana	298.7	105.0	35.1%	256.7	99.3	38.7%	185.8	68.4	36.8%	1,352.1	436.6	32.3%
IBM	1,933.0	79.0	4.1%	2,927.0	(123.0)	−4.2%	2,413.0	(266.0)	−11.0%	26,927.3	5,796.5	21.5%
Illinois Power	227.0	(25.7)	−11.3%	344.5	(25.6)	−7.4%	354.6	(34.6)	−9.7%	1,385.7	131.1	9.5%
International Multifoods	21.5	16.5	76.7%	22.6	5.0	22.1%	15.2	0.5	3.0%	54.8	(2.1)	−3.8%
International Paper	1,092.0	177.0	16.2%	612.0	53.0	8.7%	400.0	21.0	5.3%	1,266.3	6.4	0.5%
ITT	463.0	175.0	37.8%	731.6	145.7	19.9%	486.2	136.8	28.1%	681.7	(230.3)	−33.8%
Johnson Controls	142.0	81.6	57.5%	146.4	68.8	47.0%	136.5	50.7	37.2%	477.9	110.6	23.1%
Johnson & Johnson	366.0	28.0	7.7%	224.8	40.0	17.8%	113.2	31.0	27.4%	1,766.8	238.8	13.5%
J.C. Penney	1,117.0	380.0	34.0%	924.0	411.0	44.5%	949.0	127.0	13.4%	3,444.0	715.0	20.8%
K mart	1,015.0	330.0	32.5%	968.0	371.0	38.3%	846.0	320.0	37.8%	2,670.5	905.1	33.9%
Kellogg	544.0	181.6	33.4%	504.7	189.5	37.5%	454.0	178.7	39.4%	1,614.7	586.6	36.3%
Keycorp	146.6	37.4	25.5%	92.0	15.5	16.9%	93.3	3.8	4.0%	208.7	2.1	1.0%
Kimberly-Clark	356.4	97.9	27.5%	328.7	64.6	19.7%	315.0	68.7	21.8%	1,204.0	167.8	13.9%
Knight-Ridder	199.4	61.7	30.9%	242.2	94.4	39.0%	240.5	89.7	37.3%	1,003.8	372.5	37.1%
Kroger	29.0	(8.2)	−28.3%	229.1	77.7	33.9%	219.6	70.4	32.1%	1,269.0	221.8	17.5%

Company:	1988 Profit	1988 Tax	1988 Rate	1987 Profit	1987 Tax	1987 Rate	1986 Profit	1986 Tax	1986 Rate	1981-85 Profit	1981-85 Tax	1981-85 Rate
Lilly (Eli) and Co.	$670.3	$286.4	42.7%	$463.8	$258.4	55.7%	$614.3	$204.8	33.3%	$2,715.8	$704.9	26.0%
Litton Industries	201.0	218.1	108.5%	189.4	17.4	9.2%	85.3	(48.5)	−56.9%	1,984.3	519.6	26.2%
Lockheed	566.4	4.0	0.7%	715.1	17.0	2.4%	710.2	7.0	1.0%	2,359.9	4.0	0.2%
Loews Corporation	1,268.2	312.1	24.6%	680.4	87.9	12.9%	654.9	4.8	0.7%	1,985.0	50.4	2.5%
Long Island Lighting Co.	410.3	18.4	4.5%	438.7	3.0	0.7%	487.0	0.0	0.0%	2,316.8	15.1	0.7%
Lubrizol	88.1	26.4	29.9%	54.7	16.7	30.5%	54.6	8.1	14.8%	267.7	51.1	19.1%
MAPCO	157.3	39.5	25.1%	75.7	13.8	18.3%	126.9	11.1	8.8%	535.4	49.8	9.3%
Marsh & McLennan	325.3	140.2	43.1%	332.0	134.6	40.5%	287.9	138.1	48.0%	542.9	84.7	15.6%
Martin Marietta	445.0	129.3	29.1%	356.7	142.2	39.9%	314.0	49.5	15.7%	1,142.0	87.1	7.6%
May Department Stores	724.0	263.0	36.3%	700.0	253.0	36.1%	616.0	290.0	47.1%	1,968.8	712.5	36.2%
Maytag	201.9	65.2	32.3%	250.5	98.6	39.4%	211.6	96.1	45.4%	653.1	273.8	41.9%
MCA	118.9	31.7	26.7%	92.1	23.8	25.8%	74.5	10.6	14.2%	562.1	30.2	5.4%
McDonald's	732.4	229.4	31.3%	710.8	251.7	35.4%	666.5	202.7	30.4%	2,600.6	819.5	31.5%
McDonnell Douglas	444.0	75.0	16.9%	406.0	6.0	1.5%	441.0	0.0	0.0%	1,952.8	14.5	0.7%
McGraw-Hill	456.8	176.3	38.6%	258.6	86.2	33.3%	259.3	95.7	36.9%	1,035.4	431.9	41.7%
Media General	75.0	(4.3)	−5.7%	68.5	17.1	24.9%	22.9	(0.1)	−0.5%	281.4	48.5	17.2%
Merck & Co.	1,047.4	441.2	42.1%	785.5	255.2	32.5%	638.3	163.5	25.6%	2,331.0	311.6	13.4%
Merrill Lynch	521.5	67.9	13.0%	322.5	0.5	0.1%	624.2	171.9	27.5%	1,248.8	(56.7)	−4.5%
Middle South Utilities	724.2	17.1	2.4%	722.9	10.1	1.4%	1,105.1	0.0	0.0%	2,916.1	(1.0)	−0.0%
Minnesota Mining & Manuf. (3M)	1,032.0	395.0	38.3%	850.0	395.0	46.5%	791.0	303.0	38.3%	3,791.0	1,222.0	32.2%
Mitchell Energy & Development	7.3	0.8	10.9%	14.1	0.3	1.9%	13.3	0.0	0.0%	538.8	(41.1)	−7.6%
Mobil	939.5	489.0	52.1%	899.3	96.0	10.7%	(268.0)	171.0	NM	3,974.0	495.0	12.5%
Morgan (J.P.) & Co.	657.4	1.6	0.2%	511.0	73.5	14.4%	537.9	(25.8)	−4.8%	1,200.7	136.1	11.3%
Motorola	385.0	152.0	39.5%	226.0	33.0	14.6%	131.0	52.0	39.7%	909.0	171.0	18.8%
Nalco Chemical	98.7	24.0	24.4%	87.8	33.7	38.4%	78.7	17.1	21.7%	472.6	181.5	38.4%
National Service Industries	129.6	38.1	29.4%	128.7	33.7	26.2%	122.5	31.2	25.5%	437.0	108.8	24.9%
NCR	154.1	56.2	36.5%	191.6	98.4	51.3%	152.9	19.7	12.9%	1,031.3	296.5	28.8%
Niagara Mohawk Power	313.7	31.1	9.9%	159.9	20.5	12.8%	562.7	38.4	6.8%	1,981.4	28.7	1.4%
NIPSCO Industries	191.6	18.6	9.7%	98.3	6.9	7.0%	(48.8)	(26.4)	NM	823.5	(13.0)	−1.6%
Norfolk Southern	972.8	185.4	19.1%	788.0	194.2	24.6%	827.3	163.4	19.7%	3,871.9	422.4	10.9%
Northern States Power	303.4	102.8	33.9%	297.2	67.2	22.6%	327.3	(4.0)	−1.2%	1,524.6	72.8	4.8%
Northrop	95.5	19.1	20.0%	136.7	0.1	0.1%	47.3	3.5	7.4%	764.0	(38.0)	−5.0%
Occidental Petroleum	278.0	38.0	13.7%	95.0	7.0	7.4%	54.2	2.0	3.7%	1,349.9	(65.2)	−4.8%
Ogden	56.7	6.0	10.6%	50.2	(6.5)	−13.0%	146.2	52.4	35.8%	182.9	(11.0)	−6.0%
Ohio Edison	328.0	39.1	11.9%	596.8	77.9	13.1%	594.3	5.6	0.9%	2,067.8	(12.3)	−0.6%
Olin	97.6	25.0	25.6%	104.5	20.0	19.1%	72.7	(7.0)	−9.6%	431.0	30.0	7.0%
Overseas Shipholding Group	62.7	13.0	20.7%	46.9	6.3	13.3%	51.5	16.7	32.4%	318.9	7.8	2.4%
PACCAR	198.6	52.9	26.6%	137.1	26.4	19.3%	67.4	0.0	0.1%	544.5	203.2	37.3%
Pacific Gas & Electric	956.2	181.3	19.0%	1,209.2	313.1	25.9%	1,957.9	132.4	6.8%	5,955.8	610.1	10.2%
Pacificorp	665.9	163.7	24.6%	461.7	117.1	25.4%	452.9	(41.2)	−9.1%	1,393.1	76.8	5.5%
Parker Hannifin	113.1	52.2	46.2%	111.3	38.4	34.5%	108.7	25.6	23.6%	407.2	104.0	25.5%
Pennsylvania Power & Light	493.1	59.1	12.0%	513.2	59.5	11.6%	549.8	32.4	5.9%	1,806.2	1.7	0.1%
Pennzoil	2,229.0	164.4	7.4%	72.3	(4.5)	−6.2%	206.0	20.2	9.8%	1,423.5	221.0	15.5%
Pepsico	836.5	248.0	29.6%	760.4	254.9	33.5%	534.6	143.1	26.8%	2,524.2	(167.7)	−6.6%
Pfizer	609.6	148.8	24.4%	565.2	124.7	22.1%	597.9	33.1	5.5%	1,760.0	291.1	16.5%

Company:	1988 Profit	1988 Tax	1988 Rate	1987 Profit	1987 Tax	1987 Rate	1986 Profit	1986 Tax	1986 Rate	1981-85 Profit	1981-85 Tax	1981-85 Rate
Philadelphia Electric Co.	$716.9	$74.1	10.3%	$771.5	$76.0	9.9%	$269.4	$12.9	4.8%	$2,485.1	($32.9)	-1.3%
Philip Morris	3,324.0	935.0	28.1%	2,727.0	607.0	22.3%	2,189.0	624.0	28.5%	6,842.6	2,256.6	33.0%
Pillsbury	242.6	102.8	42.4%	317.9	101.0	31.8%	330.2	134.2	40.6%	1,147.7	315.6	27.5%
Pinnacle West	75.0	(21.1)	-28.1%	477.6	10.8	2.3%	408.1	40.1	9.8%	1,711.7	(4.9)	-0.3%
Pitney Bowes	253.8	20.0	7.9%	223.5	36.5	16.3%	208.5	25.0	12.0%	891.5	135.5	15.2%
Pittway	41.2	14.4	35.0%	44.1	10.5	23.7%	40.5	3.1	7.7%	235.6	28.9	12.3%
PPG Industries	531.3	168.8	31.8%	450.8	151.0	33.5%	428.7	105.9	24.7%	1,612.5	312.2	19.4%
Prime Computer	35.2	3.2	9.2%	77.2	2.0	2.6%	54.2	5.2	9.6%	218.3	3.6	1.6%
Procter & Gamble	1,179.0	287.0	24.3%	1,068.1	228.0	21.3%	921.0	166.0	18.0%	5,657.0	1,837.0	32.5%
PSEG (New Jersey)	752.1	75.9	10.1%	864.5	48.1	5.6%	596.7	187.7	31.5%	3,012.8	156.0	5.2%
Quaker Oats	297.1	108.8	36.6%	217.5	73.4	33.7%	209.9	91.1	43.4%	921.8	284.4	30.9%
Quantum Chemical	622.0	241.1	38.8%	487.9	259.1	53.1%	149.6	75.6	50.5%	453.8	152.9	33.7%
Ralston Purina	478.8	163.2	34.1%	809.8	346.4	42.8%	587.6	245.3	41.7%	1,694.5	724.1	42.7%
Raytheon	688.7	377.8	54.9%	676.9	295.1	43.6%	641.8	74.1	11.5%	2,482.8	1,186.1	47.8%
Rockwell International	713.7	1,373.7	192.5%	1,004.6	66.9	6.7%	856.2	83.7	9.8%	3,228.8	729.1	22.6%
Rohm and Haas	169.3	30.0	17.7%	117.8	25.0	21.2%	59.3	(4.0)	-6.7%	631.8	130.2	20.6%
Santa Fe Southern Pacific	179.6	(2.1)	-1.2%	461.3	95.3	20.7%	386.2	28.9	7.5%	2,961.5	(124.8)	-4.2%
Sara Lee	308.8	110.1	35.7%	300.4	111.8	37.2%	255.0	55.9	21.9%	1,092.0	165.9	15.2%
Scana	191.1	33.6	17.6%	224.4	66.9	29.8%	243.8	82.6	33.9%	892.7	86.7	9.7%
SCEcorp	1,227.1	241.9	19.7%	1,281.3	391.9	30.6%	1,361.1	324.7	23.9%	4,941.0	464.3	9.4%
Schering-Plough	349.7	64.0	18.3%	308.4	57.1	18.5%	237.1	48.2	20.3%	842.0	108.1	12.8%
Scott Paper	459.4	122.4	26.6%	227.2	24.4	10.7%	196.0	9.6	4.9%	777.4	(1.4)	-0.2%
Sears, Roebuck	1,555.8	568.3	36.5%	1,624.6	597.4	36.8%	1,624.3	270.6	16.7%	6,678.4	442.9	6.6%
Security Pacific Corp.	883.9	54.9	6.2%	724.6	63.8	8.8%	446.1	38.2	8.6%	1,551.1	58.9	3.8%
Sequa Corp.	77.3	6.5	8.4%	42.3	(5.9)	-13.9%	9.1	1.7	19.2%	111.7	(17.7)	-15.9%
Shell Oil	1,698.0	413.0	24.3%	1,707.0	(26.0)	-1.5%	1,248.0	(24.0)	-1.9%	13,493.0	2,680.0	19.9%
Sherwin-Williams	109.7	36.8	33.5%	141.6	46.4	32.8%	155.8	49.5	31.8%	424.4	161.7	38.1%
SmithKline Beckman	305.3	18.7	6.1%	440.4	106.2	24.1%	413.0	78.4	19.0%	2,074.5	396.6	19.1%
Sonoco	129.3	49.5	38.3%	89.1	34.1	38.3%	79.0	27.7	35.1%	281.2	103.3	36.8%
Southeast Banking Corp.	81.3	19.6	24.1%	115.7	3.4	2.9%	77.8	1.8	2.4%	269.6	(3.6)	-1.3%
Southern Company	1,337.0	138.0	10.3%	1,013.8	119.3	11.8%	1,638.2	43.3	2.6%	5,881.0	342.3	5.8%
Southwest Airlines	83.4	10.0	12.0%	28.5	11.1	39.0%	65.4	1.4	2.1%	273.8	(7.1)	-2.6%
Southwestern Bell	1,368.5	533.6	39.0%	1,565.7	410.3	26.2%	1,703.4	345.2	20.3%	7,285.8	521.6	7.2%
Springs Industries	92.8	31.4	33.9%	95.1	32.0	33.6%	54.8	13.2	24.1%	248.5	59.1	23.8%
Square D	134.9	32.7	24.2%	150.0	29.2	19.5%	152.7	30.5	20.0%	668.3	228.8	34.2%
Squibb	400.9	86.0	21.4%	384.2	66.4	17.3%	330.7	69.9	21.1%	636.5	122.6	19.3%
Stanley Works	98.1	34.1	34.7%	110.1	29.1	26.4%	103.3	30.6	29.6%	384.5	110.2	28.7%
Stone Container	522.9	161.2	30.8%	271.7	59.9	22.0%	56.3	0.2	0.4%	93.6	(5.7)	-6.1%
St. Paul Cos.	394.5	106.2	26.9%	364.2	7.1	2.0%	216.4	0.0	0.0%	323.1	(0.4)	-0.1%
Sun Co.	317.3	55.0	17.3%	402.0	16.0	4.0%	575.7	(26.0)	-4.5%	4,408.0	658.0	14.9%
Sundstrand	40.4	6.0	14.8%	79.0	6.1	7.8%	119.4	(6.3)	-5.3%	516.1	7.4	1.4%
Suntrust Banks	361.4	53.7	14.9%	339.8	35.0	10.3%	246.8	2.7	1.1%	535.0	1.8	0.3%
SuperValu Stores	208.5	71.1	34.1%	184.1	63.0	34.2%	172.6	89.0	51.5%	662.7	250.6	37.8%
Tandy	477.3	173.3	36.3%	433.9	181.9	41.9%	344.5	134.6	39.1%	1,853.5	839.5	45.3%
Teledyne	502.5	155.2	30.9%	461.3	82.6	17.9%	291.4	88.4	30.3%	2,434.4	333.5	13.7%

Company:	1988 Profit	1988 Tax	1988 Rate	1987 Profit	1987 Tax	1987 Rate	1986 Profit	1986 Tax	1986 Rate	1981-85 Profit	1981-85 Tax	1981-85 Rate
Texas Eastern	$41.4	$5.7	13.8%	$256.3	$10.8	4.2%	$94.9	$1.2	1.3%	$843.4	$78.4	9.3%
Texas Utilities Co.	863.6	140.5	16.3%	963.7	42.9	4.5%	966.5	44.0	4.6%	3,875.0	481.7	12.4%
Textron	244.2	42.6	17.4%	316.7	76.5	24.2%	318.2	69.1	21.7%	868.9	139.7	16.1%
Time, Inc.	446.0	106.0	23.8%	467.0	113.0	24.2%	583.0	151.0	25.9%	1,215.3	301.8	24.8%
Torchmark	282.0	109.9	39.0%	312.3	57.3	18.4%	231.9	19.1	8.2%	724.3	2.3	0.3%
Transamerica	272.2	4.3	1.6%	452.2	6.6	1.5%	146.7	(11.1)	−7.5%	752.7	(100.9)	−13.4%
Tribune Co.	267.0	113.3	42.4%	174.7	76.9	44.0%	455.5	207.9	45.7%	567.0	140.2	24.7%
TRW	201.0	181.0	90.0%	283.0	65.0	23.0%	206.0	40.0	19.4%	1,254.0	276.4	22.0%
Tyson Foods	98.1	15.3	15.6%	114.4	10.4	9.1%	94.6	6.7	7.1%	131.3	(0.4)	−0.3%
Union Camp	422.0	102.2	24.2%	318.4	57.6	18.1%	191.1	(4.0)	−2.1%	933.7	(2.3)	−0.2%
Union Electric	471.2	120.3	25.5%	530.2	82.4	15.5%	443.9	21.8	4.9%	1,840.0	11.1	0.6%
Union Pacific	913.5	168.0	18.4%	791.5	88.0	11.1%	732.2	20.0	2.7%	3,326.0	127.0	3.8%
United Technologies	556.5	275.6	49.5%	347.8	148.2	42.6%	326.9	68.0	20.8%	3,016.9	756.6	25.1%
Upjohn	372.9	77.8	20.9%	348.9	46.8	13.4%	323.8	23.8	7.3%	1,203.5	250.0	20.8%
USAIR Group	284.3	90.0	31.7%	248.4	31.4	12.6%	168.7	0.7	0.4%	617.1	(34.6)	−5.6%
USG Corp.	45.9	2.2	4.9%	272.4	89.6	32.9%	398.5	154.0	38.6%	917.5	301.7	32.9%
U.S. Bancorp	161.6	73.9	45.7%	128.6	34.8	27.1%	76.9	(18.3)	−23.8%	317.9	(38.0)	−11.9%
VF Corporation	252.9	102.0	40.3%	287.0	108.7	37.9%	226.5	86.8	38.3%	983.5	436.0	44.3%
Wal-Mart Stores	1,265.2	413.8	32.7%	1,024.9	388.4	37.9%	811.6	339.0	41.8%	1,764.7	704.2	39.9%
Walt Disney Co.	770.0	250.8	32.6%	732.0	212.5	29.0%	425.3	55.6	13.1%	777.7	(64.9)	−8.3%
Waste Management	691.4	170.5	24.7%	541.7	178.7	33.0%	499.2	129.4	25.9%	958.8	320.8	33.5%
West Point-Pepperell	110.0	36.7	33.3%	111.0	40.6	36.6%	93.3	38.5	41.3%	344.2	93.1	27.0%
Westinghouse	888.5	83.1	9.4%	953.3	66.9	7.0%	733.3	99.3	13.5%	2,712.9	64.6	2.4%
Westvaco	275.5	56.2	20.4%	206.2	24.4	11.9%	137.9	(21.5)	−15.6%	601.9	90.0	15.0%
Weyerhaeuser	695.2	160.8	23.1%	581.5	123.8	21.3%	380.1	71.3	18.8%	1,218.3	(0.5)	−0.0%
Whirlpool	221.5	60.4	27.3%	261.7	90.3	34.5%	306.4	109.9	35.9%	1,228.0	475.2	38.7%
Whitman Corp.	250.3	72.2	28.8%	312.6	122.3	39.1%	180.3	107.8	59.8%	743.8	(50.0)	−6.7%
Witco	78.6	25.7	32.7%	70.5	26.3	37.3%	86.8	25.4	29.2%	331.8	94.7	28.5%
Wrigley (Wm., Jr.) Co.	78.8	22.8	29.0%	75.8	29.4	38.7%	67.5	28.0	41.4%	203.8	72.6	35.6%
Xerox	447.6	66.0	14.7%	399.0	53.0	13.3%	208.0	49.0	23.6%	1,188.4	(33.8)	−2.8%
TOTAL, 250 COMPANIES:	$130,170	$34,462	26.5%	$123,242	$26,129	21.2%	$105,764	$14,801	14.0%	$504,571	$72,104	14.3%

250 Major American Corporations By Tax Rate Class 1981 to 1988

	1988	1987	1986	1985	1984	1983	1982	1981	*Total '81-85*
0% or less	7	19	41	39	35	52	73	53	*41*
0% to 10%	38	42	63	72	69	74	62	54	*72*
10% to 20%	46	51	40	41	38	36	30	32	*50*
20% to 30%	66	53	47	50	41	33	26	45	*37*
30% to 40%	65	58	40	30	45	38	34	43	*43*
More than 40%	28	27	17	11	18	16	20	20	*7*
NM	—	—	2	7	4	1	5	3	—
Total:	**250**	**250**	**250**	**250**	**250**	**250**	**250**	**250**	***250***
Average Rate:	**26.5%**	**21.2%**	**14.0%**	**14.6%**	**16.3%**	**13.9%**	**10.9%**	**15.0%**	***14.3%***
ADDENDUM:	**1988**	**1987**	**1986**	**1985**	**1984**	**1983**	**1982**	**1981**	***'81-85***
Less than 10%	45	61	104	111	104	126	135	107	*113*
Less than 20%	91	112	144	152	142	162	165	139	*163*
More than 30%	93	85	57	41	63	54	54	63	*50*

Notes on Individual Companies

Abbott Laboratories: Tax incentive grants to subsidiaries in Puerto Rico and Ireland reduced the company's taxes by $76 million in 1988, $78 million in 1987 and $92 million in 1986. Due to "changes in US law, principally capitalized inventory costs," the company's total deferred taxes fell to –$9.1 million in 1988 and $7.5 million in 1987, from $57.7 million in 1986. Accelerated depreciation saved the company $19.6 million in 1988, $24.4 million in 1987 and $31.2 million in 1986.

Aetna: The company's tax-exempt interest was $124.3 million in 1988, $110.0 million in 1987 and $93.7 million in 1986. The company's 1987 tax was reduced by "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." In 1987, despite $16.1 million in Alternative Minimum Tax, the company still obtained a net tax refund of $34.8 million. The company states in its 1988 annual report that "overall, the [Tax Reform] Act [of 1986] will result in the payment of increased federal income taxes for the company."

Air Products and Chemicals: The company's fiscal year ends on September 30 of the years listed. According to the 1988 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." The major element in the company's deferred taxes is accelerated depreciation, which provided tax savings of $20.6 million in 1988, $27.9 million in 1987 and $33.7 million in 1986. Results for 1983 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 taxes were adjusted to include tax benefits purchased through "safe-harbor leasing," which the company did not reflect in its statement of taxes paid. The 1988 report notes: "Safe-harbor and other leasing transactions . . . yielded tax benefits which, while not reducing the current provision for income taxes, reduced current payments by $3,700,000 in 1987 and $12,772,000 in 1986." 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 $19.6 million in 1987 and $13 million in 1986 relating to Paper Corporation of America.

American Electric Power: Based on IRS regulations issued in 1988, the company was able to claim investment tax credits and deductions on amended returns for previous years and get the tax savings in 1988. Investment tax credits were $67 million in 1988, –$2.5 million in 1987 and $53 million in 1986.

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 directly disclose its 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 1988 and 1987, the company experienced turnarounds on tax breaks purchased through "safe-harbor leasing" that cost it $0.9 million in each of the two years. Safe-harbor leasing cut the company's taxes by a total of $76 million from 1981 to 1986, including $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: Accelerated depreciation saved the company $42 million in 1988, $134 million in 1987 and $289 million in 1986. 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: The company's high tax rates in 1987 and 1988 result from the Tax Reform Act's changes to the rules governing tax deductions for inventories, which caused a turnaround in previously deferred taxes. The company's taxes were reduced by the special treatment of its Puerto Rican affiliate, Pamcor.

AON Corporation: The company was known as Combined International Corp. until April 1987. The company's low tax rate is largely due to tax-exempt investment income.

Anheuser-Busch: The company's tax savings from accelerated depreciation were $70.1 million in 1988, $79.5 million in 1987 and $160 million in 1986. Investment tax credits were $14 million 1987 and $43.5 million in 1986. The company's taxes 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.

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 $9.8 million in 1988, $6 million in 1987 and $19.4 million in 1986. Accelerated depreciation saved the company $14.8 million in 1988, $19.5 million in 1987 and $27.5 million in 1986. In 1987, the company paid $27.5 million in taxes previously deferred on inventories.

Armstrong World Industries: The company's taxes were reduced by purchased tax benefits ("safe-harbor leasing"), 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 high tax rate in 1988 results from negative deferred taxes of –$60.3 million in that year. In 1987, the company's entire tax bill (and more) was wiped out by tax deferrals. The fact that the company's fiscal year ends on September 30 may explain why it did not pay the minimum tax in 1987.

AT&T: A 1988 non-cash charge of $6.2 billion was excluded in computing 1988 profits. 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 to 1985. Figures include the results of AT&T Credit Corporation which began operations in 1985. Profits for 1986 exclude a non-cash restructuring charge ($2,157 million); a portion of this charge (approximately $982 million), spent in 1987, was subtracted from 1987 profits.

Avon: Profits for 1987 exclude a $50 million, non-cash restructuring provision.

Ball Corporation: The company's high 1987 tax bill reflects payment of $13 million in taxes previously deferred on its disposition of its commercial glass container and mould business.

Bank of Boston: The company's low rate in 1988 reflects $262 million in tax-exempt income, which represents 60% of its U.S. pre-tax income.

Barnett Banks: The 1987 report says: "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 International (formerly Baxter Travenol Laboratories): The company's tax-exempt operations are the primary reason for its low taxes. Its 1988 annual report states that "the company has received a tax exemption grant from Puerto Rico which provides that its manufacturing operation will be partially exempt from local taxes until the year 2000 . . . . In addition, the company has other manufacturing operations outside the U.S. which benefit from reductions in local tax rates under tax incentives that will continue at least through 1997." Tax exempt operations saved the company $73 million in 1988, $79 million in 1987, $108 million in 1986 and $64 million in 1985. The company paid $13 million in Alternative Minimum Tax in 1988. Despite paying $1 million in AMT in 1987; the company reported a net federal tax refund of $32 million for that year. Figures for 1985-88 include the company's finance subsidiary.

Becton, Dickinson: Tax breaks relating to the company's Puerto Rico and Virgin Islands operations saved the company $14 million in 1988, $19 million in 1987, $16 million in 1986 and $18 million in 1985.

Boeing: The company's high tax rates in 1988 and 1987 reflect turnarounds of $677 million and $316 million, respectively, in taxes previously deferred through the use of "completed-contract accounting." This tax break saved the company a total of $1.3 billion 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: Research and investment tax credits were $7 million per year in 1988 and 1987, and $14 million per year in 1986 and 1985.

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

Burlington Northern: On December 31, 1988, the company completed a tax-free spin-off of its 87% ownership in Burlington Resources, which is treated as "discontinued operations" in the 1988 annual report. However, this study includes Burlington Resources (excluding a non-cash special charge), because it more clearly represents the parent company's overall financial position during the 1988 calendar year. Profits for 1986 exclude a $957 million "non-cash" special charge for asset write-downs. This charge had no apparent cash effect on earnings or taxes in 1986-88. Investment tax credits were $5 million in 1986 and $79 million in 1985.

Campbell Soup Company: The company's fiscal year ends on July 31 of the years listed. Profits for 1988 exclude the non-current portion of a restructuring charge. Tax benefits purchased under "safe-harbor leasing" saved the company $16 million per year in 1987, 1986 and 1985, $21 million in 1984 and $23 million in 1983. In 1987, the company purchased tax benefits from an Alaskan Native Corporation which resulted in a one-time $4.5 million tax reduction. According to the 1987 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. Figures prior to that date reflect the results of Capital Cities only.

Carolina Power & Light: Accelerated depreciation saved the company $61 million in 1988, $206 million in 1987 and $44 million in 1986. Investment tax credits were $45 million in 1987, $96 million in 1986 and $154 million in 1985. The company reports a negative total federal income tax liability for 1987, despite an Alternative Minimum Tax of $10 million for that year. At the end of 1988, the company retained a $10 million AMT credit carryforward.

Carpenter Technology: The company's fiscal year ends on June 30 of the year listed. The company paid $2.7 million in Alternative Minimum Tax in 1988. This represented 36% of its total federal tax payment and increased its rate by 6.7 percentage points. Investment tax credits were $0.7 million in 1987, $4.0 million in 1986 and $3.2 million in 1985. Accelerated depreciation saved the company by $11.0 million in 1988, $12.5 million in 1987 and $13.7 million in 1986.

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 combined results of Cleveland Electric and Toledo Edison. Profits for 1988 exclude a $534 million non-cash write-off for nuclear costs. The 1988 annual report say the Tax Reform Act of 1986 "resulted in increased tax payments and a reduction in cash flow during 1987 principally because the Alternative Minimum Tax reduces the amount of investment tax credit allowed as an offset to federal tax payable. These changes had no significant cash flow impact in 1988 because we had a net operating loss for tax purposes." As of December 31, 1988, the company had $30 million of unused investment tax credits and $333 million of tax loss carryforwards available to reduce future tax obligations.

Centex: The company's fiscal year ends on March 31 following the years listed. High tax rates in 1988 (fiscal 89) and 1987 (fiscal 88) reflect $57 million and $30 million turnarounds in taxes previously deferred under the instalment sales method of accounting. This tax break saved the company a total of $152 million from 1981 to 1985, a period over which it paid essentially nothing in federal income taxes. The 1988 instalment sales turnaround was offset in part by use of a $38 tax loss carryforward.

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 tax effects of these transactions. Accelerated depreciation saved the company saved $56 million in 1988, $83 million in 1987 and $87 million in 1986.

Champion International: A deferred restructuring charge booked in 1984 was subtracted from profits in 1985-88 as actually paid. The Company paid the Alternative Minimum Tax in both 1987 and 1988. At the end of 1988, had investment tax credit carryforwards of $83 million and an AMT credit carryforward of $49 million available to reduce taxes in subsequent years.

Chemical Bank: Large amounts of tax-free interest reduced the company's tax rate. Tax-free interest was $110.8 million in 1988, $124.2 million in 1987 and $132 million in 1986.

Chevron: The company's figures from 1985 onward reflect its acquisition of Gulf Oil.

Chrysler: The Alternative Minimum Tax was responsible for $100 million of the company's total 1988 tax of $116 million. Without the AMT, the company's tax rate would have been less than 1%. At the end of 1988, the company had $270 million in tax credit carryforwards and $385 million in tax loss carryforwards available to reduce future taxes. 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. Figures include the results of Chrysler Financial Corporation, as well as $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 $10.8 million in Alternative Minimum Tax in 1987—representing 47% of its total federal income tax payment and increasing its tax rate by 6.1 percentage points. The company's 1987 annual report notes: "The increase in the effective tax rate [from 1986 to 1987] relates primarily to a greater portion of total income derived from taxable sources in 1987, which is a result of changes in tax laws disallowing deductions for funding costs related to tax-exempt assets purchased after 1986. This increase in taxable income more than offset the lower statutory rate in 1987."

Clorox: The company's fiscal year ends on June 30 of the years listed. The company treats a small portion of the tax reductions it obtained from its fiscal 1982 and 1983 purchases of tax benefits through "safe-harbor leasing" as an addition to pretax income. This study reallocates those amounts as a reduction in taxes paid.

CMS Energy (formerly Consumers Power): The company paid $8.8 million in Alternative Minimum Tax in 1988. Were it not for the AMT, the company would have had a negative tax rate of −0.7%, instead of +1.8%. At the end of 1988, the company had $336 million in tax loss carryforwards and $160 million in investment tax credit carryforwards available to reduce future taxes.

Coastal Corporation: Accelerated depreciation saved the company $50.3 million in 1988, $55.5 million in 1987 and $97.9 million in 1986.

Commonwealth Edison: Both the company's profits and taxes were adjusted downwards by tax credits that the company chose to book as increases in profit rather than as tax reductions. (These tax credits amounted to $17.7 million in 1988, $96.6 million in 1987, $139.8 million in 1986, $150.6 million in 1985, $151.4 million in 1984, $132.5 million in 1983, $142.7 million in 1982 and $113.1 million in 1981.) In addition, the company received $13.6 million in 1981 from the sale of tax benefits through "safe-harbor leasing" transactions. Accelerated depreciation tax savings were $267 million in 1988, $243 million in 1987 and $173 million in 1986.

ConAgra: The company's fiscal year ends on May 29, 1988. Starting with its 1988 report (covering 1986-88), the company better separates federal from state taxes. The higher tax rate in 1986 reflects a turnaround in deferred taxes of $9.5 million due to a pension plan termination. Accelerated depreciation saved the company $8 million in 1988, $6.9 million in 1987 and $9.4 million in 1986.

Consolidated Papers: Investment tax credits cut the company's taxes by $1.9 million in 1987, $7.4 million in 1986 and $10.8 million in 1985.

Contel: Figures do not include the company's unconsolidated leasing subsidiary prior to 1986. Tax savings from purchased tax benefits were $9.7 million per year in 1986, 1985 and 1984, $13.3 million in 1983 and $13.7 million in 1982. Profits for 1987 exclude the non-current portion of a $194 million restructuring charge. Accelerated depreciation saved the company $46 million in 1988, $71 million in 1987 and $78 million in 1986.

Continental Corporation: The company paid a total of $13.3 million in Alternative Minimum Tax in 1987-88. This accounted for 63% of its federal tax payments and increased its two-year tax rate by 7.6 percentage points. The company's low tax rate is in part due to tax-exempt interest, which totaled $140 million in 1988, $112 million in 1987 and $91 million in 1986.

Cooper Industries: The company's high tax rate in 1988 is primarily due to a $44.7 million turnaround in deferred taxes relating to employee medical program funding. Accelerated depreciation saved the company $15 million in 1988, $28 million in 1987 and $35 million in 1986.

Cooper Tire & Rubber: Investment tax credits saved the company $0.1 million in 1987, $0.5 million in 1986 and $2.9 million in 1985.

Coors (Adolph) Co.: Accelerated depreciation saved the company $14 million in 1988, $15 million in 1987 and $19 million in 1986. The increase in the company's taxes in 1987 reflects repeal of the investment tax credit.

Corning: In 1987, the company received a $16.4 million dollar tax refund after settling with the IRS regarding tax accounting methods. This may account for the negative 1987 tax rate despite the company's $12.5 million Alternative Minimum Tax payment. At the end of 1988, the company had $16.4 million in tax-loss carryforwards available to reduce future income taxes.

CPC International: Accelerated depreciation saved the company $24.3 million in 1988, $22.4 million in 1987 and $31.3 million in 1986.

CSX: Profits for 1985-88 include only the current portions of special charges booked in 1985 and 1988. In 1988, the company restated its 1986 and 1987 figures to take out certain discontinued operations. As a result, it now reports tax refunds in both 1986 and 1987. The restatements are not reflected here, however. According to the 1987 annual report, the lower rates from the Tax Reform Act of 1986 were more than offset by the elimination of the investment tax credit, the capital gains tax break and a tax break on assets acquired in business combinations.

Dana Corp.: The company paid the Alternative Minimum Tax in both 1988 ($23.5 million) and 1987 ($3.9 million). Were it not for the Alternative Minimum Tax, the company would have paid no federal income tax in 1988. (In fact, it would have received a refund.) The company's low taxes in recent years are primarily the result of increased tax benefits generated by its financial subsidiaries. (The tax impact of these subsidiaries was estimated for the years prior to 1986, since full information was not available from the company.)

Dayton Hudson: In 1988 and 1987, the company experienced significant turnarounds in deferred taxes relating to instalment sales, inventory cost capitalization and other items.

Detroit Edison: Profits for 1988 exclude a non-cash charge of $850 million for disallowed plant costs. The company paid $69.4 million in Alternative Minimum Tax in 1987. Without the AMT, the company would have paid no federal income tax and would have received a refund. At the end of 1988, the company had $138 million in investment tax credit carryforwards available to reduce future taxes. Accelerated depreciation saved the company $117 million in 1988, $128 million in 1987 and $64 million in 1986.

Digital Equipment Corp.: The company's fiscal year ended on July 2, 1988. 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 rates in 1987 and 1988. The company had a −$49 million negative deferred tax liability in 1988, primarily relating to instalment sales and deferred warranty revenue.

The company also enjoys substantial foreign tax holidays. According to the 1988 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. The income from certain products manufactured by the Company's manufacturing subsidiary operating in Taiwan is wholly exempt from Taiwanese taxes through May 1991." Tax benefits from Puerto Rican, Ireland and Singaporean operations saved the company $99 million in 1988, $151 million in 1987 and $108 in 1986.

Dillard Department Stores: In 1988, the company had a negative deferred income tax provision, primarily due to turnarounds on instalment sales. 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: Accelerated depreciation saved the company $59.4 million in 1988, $82.7 million in 1987 and $85.7 million in 1986. Investment tax credits were $11.0 million in 1988, $30.8 million in 1987 and $18.5 million in 1986.

Donnelley (R.R.) & Sons: In December 1987 the company entered into a transaction to purchase tax benefits from an Alaskan Native Corporation which resulted in a one-time $5.6 million tax reduction in the third quarter of 1988. The company's taxes were reduced by tax benefits purchased through "safe-harbor leasing."

Dow Chemical: The company's return to the tax rolls in recent years reflects, among other things, turnarounds of taxes previously deferred on instalment sales and repeal 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 $72 million in 1988 and $41 million in 1987, compared to a total of $1.9 billion from 1981 to 1985, and repeal of the investment tax credit, which saved the company $702 million from 1981 to 1985.

Dun & Bradstreet: Profits for 1986-88 include only the cash outlays associated with restructuring actions announced in 1986 and 1988. Profits in 1986 and 1988 were boosted by large gains from sales of subsidiaries in those years ($752 million in 1988 and $200 million in 1986). 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 and $13 million in 1986, and by turnarounds (additions to tax) on leasing deals of $8.7 million in 1987 and $13.5 million in 1988. (The small amounts the company included in pretax profits relating to leasing were subtracted from both taxes and profits.) Taxes were cut by $14 million in 1988 and $8 million in 1987 through 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 1986-88 as actually paid. Investment, research and development and other tax credits reduced the company's taxes by $48 million in 1986 and $117 million in 1985. Accelerated depreciation saved the company $59 million in 1988, $76 million in 1987 and $102 million in 1986.

Emhart: Only the current portion of a $150 million pre-tax restructuring charge (taken in 1986) was subtracted in computing profits for 1986-88. The company's higher tax rate in 1988 reflects a $1.2 million turnaround in deferred restructuring costs and a decrease in tax savings from accelerated depreciation.

Englehard: The company's low tax rates stem chiefly from percentage depletion, which reduced its taxes by $7.7 million in 1988, $8.4 million in 1987 and $9.1 million in 1986.

ENSERCH: At the end of 1988, the company had $331 million in tax loss carryforwards and $17 million in tax credit carryforwards available to reduce taxes in future years. The 1985 profit excludes a $262 million non-cash provision for asset write-downs.

Exxon: Accelerated depreciation saved the company $277 million in 1988, $235 million in 1987 and $316 million in 1986. Investment tax credits were $7 million in 1988, $20 million in 1987, $119 million in 1986 and $229 million in 1985. In 1986, the company lost its appeal of a judgment against it for 1975-81 windfall profit tax avoidance. It booked the cost of the judgment in earlier years, including $948 million for 1985. In this study, that $948 million is treated as incurred in 1986 (when the judgment was actually paid) rather than in 1985. In 1986, the company took $1.6 billion out of its employee pension plan.

E-Systems: The company's taxes include turnarounds related to the purchase of tax benefits through "safe-harbor leasing" of $0.2 million in both 1988 and 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. Increased taxes starting in 1986 reflect the loss of tax benefits from "safe-harbor leasing" after 1985. Accelerated depreciation saved the company $47 million in 1988, $61 million in 1987 and $56 million in 1986. At the end of fiscal 1988, the company had $37.5 million in investment tax credit carryforwards available to reduce future taxes.

First Executive Corp: The company paid $5.9 million in Alternative Minimum tax in 1988. This represents 35% of the company's entire 1988 federal tax bill. At the end of 1988, the company had tax loss carryforwards of $228 million available to reduce future taxes.

First Union Corp.: The company paid the Alternative Minimum tax in both 1988 and 1987. Without the $41.2 million 1988 AMT, the company would have had negative tax rate of −2.5%. The company's $12.1 million AMT payment in 1987 represented nearly 30% of its total federal taxes. Tax-exempt interest was 67% of the company's pretax income in 1988, 70% in 1987, 74% in 1986 and 58% in 1985.

FMC: In 1987, the company took $333.3 million out of its employee pension plan. It paid $146.7 million in taxes on this, but for book purposes it is deferring recognition of the gain, and amortizing it into income over 13.5 years. The figures in this study include the entire transaction in 1987, when the cash was received and the tax was paid. Investment tax credits were $16.4 million in 1986 and $20.5 million in 1985. Percentage depletion is the chief reason why the company's tax rates have historically been so low.

Ford Motor Co.: Figures for Ford Motor Credit Corp. are included for all years. 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 profits and taxes were adjusted in this study.) Accelerated depreciation and amortization saved the company $139 million in 1988, $401 million in 1987 and $295 million in 1986.

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. Accelerated depreciation saved the company $22.8 million in 1988, $25.8 million in 1987 and $34.8 million in 1986.

General Dynamics: The company became a significant taxpayer beginning in 1987 due to a $420 million turnaround of taxes previously deferred using "completed-contract accounting" that year. In 1988, the completed-contract turnaround was $72 million. Completed-contract accounting 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 1986-88, 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 (and turnaround) in the company's tax breaks from "safe-harbor leasing" is the key to its higher tax bills in 1988 and 1987. Tax breaks purchased under safe-harbor leasing increased federal taxes by $2 million in 1988 and reduced them 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. The repeal of the investment tax credit further contributed to the company's higher tax rate. Investment tax credits were $0.1 million in 1988, compared to $6.2 million in 1987, $10.7 million in 1986 and $10.1 million in 1985.

General Motors: The company's high tax rate in 1988 is primarily a result of a huge turnaround in deferred taxes. While the company deferred $1.2 billion in taxes in 1987 and $1.9 billion in 1986, the company had a negative −$186 million in deferred taxes in 1988, meaning the taxes were currently payable. Tax deferrals relating to vehicle instalment sales, which saved the company a total of $1.1 billion in taxes in 1986 and 87, *cost* the company $217 million in 1988. This turnaround may relate to an IRS ruling making GM ineligible for a "transition rule" that GM attempted to take advantage of in 1986-87 [the rule was intended to benefit only John Deere].

In 1988, accelerated depreciation (ACRS) saved the company $545 million in taxes. This is considerably smaller than the $1.3 billion in taxes that the company saved in 1987 using ACRS (which itself was sufficient to wipe out the company's 1987 federal income tax liability), but is still significantly higher than the $173 million in depreciation tax savings in 1986. 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. The company took $10.4 billion in 1987 in depreciation write-offs on its tax return—which exceeded its $7.2 billion in book depreciation deductions by a staggering 45%. Its 1988 tax depreciation exceeded its book depreciation by 25%—$8.1 billion tax vs. $6.4 billion book.

Investment tax credits were $13 million in 1988, $155 million in 1987 and $479 million in 1986. Figures include the profits and taxes of General Motors Acceptance Corporation.

General Re: In its 1988 annual report, the company says: "For the years ended December 31, 1988 and 1987, the Corporation's tax provision was determined under the A[lternative] M[inimum] T[ax] method." The company fails to list the actual AMT paid for 1988, however. In 1987, the company paid $29.8 million in AMT. Were it not for the AMT, the company would have had a negative tax rate and would have received a substantial tax refund from the federal government in 1987. The main reason for the company's low tax rate is tax-exempt bond interest, which accounted for 59%, 56% and 84% of pretax profits in 1988, 1987 and 1986.

General Signal: A turnaround on taxes previously deferred under the "completed-contract method of accounting" increased the company's taxes by $1.9 million in 1988 and $24.2 million in 1987. (Completed-contract accounting saved the company $1.7 million in taxes in 1986, and cost it $7.8 million in 1985.) Profits for 1985 to 1988 were adjusted to reflect the current portion of a large restructuring charge booked in 1985. Profits for 1988 exclude a $58.1 million non-cash goodwill write-off.

Georgia-Pacific: The company's higher tax rates in 1988 and 1987 reflect repeal of the investment tax credit and the capital gains tax break for timber (except for transition tax benefits), as well as reduced accelerated depreciation tax benefits, which were $49 million in 1988, $64 million in 1987 and $87 million in 1986.

Goodyear Tire & Rubber: In late 1988, the company took $400 million out of its employee pension plan. Figures since 1986 include the results of Goodyear Financial Corporation. The company's investment tax credits were to $4.2 million in 1987, $28.7 million in 1986 and $60.5 million in 1985.

Great Northern Nekoosa: The company's investment tax credits were $0.6 million in 1988 (transition rule), $4.8 million in 1987, $5.9 million in 1986 and $8.0 million in 1985.

Greyhound: Figures for all years 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. The company's higher tax rate in 1988 is due to a $9.1 million turnaround in deferred taxes and repeal of the investment tax credit.

Grumman: The company's high 1985-88 tax rates reflect turnarounds of taxes previously deferred using "completed-contract accounting" These turnarounds were $35.4 million in 1988, $37.1 million in 1987, $44.2 million in 1986 and $79.8 million in 1985. Completed-contract accounting saved the company a total of $188 million from 1981 to 1984.

GTE: A restructuring charge in 1986, which was booked retroactively to 1985, was excluded from the 1985 income calculations reported here; the current portions of the charge has been subtracted from 1986-88 profits. Accelerated depreciation saved the company $122 million in 1988, $133 million in 1987 and $20 million in 1986.

Gulf States Utilities: The company has paid no federal income tax in recent years because tax loss carryforwards have eliminated its current tax liabilities. At the end of 1988, the company had tax loss carryforwards of $928 million and investment tax credit carryforwards of approximately $180 million available to reduce future taxes. Accelerated depreciation reduced the company's taxes by $57 million in 1988, $106 million in 1987 and $159 million in 1986.

Gulf+Western: The company's fiscal year ends on October 31 of the years listed. Investment tax credits amounted to $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 1988 reflects a $71 million turnaround on taxes previously deferred using "completed-contract accounting." In 1987, the completed-contract turnaround was $20 million. From 1981-86, this loophole saved the company $69 million. The high 1988 tax rate also reflects repeal of the investment tax credit (which saved the company $53 million from 1981 to 1986); and a $5 million turnaround on instalment sales (which saved the company $20 million from 1981-86). The results of the company's finance subsidiary (which would affect 1986-88 figures) are unavailable.

Harris Bankcorp: The company paid the Alternative Minimum Tax in 1987. Tax-exempt interest income accounts for the company's low tax rate in 1987. In 1988, the company utilized $25.8 million in tax loss carryforwards.

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: The company's low tax rate in 1988 reflects $8.5 million in tax savings due to the "completed-contract method of accounting." In 1987 and 1986, however, the company had completed-contract turnarounds of $8.5 million and $18 million, respectively. Taxes in 1987 include those on a taxable gain on the sale of a subsidiary, Himont, Inc. The company's investment tax credits were $1.4 million in 1987, $19 million in 1986 and $12.4 million in 1985. Taxes prior to 1985 include both federal and state taxes.

Hewlett-Packard: In the 1988 annual report's tax footnote, the company allocates essentially all of its corporate and miscellaneous expenses to offset domestic profits. Profits have been recalculated here to allocate corporate and miscellaneous expenses based on the share of revenues and assets in the U.S. This approach affects all years from 1981 to 1988.

The company notes in its 1988 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 2002. The income tax benefits attributable to the tax status of these subsidiaries are estimated to be $57 million, $43 million, $40 million and $37 million for 1988, 1987, 1986, and 1985, respectively."

The company deferred taxes of $90 million in 1987, $30 million in 1986 and $99 million in 1985 relating to "deferred payment contracts." In 1988, the company had a turnaround on deferred payment contracts of $217 million. The research and development credit saved the company $21 million in 1988, $19 million in 1987, $30 million in 1986 and $27 million in 1985.

Hormel (Geo. A.) & Co.: The company's fiscal year ends on the last Saturday of October of the years listed. Negative deferred taxes of −$12.1 million, primarily reflecting non-deductible accrued expenses, caused the high tax rate in 1988. The higher tax rate in 1987 reflects repeal of the investment tax credit and a decrease in tax benefits from accelerated depreciation.

Household International: The low tax rates of the last two years are mainly due to leveraged leases. The 1986 tax rate is higher because of −$19 million in negative deferred taxes. Profits for 1986 exclude a $91 million non-cash restructuring charge, which apparently had little or no cash effect in 1987 or 1988, either. At the end of 1988, the company had tax loss carryforwards of $182.2 million available to reduce future taxes.

Houston Industries: In 1988, the company paid $21.8 million in Alternative Minimum Tax—representing 76% of its total federal tax bill. The company has enjoyed low tax rates in the 1980s primarily because of accelerated depreciation, which saved it $91 million in taxes in 1988, $80 million in 1987 and $88 million in 1986.

Humana: The company's fiscal year ends on August 31 of the years listed. Profits for 1986 exclude a deferred unusual charge that the company booked in that year; 1987 and 1988 profits include the current portion of that unusual charge. Accelerated depreciation saved the company $24 million in taxes in 1988, $39 million in 1987 and $38 million in 1986.

IBM: According to its 1988 annual report, the company paid the Alternative Minimum Tax in 1988, and possibly in 1987.

IBM's 1987 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 that IBM 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."

The fact that IBM pays heavy foreign taxes is interesting. But 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.

Apparently, IBM is able to use foreign tax credits to offset its U.S. taxes on its domestic profits by deducting most of its U.S.-performed, but foreign-related R&D costs against its U.S. taxable income—a practice the Bush administration wants to sanction permanently.

Figures include IBM Credit Corporation (which also cut the company's taxes) for all years.

Illinois Power: In 1988, the company's tax savings from accelerated depreciation were $129 million, up from $86 million in 1987 and $12 million in 1986. This partially explains why the company has paid no federal income tax since 1984. Despite paying $42.5 million in Alternative Minimum Tax in 1987-88, the company still received net federal income tax rebates of $51.3 million over that two-year period.

International Multifoods: The company's fiscal year ends on the last day of February following the years listed. The high tax rate in 1988 is principally due to −$8.1 million in negative deferred taxes relating to depreciation. This apparently reflects recapture of previous tax benefits on the sale of certain businesses. The 1987 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: In 1988, the company used $101 million in tax credits carried from earlier years. At the end of 1988, the company had tax credit carryforwards of $31 million available to reduce taxes in future years. Accelerated depreciation saved the company $111 million in 1988, $164 million in 1987 and $137 million in 1986.

Johnson Controls: The company's fiscal year ends on September 30 of the years listed. "Safe-harbor leasing" saved the company $0.6 million in 1988, cost it $1 million in 1987, and 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 were $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 $21.4 million in 1988, $9.1 million in 1987 and $11 million in 1986. Completed-contract accounting saved the company $10.3 million in 1985. All told, safe-harbor leasing, investment tax credits, accelerated depreciation and completed-contract accounting increased the company's tax bill by 13% in 1988, 5% in 1987, had no effect in 1986 and cut the company's tax bill by 26% in 1985.

Johnson & Johnson: The 1988 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, $199 million was estimated to be current in 1987 with the remaining $100 million allocated to 1988. The company's reported domestic profits were adjusted accordingly. The 1988 report also notes: "The company has domestic subsidiaries operating in Puerto Rico under a consolidated grant providing for tax relief expiring April 1, 1999." This tax break saved the company $99 million in 1988, $103 million in 1987 and $101 million in 1986.

J.C. Penney: The company's fiscal year ends on the last Saturday of January following the years listed. The company's reported taxes apparently include tax benefits purchased under "safe-harbor leasing." In 1988 and 1987, the company experienced turnarounds of taxes previously deferred under the instalment sales method of accounting. Finance subsidiaries are included starting in 1986.

K mart: The company's fiscal year ends on the last Wednesday in January after the years listed. Accelerated depreciation saved the company $43 million in 1988, $38 million in 1987 and $46 million in 1986.

Kellogg: Purchased tax benefits from "safe-harbor leasing" 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.

Keycorp: Tax-exempt interest represented 46% of the company's net pre-tax profits in 1988, 72% in 1987 and 75% in 1986. According to the 1988 annual report: "During the year 1988, income tax expense was impacted favorably by the acquisition of the benefit of a net operating loss of an Alaska Native Corporation . . . As a result KeyCorp realized a permanent Federal income tax saving of $1.4 million."

Kimberly-Clark: Investment tax credits were $1.0 million in 1988, $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." Accelerated depreciation saved the company $30.2 million in 1988, $47.4 million in 1987 and $63.8 million in 1986.

Knight-Ridder: The company's investment tax credits amounted to $1.1 million in 1988, $0.6 million in 1987, $3 million in 1986 and $8 million in 1985. Accelerated depreciation saved the company $8.5 million in 1988, $8.1 million in 1987 and $18.1 million in 1986.

Kroger: A special 1986 charge for restructuring was allocated to 1986, 1987 and 1988 based on its cash effect in those years. In 1988, Kroger booked another pretax restructuring charge of $195 million, some of which may not have been current. Investment and other tax credits were $3.7 million in 1988, $2.4 million in 1987, $7.7 million in 1986 and $23.0 million in 1985.

Lilly (Eli) and Co.: The company's recent high tax rates reflect turnarounds or currently non-deductible items producing negative deferred taxes (i.e., currently payable taxes) on instalment sales, liability insurance, employee benefits and other items. These negative deferred taxes amounted to −$101 million in 1988 and −$91 million in 1987. The United States Tax Court assessed $14.4 million against the company in 1985 relating to its operations in Puerto Rico for 1971-73. The IRS is currently seeking another $192 million for the years 1974 through 1983. The company reports tax savings from its operations in Puerto Rico of $49 million in 1988, $64 million in 1987, $78 million in 1986 and $64 million in 1985. Profits for 1987 exclude $140 million in deferred restructuring charges; profits for 1988 were reduced by $49 million in current restructuring costs.

Litton Industries: The company's fiscal year ends on July 31 of the years listed. The company's very high tax rate in 1988 reflects a $159 million turnaround in deferred taxes—$92 million of which related to the "completed-contract method of accounting." In 1987, the company likewise experienced a $36.9 million turnaround of taxes previously deferred under completed-contract accounting; but it 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 savings from completed-contract accounting amounted to $152 million in 1988, $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. prior to 1988.

Long Island Lighting Co.: Accelerated depreciation saved the company $48 million in taxes in 1988, $151 million in 1987 and $75 million in 1986. At the end of 1988, the company had $328 million in investment tax credit carryforwards available to reduce taxes in future years.

Lubrizol: The company's taxes for 1985-88 include both state income taxes and federal taxes on foreign profits.

MAPCO: Investment tax credits were $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 1988 tax provision includes a $51.1 million turnaround in deferred taxes, primarily from repatriated foreign earnings. The low 1984 profit 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: "Completed-contract accounting" saved the company $13.3 million in taxes in 1988. The increase in taxes in 1987 reflects a turnaround of $32.9 million in taxes previously deferred under completed-contract accounting, which cut the company's tax bill by $50.3 million in 1986 and $70.9 million in 1985. 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 pretax income.

May Department Stores: The Tax Reform Act of 1986 curbed the company's ability to defer taxes using the instalment sales method of accounting. As a result, the 1988 tax rate was slightly higher than the statutory rate due to $31 million turnaround in deferred taxes, mostly related to instalment sales. Accelerated depreciation saved the company $27 million in 1988, $23 million in 1987 and $38 million in 1986.

MCA: Although the Tax Reform Act of 1986 eliminated investment tax credits for projects placed in service after 1985, transition rules allowed the company to use $8.3 million in ITCs in 1988. Investment tax credits reduced the company's taxes by $15.5 million in 1987, $25 million in 1986 and $39.3 million in 1985.

McDonnell Douglas: Though still quite low, the company's tax rate in 1988 increased, primarily because of an $83 million turnaround in taxes deferred under the "completed-contract method of accounting." This tax break, which the company calls the "principal factor underlying the deferred tax liability," saved the company $136 million in 1987 and a total of $658 million from 1981 to 1986.

In 1988, the company used $415.5 million in tax loss carryforwards to reduce taxes. At the end of 1988, the company had $269 million in unused investment tax credits and $119 million of other credits available to reduce future taxes.

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."

Merck & Co.: The company's high tax rate in 1988 was due to a $119 million turnaround in deferred taxes, reflecting instalment sales, inventories and "other." Turnarounds of taxes deferred through instalment sales were $21.2 million in 1988 and $10.8 million in 1987; on inventory related items, the turnarounds were $25.7 million in 1988 and $43.8 million in 1987. The company's leasing activities reduced its taxes by $45 million in 1985, but the benefits were mostly eliminated by 1987. Merck's tax benefits from its Puerto Rican operations amounted to $69 million in 1988, $89 million in 1987 and $71 million in 1986. Accelerated depreciation saved the company $6.7 million in 1988, $23.3 million in 1987, $32.9 million in 1986 and $44.4 million in 1985.

Merrill Lynch: The company paid a total of $95.6 in Alternative Minimum Tax in 1988 and 1987. Were it not for the AMT, the company would have paid no tax in either year.

Middle South Utilities: In 1988, the company used $872 million in tax loss carryforwards to reduce its income taxes. At the end of 1988, Middle South has $24.7 million in additional loss carryforwards and $421.2 million in investment tax credit carryforwards available to reduce future taxes. The company's entire (tiny) 1987 tax bill was a result of the Alternative Minimum Tax. Were it not for the AMT, the company would have received a tax rebate that year.

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.

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 (notably 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. The positive rate in 1988 reflects a slight turnaround in negative deferred taxes and reduced savings from drilling and real estate tax breaks.

At the end of 1988, the company had tax loss carryforwards of $158 million and investment tax credit carryforwards of $42 million available to reduce taxes in future years. Results for 1988 exclude a non-cash real estate asset write-down of $5.8 million. 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 high 1988 tax reflects negative deferred taxes of –$439 million, including –$251 million from depreciation and –$199 million from intangible drilling costs. Profits in 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 starting with its 1987 report.

Morgan (J.P.) & Co.: Taxes in 1988 were reduced by tax-exempt interest and the use of tax loss carryforwards. 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, 1988, the company had $155 million in "unutilized tax benefits."

Nalco Chemical: Pre-1986 profits do not include the company's finance subsidiaries.

National Service Industries: The company's fiscal year ends on August 31 of the years listed. Taxes for 1983-87 reflect tax benefits purchased under "safe-harbor leasing" (which the company likewise treats as a reduction in taxes). There was no 1988 "leasing" benefit. The 1988 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 $20.7 million turnaround in deferred taxes on "Instalment Sales/Sales Type Leases." Turnarounds in deferred taxes also accounted for 1988's higher rate, but the instalment sales component of the turnaround was only –$2.0 million that year.

Niagara Mohawk Power: The company paid $33.8 million in Alternative Minimum Tax in 1988, which accounted for its entire federal tax payment. In 1987, the company experienced a turnaround of $56.8 million in deferred taxes related to tax adjustments associated with disallowed plant costs. Accelerated depreciation saved the company $110 million in 1988, $97 million in 1987 and $50 million in 1986.

NIPSCO Industries (formerly Northern Indiana Public Service Corporation): The company paid a total of $10.6 million in Alternative Minimum Tax in 1988 and 1987, which added 3.7 percentage points to its two-year effective tax rate. The 1986 loss reflects $193.6 million paid to Carbon County Coal Co. to settle a contract dispute. At the end of 1988, the company had $58.6 million in investment tax credit carryforwards available to reduce future taxes. Accelerated depreciation saved the company $32 million in 1988, $42 million in 1987 and $49 million in 1986.

Norfolk Southern: Profits for 1987 exclude the non-cash portion of a 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 States Power: The increase in the company's taxes in 1987 and 1988 reflects an end to its tax benefits from "safe-harbor leasing," which reduced its taxes by $47.5 million in 1986 and $52.3 million in 1985. Accelerated depreciation saved the company $28 million in 1988, $39 million in 1987 and $47 million in 1986.

Northrop: The company's tax rate increased significantly in 1988 because of an $80.5 million turnaround in deferred taxes—$43.3 million of which related to the "completed-contract method of accounting." From 1981 to 1987, completed-contract accounting saved the company $773 million, which not only more than wiped out the company's entire federal income tax liability, but also created large carryover tax benefits to cut taxes in future years. At the end of 1988, the company had $220 million in tax loss carryforwards and $63.4 million in tax credit carryforwards available to reduce taxes in future years. In 1988, the company paid $3.8 million in Alternative Minimum Taxes, which accounted for 20% of its total federal income tax burden. A spokesman for the company says that the AMT did not apply to the company in 1987.

Occidental Petroleum: 1981 and 1982 results include approximately $65 million and $42 million in proceeds from sales of tax breaks under "safe-harbor leasing." At the end of 1988, the company had $425 million in capital loss carryforwards, $825 million in other loss carryforwards and $150 million in investment tax credit carryforwards available to reduce future taxes.

Ogden: The company's tax rate in 1988 increased from 1987 because of a $6 million turnaround in deferred taxes. At the end of 1988, the company had $20 million in investment and energy tax credit carryforwards available to reduce taxes in future years.

Ohio Edison: The company paid $14.3 million in Alternative Minimum Tax in 1988. This represented 37% of its federal tax payments and increased its tax rate by 4.4 percentage points. A $128.5 million turnaround in deferred taxes in 1987 for "deferred sale and leaseback costs" cut total deferred taxes to only $43 million in 1987, 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. Accelerated depreciation saved the company $60 million in taxes in 1988, $102 million in 1987 and $66 million in 1986. Taxes for 1982 and 1981 include $10.5 million and $37.5 million, respectively, from the sale of tax benefits through "safe-harbor leasing."

Olin Corporation: Profits for 1985 exclude the non-cash portion of a $330 million special charge booked that year; 1986-88 profits were reduced by outlays in those years in connection with the 1985 special charge. The company's higher tax rate in 1988 is due in part to repeal of the investment tax credit, which saved the company $8 million per year from 1985 to 1987.

Overseas Shipholding Group: Profits 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 1988 annual report notes that the Tax Reform Act of 1986 makes the earnings of US controlled foreign shipping companies subject to current federal tax.

PACCAR: Figures include PACCAR Financial Corp. starting in 1986.

Pacificorp: The 1988 figures reflect a merger between PacifiCorp and Utah Power & Light. 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 tax payments. (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 1988 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 and 1988 in deferred taxes related to "completed-contract accounting," instalment sales, capitalized overhead and tax benefits purchased through "safe-harbor leasing."

Pennsylvania Power & Light: The company's 1988 taxes were reduced by tax "losses" accrued in previous years. At the end of 1988, the company had $80 million in investment tax credit carryforwards available to reduce future taxes. Accelerated depreciation saved the company $93 million in 1988, $107 million in 1987 and $130 million in 1986. 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: The company paid the Alternative Minimum Tax in 1988 and 1987. The $109 million AMT paid in 1988 represented 66% of the company's total federal tax bill and increased its tax rate by 4.9 percentage points. Despite $5.9 million in AMT in 1987, the company nevertheless received a tax refund as a result of a carry-back of capital losses.

For tax purposes, Pennzoil is deferring recognition of its $3 billion gain from the Texaco settlement under the rules governing "property involuntarily converted." However, that gain is included here. Pennzoil had a large amount of negative deferred taxes in 1988 (−$184.7 million), largely reflecting recapture of previous tax breaks. The components of deferred taxes include −$71.3 million in intangible drilling costs, −$64.4 million in non-deductible interest and −$35.4 million in depreciation recapture. 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 says it received a tax refund in 1986, too.

Pepsico: Puerto Rican profits (which Pepsico inexplicably 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: In 1988 and 1987, the company experienced turnarounds of $53.5 million and $30.2 million, respectively, of taxes previously deferred on instalment sales. Tax breaks from subsidiaries in Puerto Rico and Ireland saved the company $95 million in 1988, $127 million in 1987, $144 million in 1986 and $117 million in 1985.

Philadelphia Electric Co.: The 1988 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 $23 million in 1988, $20 million in 1987, and $43 million in 1986. 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 1988 and 1987 current tax liability was determined under the A[lternative] M[inimum] T[ax] method." AMT payments over this two-year period totaled $112.7 million, or 75% of the company's federal tax bill. Were it not for the AMT, the company's effective rate for 1987-88 would have been 7.6 percentage points lower. Accelerated depreciation saved the company $73 million in 1988, $93 million in 1987 and $127 million in 1986.

Philip Morris: Data for the company's finance subsidiary, Philip Morris Credit Corp., is included starting in 1986. PMCC provided the company with substantial tax savings: $187 million in 1986, $233 million in 1987 and apparently in excess of $200 million in 1988 (the exact 1988 figure is not specified by the company). 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." Accelerated depreciation saved the company $94 million in 1988, $190 million in 1987 and $213 million in 1986.

Pillsbury: The company's fiscal year ends on May 31 of the years listed. The company's higher tax rate in 1988 reflects −$34.2 million in negative deferred taxes, the largest component of which was non-deductible changes in reserves (−$52.6 million). Taxes were adjusted to include reversals (tax increases) of $8.5 million in 1988, $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 rate reduction. The company concludes: "we welcome the new law." Profits for 1988 exclude a non-cash charge of $121 million.

Pinnacle West: The company was known as AZP Group until 1987.

Pitney Bowes: Figures include the results of Pitney Bowes Credit Corp. The 1988 report states: "The Tax Reform Act of 1986 rescinded the investment tax credit effective January 1, 1986. Certain investment tax credits continue to be allowable under transition rules." Investment tax credits were $8.9 million in 1988, $19.4 million in 1987 and $13.4 million in 1986. Low tax rates in 1987-88 resulted from large tax deferrals, primarily involving lease revenues and depreciation.

Pittway: In 1988, the company experienced a turnaround in previously deferred taxes relating to inventory valuations. The company's 1988 and 1987 taxes include reversals (tax increases) related to "safe-harbor leasing"; the 1981 to 1986 figures reflect tax reductions from "leasing."

Prime Computer: Profits for 1988 exclude a non-cash charge of $45 million for a restructuring reserve. The 1988 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%."

Procter & Gamble: The company's fiscal year ends on June 30 of the years listed. Profits for 1988 and 1987 exclude an announced restructuring provision which had no cash effect in either of the years. Accelerated depreciation saved the company $91 million in 1988, $104 million in 1987 and $155 million in 1986.

PSEG (New Jersey): Accelerated depreciation saved the company $176 million in 1988, $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 $30 million in 1988, $56 million in 1987 and added $161 million and $20 million to the company's taxes in 1986 and 1985, respectively.

Quaker Oats: The 1988 report states: "In fiscal 1988, the Company recognized $25 million of tax benefits in its provision for income taxes related to Alaskan Native Corporation agreements. The ANC agreements grant the Company the right to utilize net operating losses of the ANC's for tax purposes during fiscal 1987 and 1988."

Quantum Chemical: The company was known as National Distillers and Chemical Corporation until January 4, 1988. The company's tax rates for the past two years are higher than the statutory rates because of turnarounds in previously deferred taxes, amounting to $5.8 million in 1988 and $22.3 million in 1987.

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 $0.8 million in 1988, $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 previously unconsolidated finance subsidiary prior to 1986.

Rockwell International: The company's fiscal year ends on September 30 of the years listed. The company's very high tax rate in 1988 reflects a turnaround of taxes previously deferred under the "completed-contract method of accounting." From 1981 to 1987, the company deferred a total of more than $1 billion in federal income taxes using completed-contract 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 of $101 million per year. In 1988, however, these previously deferred taxes came due. The $1.4 billion completed-contract turnaround in 1988 was primarily due to the completion of the B-1B program. Figures do not include the company's financial subsidiary.

Santa Fe Southern Pacific: Figures reflect continuing operations. Profits for 1986 exclude a non-cash charge related to the restructuring of railroad operations; 1987 profits were 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 listed 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 $6.7 million in 1988, $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 the Sara Lee Credit Corporation, which became inactive in fiscal 1988.

SCEcorp: The sharp increase in the company's taxes after 1985 reflects a turnaround in deferred taxes relating to "regulatory balancing accounts," which cost the company $79 million in 1988, $23 million in 1987 and $21 million in 1986, but saved it $365 million in 1985. Accelerated depreciation saved the company $173 million in 1988, $173 million in 1987 and $171 million in 1986.

Schering-Plough: According to the 1988 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% of the company's total worldwide assets. But, says the company, Puerto Rican operations alone contributed 29% of the company's worldwide pretax earnings and almost half of its U.S. pretax profits. (In its 1988 annual report, the company chose not to list its assets in Puerto Rico and Ireland.) The company's tax savings from tax holiday operations were $144 million in 1988, $133 million in 1987 and $125 million in 1986.

Scott Paper: According to the 1988 annual report: "In 1985 Scott purchased a Brascan Limited U.S. subsidiary that owned 24.9% of the Company's common shares . . . [T]he subsidiary had a $56 million net operating loss (NOL) carryforward. The Company fully utilized the NOL in 1988." The company experienced turnarounds of previously deferred taxes relating to "safe-harbor leasing" of $7.4 million in 1988, $9.8 million in 1987, $11.3 million in 1986 and $10.8 million in 1985. Accelerated depreciation saved the company $49 million in 1988, $74 million in 1987 and $78 million in 1986.

Sears, Roebuck: A non-cash restructuring charge of $712.4 million in the fourth quarter of 1988 was excluded in computing pretax profit for 1988. The high 1988 tax rate reflects a $680 million turnaround in deferred taxes, principally $336 million in instalment sales. Likewise, negative deferred taxes relating to instalment sales were −$196 million in 1987 and −$48 million in 1986. 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."

Security Pacific Corp: The company paid $121.6 million in Alternative Minimum Tax in 1988. Without the AMT, the company would have received a tax refund in 1988.

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

Shell Oil: The company's finance subsidiary is included since 1986. At end of 1988, the company had $147 million in tax loss carryforwards available to reduce future taxes. Investment tax credits cut taxes by $20 million in 1987, $58 million in 1986 and $129 million in 1985.

SmithKline Beckman: Profits for 1988 exclude a $300 million non-cash domestic restructuring charge. The company's 1988 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 $75.2 [million], $112.4 [million] in 1987, $143.1 [million] in 1986, and $132.9 [million] in 1985."

Southeast Banking Corp.: The company's low taxes chiefly reflect tax-exempt interest income.

Southwest Airlines: The company utilized $10 million in tax loss carryforwards in 1987 and 1988. At the end of 1988, the company had $16.7 million in investment tax credit carryforwards available to reduce taxes in future years. The 1987 results reflect the liquidation of TranStar; the gain on the sale of the assets for tax purposes was greater than the gains for financial purposes (due to excess tax depreciation).

Southwestern Bell: The company's higher tax rate in 1988 reflects a $124 million turnaround in deferred taxes, primarily from a reduction in accelerated depreciation and a reversal of $70 million in taxes deferred in 1987 in connection with a VEBA contribution.

Springs Industries: Profits for 1988 exclude an $18 million non-cash restructuring charge announced at the end of 1988. The company's taxes were reduced by investment tax credits of $2.1 million in 1986 and $3.5 million in 1985. The higher tax rate in 1988 reflects a $7.3 million turnaround in deferred taxes.

Square D: The company's finance subsidiary is included starting in 1986. Tax deferrals generated by that subsidiary were $25.7 million in 1988, $22.8 million in 1987 and $30.3 million in 1986. The 1988 annual report states: "In 1987 the Company was an A[lternative] M[inimum] T[ax] taxpayer and paid $19,351 of AMT. In 1988 the Company was not an AMT taxpayer and used $10,867 of AMT credit." Pre-1986 figures do not include the company's finance subsidiary. As a result, taxes for earlier years are overstated.

Squibb: The tax preference for Puerto Rican profits saved the company $71 million in 1988, $94 million in 1987, $62 million in 1986, $29 million in 1985, $24 million in 1984 and $39 million in 1983.

St. Paul Cos.: The company's high (compared to previous years) 1988 tax reflects in part $54 million in negative deferred taxes on "loss reserve discounting." The company paid a total of $13.9 million in Alternative Minimum Tax in 1987-88, which increased the company's tax rate by 1.8 percentage points and represented 12% of the company's total federal tax payments.

Sun Co.: Results for 1986-88 exclude the non-cash portions of provisions for asset write-downs and other items on which tax benefits have not yet been realized because the costs have not yet been paid. The company paid a total of $42 million in Alternative Minimum Tax in 1987-88, which represents 59% of its federal tax payments. If there were no AMT, the company's tax rate would have been 5.8 percentage points lower and the company would have received a federal income tax refund in 1987. The company saved $52 million in 1988, $106 million in 1987, $96 million in 1986 and $164 million in 1985 from depreciation and depletion tax breaks.

Sundstrand: A change in accounting for anticipated losses on long-term contracts reduced the company's 1988 pretax profit by $64.5 million. The charge did not require any cash outlay, but may have reduced federal income taxes, since the tax impact (−$24.7 million) is not listed as deferred. The company paid the Alternative Minimum Tax in 1988, (listing a future AMT credit of $3.6 million). It paid an additional $12.9 million due to excess of book over tax provision for losses in the company's aerospace segment.

The 1988 annual report states, "The Company's Singapore subsidiary has an export enterprise certificate whereby 90% of its export profits during the ten year period ending July 1, 1992, are exempt from tax. Aggregate . . . tax benefits attributable to these exemptions . . . were $5,796,000 . . . in 1987, $5,450,000 . . . in 1986, and $6,670,000 . . . in 1985."

Suntrust Banks: The company was formed in July 1985 upon the merger of Sun Banks and the Trust Company of Georgia. Figures up to that time reflect the results of the Trust Company.

In 1988, the company reported $118 million in tax-exempt interest. Prior to tax reform, almost all of the company's costs (i.e., interest paid) to earn tax-exempt income were deductible. After reform, about 12-13% of such costs are no longer deductible, reducing arbitrage somewhat, and increasing the company's tax rate somewhat (plus 2 to 4 percentage points).

Suntrust paid a total of $14 million in Alternative Minimum Tax in 1988 and 1987, which added 2 percentage points to its tax rate and represented 16% of total taxes paid.

Pre-1986 taxes include state and local income taxes. Also in those years, the company reduced its taxes through "safe-harbor leasing."

SuperValu Stores: The company's fiscal year ends on the last Saturday in February following the years listed. The high tax rate in 1986 was due to the repeal of the investment tax credit and no tax benefit from the losses incurred by Food Giant, Inc. prior to the company's acquisition of a minority interest.

Tandy: The company's fiscal years end on June 30 of the years listed. The company's tax rate in 1988 is higher than the 34% statutory rate primarily because of a $1.6 million turnaround in deferred taxes.

Teledyne: Finance and insurance subsidiaries are included for all years. Investment tax credits were $3.2 million in 1988, $5.5 million in 1987, $8.9 million in 1986, $11.7 million in 1985, $10.5 million in 1984, $9.8 million in 1983, $7.9 million in 1982 and $6.2 million in 1981.

Texas Utilities: In 1987-88, the company paid $16.4 million in Alternative Minimum Tax—9% of its total federal taxes. Accelerated depreciation saved the company $49 million in 1988, $64 million in 1987 and $79 million in 1986.

Textron: Figures include financial subsidiaries, discontinued operations and extraordinary items. Investment tax credits were $3.8 million in 1988, $9.1 million in 1987, $12.9 million in 1986 and $15 million in 1985.

Torchmark: Taxes include state income taxes. The higher rate in 1988 reflects $45.3 million in "adjustment of prior years' tax liabilities." The special life insurance company deduction equal to 20% of taxable income was repealed, effective January 1, 1987; as a result, according to the annual report, "life insurance companies actually had a 3.2% tax rate increase for 1987."

Transamerica: In 1987 and 1986, the company utilized $159 million and $57 million, respectively, in tax benefits that had been carried forward from 1983-85. Results for 1982 and 1981 were adjusted to treat the proceeds from the sale of tax benefits ($6 million and $42 million, respectively) as tax benefits, rather than as pretax income as the company booked them.

TRW: The company's high tax rate in 1988 reflects a $110 million turnaround of taxes previously deferred using the "completed contract method of accounting," which from 1981 to 1987 saved the company $209 million in taxes. Investment tax credits were $1.7 million in 1988, $7 million in 1986 and $22 million in 1985.

Tyson Foods: The company's fiscal year ends on the Saturday closest to September 30 of the years listed. Investment tax credits were $0.7 million in 1988, $4.4 million in 1987, $1.1 million in 1986 and $3.6 million in 1985. Due to poor disclosure, taxes for 1982 and 1981 include current *and* deferred federal *and* state taxes.

Union Electric: The company's taxes for 1985-88 include state income taxes as well as federal. Accelerated depreciation saved the company $66 million in 1988, $77 million in 1987 and $96 million in 1986.

Union Pacific: Only the current portion of a 1986 $1.7 billion restructuring charge is reflected in the 1986-88 profits. Accelerated depreciation saved the company $166 million in 1988, $172 million in 1987 and $201 million in 1986.

United Technologies: Figures include the company's finance subsidiaries since 1983. "Completed-contract accounting," which saved the company $24.6 million in 1987, cost it $69.1 million in 1988. In 1987, the company paid $12.4 million in Alternative Minimum Tax, but got that amount back as an AMT credit in 1988. A 1986 restructuring charge was subtracted from income in the years that it was actually incurred.

Upjohn: State and local income taxes were estimated based on data in earlier reports. (The company no longer discloses these taxes separately.) Upjohn's higher tax rate in 1988 (compared to previous years) reflects less accelerated depreciation savings ($10.3 million in 1988 versus $24.4 million in 1987 and $13.3 million in 1986) and a $22 million turnaround on instalment sales in 1988. Upjohn's total deferred taxes in 1988 were a negative $16.4 million. The company has a subsidiary operating in Puerto Rico under a tax exemption grant which saved the company $46.1 million in 1988, $66.7 million in 1987 and $71.2 million in 1986.

USAir Group: Profits for 1988 exclude a $33 million non-cash reserve relating to expected disposition of BAC 1-11 aircraft in 1989. The company's 1983-87 taxes include tax reductions due to purchased tax breaks of $6 million in 1985, $14 million in 1984 and $5 million in 1983. The 1982 and 1981 figures treat gains from the sale of tax breaks of $27.2 million and $8.4 million respectively as a reduction in taxes, rather than as an increase in pretax income, as the company reported them.

USG Corp.: Investment tax credits reduced the company's taxes by $0.8 million in 1987, $4.5 million in 1986 and $6.4 million in 1985. The company assumed $2.5 billion in new debt in 1988 to restructure to fight off a takeover bid.

U.S. Bancorp: Investment tax credits were $0.7 million in 1987, $1.8 million in 1986 and $8.1 million in 1985. Despite using $14 million in tax loss carryforwards (which technically added to deferred taxes), the company had net negative deferred taxes for 1988, which was the primary cause of the higher 1988 tax rate.

VF Corporation: Repatriation of some foreign profits and negative deferred instalment sales boosted federal income taxes in 1988.

Wal-Mart Stores: The company's fiscal year ends on January 31 following the years listed. The company's taxes were reduced by investment tax credits of $6.4 million in 1986 and $12.9 million in 1985.

Walt Disney Co.: The company's fiscal year ends on September 30 of the years listed. The company's 1988 tax rate is higher than in previous years primarily because of a $35 million turnaround in deferred taxes on instalment sales.

West Point-Pepperell: The company's fiscal year ends on the last Saturday in August for the years up to 1986 and on the last Saturday in September thereafter.

Westinghouse: The company's 1988 annual report states: "Consolidated net income includes income of certain manufacturing operations in Puerto Rico which are exempt from United States tax and which are either totally or partially exempt from Puerto Rican income tax under grants of industrial tax exemptions, which will expire at various dates . . . " Tax savings from Puerto Rican operations were $80 million in 1988, $85 million in 1987 and $97 million in 1986. The figures include Westinghouse Financial Services starting in 1986.

Westvaco: The company's fiscal year ends on October 31 of the years listed. Investment and other tax credits were $0.3 million in 1988, $12.3 million in 1987, $22.3 million in 1986 and $19.4 million in 1985. Accelerated depreciation saved the company $32 million in 1988, $45 million in 1987 and $48 million in 1986.

Weyerhaeuser: Accelerated depreciation saved the company $83 million in 1988, $86 million in 1987 and $48 million in 1986. Investment tax credits were $3.5 million in 1988. Results for 1982 and 1981 were adjusted to treat the proceeds from the sale of tax benefits as tax reductions (rather than as an increase in income as the company treated them in 1982 or as a reduction in the basis of assets as the company treated them in 1981). Those proceeds from selling tax benefits were $23.6 million in 1982 and approximately $92.8 million in 1981.

Whirlpool: Figures for 1986-88 include Whirlpool Acceptance Corp., the companies leasing subsidiary. Taxes for 1984-85 are overstated, due to non-inclusion of the leasing subsidiary's tax benefits. The increase in the companies tax rates in 1986-87 chiefly reflects repeal of the investment tax credit and reduced tax savings from accelerated depreciation and instalment sales.

Witco: In 1987, the company experienced a turnaround in deferred taxes relating to its disposition of oil and gas properties.

Xerox: The company's 1988 annual report states: "In 1988 and 1987 the Company's domestic operations provided taxes under the Alternative Minimum Tax (AMT)." Over this two-year period, Xerox paid a total of $92.1 million in AMT, which accounted for 77% of its total federal taxes paid and which increased its tax rate by 10.9 percentage points. Profits for 1988 exclude a $263 million non-cash charge booked in the last quarter of 1988. The figures include the results of Xerox Credit Corp. for all years.

Methodology

This study represents a continuation of CTJ's earlier reports, *The Corporate Tax Comeback* (September 1988), *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). Covering 250 corporations from 1981 to 1988, it analyzes 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 filed with the Securities and Exchange Commission. In general, 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 and transportation companies.

Most companies responded to our request, although some did not. In fact, in several cases, 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 our 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. 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 SEC.

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 changes. We added 12 new firms to bring the total to 250 companies that year.

d. The companies in the current and 1981-87 reports. Our current list of companies is similar to that in the most recent reports. 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. Leasing subsidiaries: Prior to 1988, corporations were not required to include in their annual reports on a consolidated basis their leasing subsidiaries, many of which generated substantial tax benefits for their parent companies. In prior years, we combined leasing subsidaries with their parents whenever we could obtain adequate information. Starting in 1988, companies have been required by the SEC to consolidate their leasing subsidiaries, thereby making our job considerably easier. Companies with leasing subsidiaries have restated their data back to 1986. Fortunately, in almost every case we found that our previous calculations had been essentially correct. The newly required data also show, rather conclusively, that lobbyists who challenged our findings by attempting to ignore the tax savings their clients had obtained through leasing subsidiaries—for example, lobbyists for IBM—were prevaricating.

4. 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 the 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.)