The One-Time Received Dividend Deduction

by Melissa Redmiles

Congress created the one-time dividend received deduction in the Homeland Investment Act, incorporated into the American Jobs Creation Act of 2004, to encourage U.S. corporations to repatriate their foreign earnings and place them in investments that would promote U.S. job growth. The newly added Internal Revenue Code section 965 outlines the provisions for this deduction, while Notice 2005-10, Notice-2005-35, and Notice 2005-64 provide additional guidelines. These provisions permit U.S. corporations a one-time deduction of 85 percent of the extraordinary dividends received from their controlled foreign corporations (CFCs), subject to certain limitations, from their U.S. taxable incomes, provided that the repatriated earnings are used to fund allowable domestic investments. A controlled foreign corporation is a corporation in which the U.S. shareholders own directly, indirectly, or constructively, more than 50 percent of either the total combined voting power or the total value of all stock on any day of the taxable year of the corporation. Generally, foreign earnings are not taxed until they are repatriated. Allowing the 85-percent deduction lowers the effective tax rate on qualifying dividends for corporations taxed at the highest rate from 35 percent to 5.25 percent [15 percent of taxable dividends X 35 percent]. The deduction could be claimed either in the last tax year that begins before October 22, 2004, or the last year that begins during the 1-year period beginning on October 22, 2004.

Cash dividends eligible for the deduction included section 302 and section 304 redemptions of stock, section 316 dividends, and cash from inbound liquidations considered a dividend by the provisions of section 367(b). Other amounts treated as dividends under section 367, as well as section 1248 dividends, subpart F income from the earnings and profits of CFCs, and previously taxed income (PTI), were not eligible. Earnings could be repatriated from lower-tier CFCs.

To qualify as extraordinary, the cash dividends received had to exceed the average dividend received from the corporation's CFCs over a base period defined as the 5 tax years ending prior to July 1, 2003. The base period dividends included distribution of PTI under subpart F, dividends of property, and section 956 distributions. To compute the average, the maximum and minimum annual dividends were discarded, and the remaining 3 tax years were averaged.

Qualifying dividends were further limited to the greater of $500 million or either the amount of earnings permanently reinvested outside the U.S. according to the corporation's balance sheet of its most recently audited financial statement as of June 30, 2003, or 35 percent of the specific tax liability attributable to earnings permanently reinvested outside the U.S. To meet the domestic reinvestment qualification, taxpayers had to file a domestic reinvestment plan (DRP) with their financial statements. The investment has to be in the form of cash, not stock, and has to be paid to unrelated persons, with the exception of pension payments. Permitted types of investments included hiring of new employees or training of existing staff, increase in the employees' salary or benefits, excluding executives, research and development, (if conducted within the United States) investments in infrastructure, intangible property and other capital investments, certain types of debt repayment, advertising or marketing, and acquisition of business entities, including foreign entities. Specifically not permitted investments include executive compensation, intercompany transactions, shareholder distributions, stock redemptions, portfolio investments, local, State or Federal tax payments and purchases of Treasury bills, and municipal or corporate bonds. However, as long as corporations meet their investment plans as outlined in their DRPs, they are free to spend as equivalent amount on something else.

Taxpayers were also required to reduce qualifying dividends by any increase in their CFC debt to related persons. This requirement prevented taxpayers from loaning funds to their CFCs and including the payments in their cash dividends. An exception existed for banks and securities dealers and for intercompany trade payables.

Finally, U.S. corporations were not permitted to use the dividend deduction to eliminate all of their taxable incomes. In cases where their net operating losses or other deductions were greater than the nondeductible portion of the qualifying dividends, corporations had to set taxable income equal to the nondeductible portion.

Melissa Redmiles is an economist with the Special Studies Returns Analysis Section. This data release was prepared under the direction of Chris Carson, Chief.

Taxpayers were permitted to specify which dividends qualified for the deduction. Ideally, corporations would specify dividends subject to low foreign taxes as qualifying and use the dividends received from countries with relatively high tax rates to satisfy the base period amount requirement. Such delineation was beneficial because withholding taxes could not be included in the dividend deduction and because foreign taxes paid on the deductible portion of the qualifying dividends were not eligible for the foreign tax credit, but foreign taxes paid on nonqualifying dividends could be credited.

Data Sources and Limitations

Most of the statistics in this article are based on information reported on Form 8895 and related corporate returns selected for Statistics of Income's corporate sample for Tax Years 2004 through 2006. Industry codes and the country of incorporation of the controlled foreign corporations distributing the dividends were from SOI's 2004 Form 5471 study, where a CFC with a matching name on Form 8895, Part V existed. SOI also examined Form 1118, Schedule C to determine the country of incorporation in cases where a match with the Form 5471 could not be made due to a lack of adequate information provided by the taxpayer.

The returns in this study were selected after administrative processing but prior to any amendments or audit examination. The estimates are based on a stratified probability sample of 784 returns selected from a population of corporations reporting the dividend deduction on their corporate returns, and are thus subject to sampling error. The sampling error is considered to be very small, as most corporations in the study are relatively large, and large corporations are sampled at 100 percent. Each return in the sample was given a distinct weight, calculated by dividing the number of returns in a certain section of the study (industry, accounting period, etc.) by the number of sample returns for the same section. The purpose of these weights is to adjust for the various sampling rates used, relative to the population.

For the purposes of this article, weighted totals are used for all counts and numerical values. Data in this article, unless otherwise stated, refer just to those corporations claiming the dividend deduction.

The Results

Some 843 corporations, a relatively small number of corporations given that roughly 9,700 corporations had CFCs in 2004, took advantage of the deduction. But these corporations repatriated almost $362 billion. Of that, $312 billion qualified for the deduction, creating a total deduction of $265 billion. In comparison, $804 billion of end-of-year, accumulated, nontaxable earnings and profits were reported for all controlled foreign corporations of all U.S. corporations for Tax Year 2004, the last tax year for which this statistic is available. Most corporations, 86 percent, reported the deduction for Tax Year 2005, while 7.7 percent reported it for Tax Year 2004, and the remaining 6.8 percent reported it for Tax Year 2006. Generally, corporations claiming the deduction were fairly large firms repatriating substantial amounts of their foreign earnings. The average total year-end assets were over $24 billion, while the average amount repatriated was roughly $429 million, and the average qualifying dividend was $370 million.

Industry Composition

Figure A displays the number of returns, the cash dividends repatriated, the qualifying dividends, and the percentage of the total qualifying dividends, by selected major and minor industries. Manufacturing firms accounted for just over half the total returns, but 81 percent of the total qualifying dividends. Although corporations in the pharmaceutical and medicine manufacturing comprised a mere 3.4 percent of the filers reporting the deduction, they were responsible for 29 percent of the cash dividends repatriated and almost one-third of the qualifying dividends. This industry repatriated nearly $106 billion dollars and was able to deduct almost $84 billion. The computer and electronic equipment manufacturing industry also accounted for a substantial amount of the repatriation, with 19 percent of the total cash dividends.

Figure B provides a look at the average end-of-year total assets, average cash and qualifying dividends, and the percentage of cash dividends that qualified for the deduction by the same industry groups. The finance, insurance, real estate, and rental and leasing industry group had the largest average end-of-year total assets, but brought back

Figure A

Repatriated Dividends, Selected Items by Selected Major and Minor Industry of Parent Corporation, Tax Years 2004-2006

[Money amounts are in billions of dollars]

Industry	Returns		Cash dividends		Qualifying dividends	
	Number	Percent of total	Amount	Percent of total	Amount	Percent of total
	(1)	(2)	(3)	(4)	(5)	(6)
All industries, total	**843**	**100**	**361.9**	**100**	**312.3**	**100**
Manufacturing	465	55	289.4	80.0	252.2	80.8
Computer and electronic equipment	85	10	68.6	18.9	57.5	18.4
Pharmaceutical and medicine	29	3	105.5	29.2	98.8	31.6
Wholesale and retail trade	133	16	14.7	4.1	12.9	4.1
Information	49	6	14.6	4.0	13.2	4.2
Finance, insurance, real estate, and rental and leasing	49	6	13.3	3.7	11.9	3.8
All other industries	147	17	29.8	8.2	22.1	7.1

Figure B

Repatriated Dividends, Selected Averages, by Selected Major and Minor Industry of Parent Corporation, Tax Years 2004-2006

[Money amounts are in millions of dollars]

Industry	Average total assets	Average cash dividends	Average qualifying dividends	Qualifying dividends as a percentage of cash dividends
	(1)	(2)	(3)	(4)
All industries, total	**24,003.8**	**429.3**	**370.5**	**86.3**
Manufacturing	12,744.8	622.4	542.5	87.2
Computer and electronic equipment	4,950.9	806.7	676.3	83.8
Pharmaceutical and medicine	27,187.7	3,638.0	3,406.2	93.6
Wholesale and retail trade	2,320.4	110.5	96.7	87.5
Information	24,692.1	297.7	269.4	90.5
Finance, insurance, real estate, and rental and leasing	71,553.1	271.9	243.2	89.4
All other industries	63,158.3	202.9	150.3	74.1

less, on average, than the $429 million for all corporations. The manufacturing industry as a whole reported smaller average total assets, but repatriated an average of $622 million. Within manufacturing, the pharmaceutical and medicine manufacturing industry stands out, with an impressive average cash dividend of $3.6 billion dollars and an average qualifying dividend of $3.4 billion. The wholesale and retail trade industry group had the lowest average repatriation, with an average cash dividend of about $111 million, of which about 97 million, on average, qualified.

Differences in the average dividend repatriated between industry groups may be due to differences in the amount of accumulated earnings and profits, the ability to extract those earnings from CFCs in cash within the allotted time frame, and the availability of foreign versus domestic investment opportunities. [1, 2] The pharmaceutical industry tends to have more

[1] "Tax-Advantaged Repatriation of Foreign Cash Set To Expire at Year-End," *PriceWaterhouseCoopers Pharma Tax News*, Volume 4, Number 11.

[2] Blouin, Jennifer and Linda Krull, "Bringing It Home: A Study of Incentives Surrounding the Repatriation of Foreign Earnings under the American Jobs Ceation Act of 2004," National Tax Association, August 2006.

cash on hand than other industries, due to high profit margins and minimal capital spending. Furthermore, industry experts speculate that the pharmaceutical industry plans to use at least some of their repatriated earnings to acquire small biotech companies that already have new drugs in the works.[3]

Overall, about 86 percent of cash dividends qualified for the deduction. The percentage for the pharmaceutical and medicine manufacturing industry was noticeably higher, at 94 percent.

The industrial makeup of the CFCs distributing the dividends differed somewhat than the makeup of the parent returns (Figure C). Although CFCs engaged in the manufacturing of pharmaceuticals and medicine were responsible for about 24 percent of the cash dividends and 27 percent of the qualifying dividends, CFCs that produce computer and electronic equipment accounted for only 7.8 percent of the cash dividends. Bank holding and other holding companies, not surprisingly, however, accounted for 27 percent of the cash dividends.

The Effect of the Limitations

Of all the various limitations that determine the amount of qualifying dividends, the requirement that qualifying dividends had to be extraordinary impacted the largest percentage of filers. Over half (56 percent), of the returns reported a base dividend. The total amount of base dividends was about $34 billion, approximately 9 percent of the total cash dividends. Only 38 corporations, or about 5 percent, reported qualifying dividends equal to the cap of the greater of $500 million or either their permanently invested foreign earnings or 35 percent of the tax liability attributable to earnings permanently reinvested. Roughly one-fifth, however, planned to reinvest less than their extraordinary dividends. Overall, these firms lowered their otherwise qualifying dividends by $14.6 billion, about 4 percent of total cash dividends for all firms claiming the deduction. Just 6 percent of corporations lowered their qualifying dividends by $0.2 billion due to increased debt of their CFCs to related persons.

Planned Completion Date

Most corporations planned to complete their domestic reinvestments in the near term. About one-third reported a planned completion date that fell within the taxable year in which the dividend deduction was claimed. Almost 70 percent of filers indicated their reinvestment would be completed by the end of 2007. Only 6 percent reported a completion date later than the end of 2009. See Figure D.

Country Distribution of Repatriated Dividends

Figure E provides a regional distribution of the cash dividends by the country of incorporation of the distributing CFC. CFCs incorporated in Europe

Figure C

Repatriated Dividends, By Major and Selected Minor Industry of Distributing CFC, Tax Year 2004-2006
[Money amounts are in billions of dollars]

Industry	CFCs		Cash dividends		Qualifying dividends	
	Number	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)
All industries, total	**4,246**	**100.0**	**361.9**	**100**	**312.3**	**100.0**
Manufacturing	1,361	32.1	168.8	46.6	156.5	50.1
Pharmaceutical and medicine	103	2.4	88.1	24.4	84.9	27.2
Wholesale and retail trade	739	17.4	23.1	6.4	16.6	5.3
Finance, insurance, real estate, and rental and leasing	386	9.1	20.8	5.7	16.6	5.3
Management of companies and enterprises	509	12.0	97.7	27.0	82.6	26.5
All other industries	1,251	29.4	51.5	14.2	40.0	12.8

[3] Brush, Michael, "A Corporate Tax Break That Could Benefit You," *MSN.Money*, February 9, 2005, http://moneycentral.msn.com/content/P107022.asp

Figure D

Planned Completion Dates for Reinvestment

Planned date of completion	Number of returns	Percentage of total
By the end of:		
Total	**843**	**100.0**
2005	213	25.3
2006	206	24.4
2007	171	20.3
2008	75	8.9
2009	97	11.5
After 2009	51	6.0
Not specified	31	3.7

were responsible for 62 percent of the total repatriated cash dividends, while the Western Hemisphere, excluding Canada and Latin America, accounted for 11.4 percent. The latter figure is not surprising, since this country group includes many small Caribbean nations known to have favorable tax policies.

A closer look at the countries of incorporation with the largest percentage of cash dividends shows that the dominance of Europe is due to a large percentage of cash dividends from a handful of European nations. Figure F below displays the percentage of CFCs and the percentage of cash dividends distributed, by the country of incorporation for the seven countries with the largest percentages of cash dividends. The Netherlands tops the list, with about 6 percent of the CFCs, but over 26 percent of the cash dividends. It is followed by Switzerland, Bermuda, Ireland, Canada, Luxembourg, the United Kingdom, and the Cayman Islands. Firms can be expected to park considerable shares of their earnings and profits in the Netherlands, Switzerland, Bermuda, Ireland, Luxembourg, and the Cayman Islands, as these countries are known for their favorable tax policies.

Canada and the United Kingdom, however, make the top seven list because a large number of CFCs exist in these two countries, as is evident in Figure G. This table lists the frequency of parent returns with CFCs incorporated in the seven countries previously mentioned, the average cash and qualifying dividend from each country, and the qualifying dividends as a percentage of the cash dividends. The countries are listed in descending order of largest average cash dividends. More corporations have CFCs incorporated in United Kingdom and Canada than in the other six selected countries, but the average cash and qualifying dividends are much lower than the average for all countries. In contrast, the number of returns with CFCs incorporated in Bermuda or Luxembourg

Figure E

Cash Dividends from CFCs, by Country of Incorporation

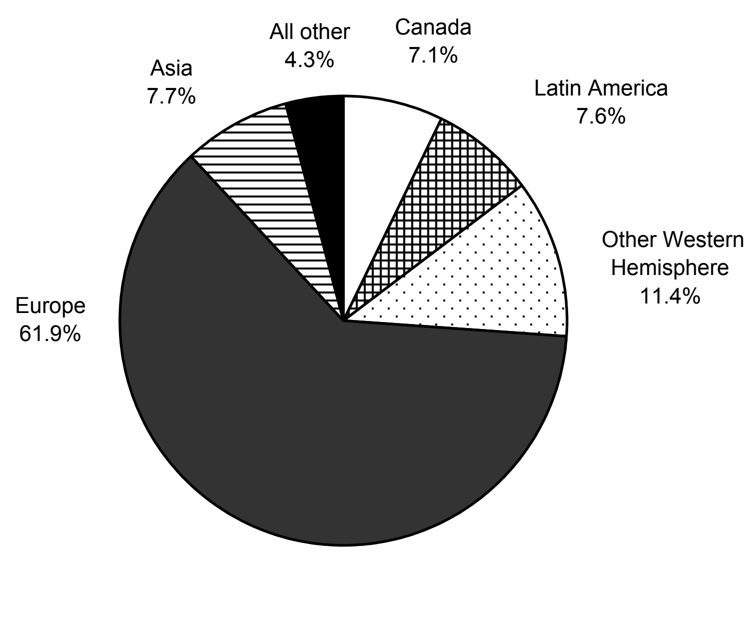
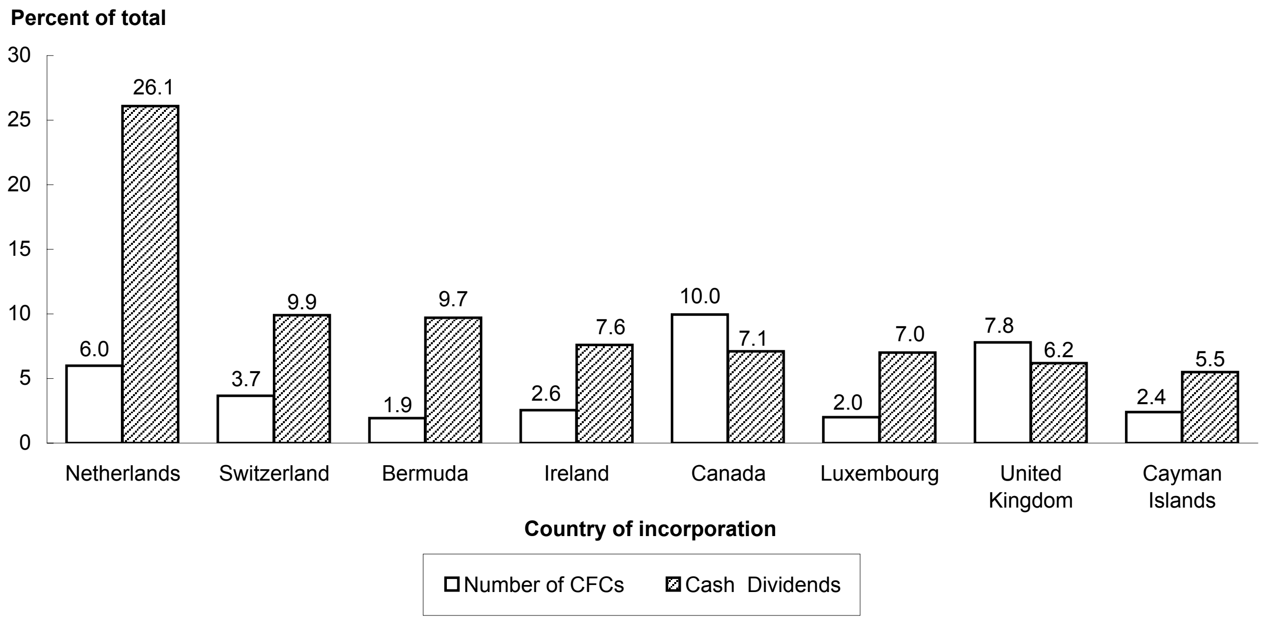


Figure F

Cash Dividends from CFCs, by Country of Incorporation



is relatively low, just 5.6 percent and 4.7 percent respectively, but they have the highest average cash and qualifying dividends.

The dramatic differences in the percentage of cash dividends qualifying for the deduction between Canada and the United Kingdom on one hand, and the other countries in Figure G is most likely due to taxpayers maximizing their foreign tax credit by carefully designating their specifically qualifying dividends from each of their CFCs. A firm with dividends from the United Kingdom and Bermuda would most likely designate Bermuda dividends as qualifying first, before any dividends from the United Kingdom, as Bermuda has a zero tax rate, and use dividends from the United Kingdom, to the extent possible, to match its base dividend amount.

This "cherrypicking" of dividends is more obvious in Figure H, which lists the ten countries of incorporation with the highest percentage of cash dividends qualifying for the deduction and the ten lowest. A substantial difference exists in these percentages. While almost 98 percent of the cash dividends from CFCs incorporated in Singapore qualified for the deduction, less than 10 percent from those incorporated in Japan qualified.

Revised Foreign Tax Credit

Although taxpayers could not credit any foreign taxes paid on the deductible portion of their qualifying dividends, they were permitted to credit those paid on the nondeductible portion. However, they were required to adjust their foreign tax credit on Form 8895 by computing an additional limitation based on the nondeductible portion. To compute this limitation, taxpayers subtracted the amount of the nondeductible dividends from each applicable income category from the original numerator and denominator of the ratio used to determine the original foreign tax credit limitation. Then, taxpayers multiplied the new ratio by U.S income tax, less 35 percent (the highest U.S. corporate tax rate) of the nondeductible portion of the qualifying dividends. This new limitation was

Figure G

Number of Returns and Average Repatriated Dividends, by Selected Countries of Incorporation
[Money amounts are in millions of dollars]

Country	Number of returns [1]	Average cash dividends	Average qualifying dividends	Qualifying dividends as a percentage of cash dividends
	(1)	(2)	(3)	(4)
All countries, total	**843**	**429,260**	**370,492**	**86.3**
Bermuda	47	744,130	676,572	90.9
Luxembourg	40	635,969	586,673	92.2
Netherlands	149	633,657	603,438	95.2
Switzerland	78	458,761	415,662	90.6
Ireland	68	405,699	376,180	92.7
Cayman Islands	55	361,700	335,522	92.8
United Kingdom	206	114,176	81,662	71.5
Canada	244	104,674	87,851	83.9

[1] Figures are greater than total because one company could have CFCs from multiple countries.

added to the foreign taxes attributed to the nondeductible qualifying dividends. Where the result was less than the original credit for the income category, it became the new credit.

Overall, taxpayers claiming the foreign tax credit attributed almost $5 billion of foreign taxes to the nondeductible portion of their qualifying dividends. The ratio of these foreign taxes to the nondeductible portion of qualifying dividends for these returns is about 11.4 percent. Of the 582 taxpayers who reported a foreign tax credit, 168 or 28 percent reduced foreign tax credit by a total of about $3.2 billion.

Figure H

Percentage of Cash Dividends Qualifying for the Deduction, by Country of Incorporation [1]

Top Ten Countries		Lowest Ten Countries	
Singapore	97.9	Brazil	52.0
Malaysia	97.8	Philippines	50.8
Netherlands	95.2	Italy	43.1
Hong Kong	94.0	South Korea	42.1
Cayman Islands	92.8	Argentina	35.8
Ireland	92.7	South Africa	32.6
Luxembourg	92.2	Taiwan	28.2
Bermuda	90.9	Colombia	27.4
Switzerland	90.6	India	26.5
Sweden	90.3	Japan	9.9

[1] Excludes countries reported by less than 25 parent returns.

This reduction, however, comprised only 6.5 percent of the total foreign tax credit that otherwise would have been claimed for all corporations claiming the deduction. The manufacturing industry as a whole, as well as the wholesale and retail industry group, reported total revised foreign tax credits that were smaller than the sum of the foreign tax credits reported for those income categories with nondeductible dividends prior to the additional limitation computation. See Figure I.

Conclusions

A small number of mostly large corporations repatriated nearly $362 billion from their controlled foreign corporations and deducted about $265 billion of these dividends from their taxable incomes. The pharmaceutical and medicine manufacturing industry brought home roughly 29 percent of the repatriated dividends. CFCs engaged in pharmaceutical and medicine manufacturing or defined as bank holding or other holding companies together accounted for over half of the dividends, while CFCs incorporated in the Netherlands distributed over a quarter of the repatriated earnings. The differences in the percentage of cash dividends qualifying for the deduction from different countries of incorporation of the distributing CFC reflect the ability of taxpayers to specifically designate their qualifying dividends. Finally, much of the qualifying dividends have already been invested or will be invested shortly.

Figure I

Foreign Taxes and Tax Credit, by Selected Major and Minor Industry of Parent Corporation, Tax Years 2004-2006

[Money amounts in billions of dollars]

Industry	Foreign taxes paid on nondeductible dividends	Foreign tax credit from income categories with nondeductible dividends, prior to reduction	Revised total foreign tax credit
	(1)	(2)	(3)
All industries, total	**5.0**	**47.5**	**45.8**
Manufacturing	4.0	33.1	30.9
Computer and electronic equipment	0.8	5.8	4.8
Pharmaceutical and medicine	1.0	7.6	6.6
Wholesale and retail trade	0.2	1.5	1.4
Information	0.2	2.3	2.5
Finance, insurance, real estate, rental and leasing	0.1	1.3	1.6
Management of companies and enterprises	0.2	6.0	6.0
All other industries	0.2	3.4	3.4

Table 1. Corporations Repatriating Dividends Under IRC Section 965, Selected Items, by Selected Major and Minor Industry of the Parent Corporation, Tax Years 2004-2006

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

Industry	Number of returns	Total assets	Repatriated cash dividends	Permanently reinvested foreign earnings or tax liability	Base dividends	Extraordinary dividends	Amount to be reinvested
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
All industries	**843**	**20,235,236,671**	**361,865,763**	**361,648,308**	**34,330,392**	**327,535,371**	**366,247,169**
Manufacturing	465	5,926,326,466	289,434,055	308,368,140	28,668,489	260,765,566	284,846,024
Food manufacturing	24	453,270,185	21,259,177	20,538,355	3,300,379	17,958,798	18,235,166
Paper manufacturing	13	173,672,780	7,372,964	12,099,023	799,838	6,573,125	6,483,146
Chemical manufacturing	72	1,216,272,044	130,640,390	135,719,521	9,040,216	121,600,175	137,984,142
Basic chemical manufacturing	16	149,781,895	5,673,370	9,685,015	788,887	4,884,484	12,771,519
Pharmaceutical and medicine manufacturing	29	788,443,479	105,501,731	100,172,831	5,655,433	99,846,298	103,522,369
Plastics and rubber products manufacturing	22	26,890,552	878,015	2,001,671	66,837	811,178	1,120,639
Primary metal manufacturing	14	21,141,345	499,678	519,124	18,838	480,840	600,596
Fabricated metal product manufacturing	31	179,657,237	5,400,168	8,836,242	501,778	4,898,390	5,094,802
Machinery manufacturing	58	187,564,403	7,281,462	6,891,072	1,573,757	5,707,705	6,171,265
Computer and electronic equipment manufacturing	85	420,825,748	68,568,974	65,790,273	7,521,287	61,047,687	58,831,808
Computer and peripheral equipment manufacturing	15	168,163,168	40,425,437	41,215,300	4,298,593	36,126,845	34,518,842
Semiconductor and other electronic component manufacturing	34	124,443,774	15,673,419	12,022,604	1,875,488	13,797,931	13,739,298
Electrical equipment, appliance, and component manufacturing	26	1,275,992,225	6,192,622	18,026,042	1,468,737	4,723,886	4,610,393
Transportation equipment manufacturing	25	750,958,707	12,485,147	11,830,471	1,893,657	10,591,490	10,885,242
Wholesale and retail trade	133	308,617,862	14,701,616	11,920,018	787,402	13,914,213	17,731,878
Wholesale trade, durable goods	66	56,446,161	4,837,754	4,351,367	182,090	4,655,665	5,995,557
Wholesale trade, nondurable goods	37	148,932,907	4,864,940	2,641,181	455,759	4,409,181	3,937,242
Retail trade	30	103,238,794	4,998,921	4,927,471	149,554	4,849,367	7,799,080
Transportation and warehousing	16	22,598,502	984,276	268,983	54,724	929,551	1,137,622
Information	49	1,209,914,444	14,588,736	10,619,578	1,157,808	13,430,928	19,606,413
Software publishers	20	113,327,965	9,003,708	7,275,900	662,341	8,341,367	8,419,765
Finance, insurance, real estate, rental and leasing	49	3,506,103,932	13,322,012	14,587,457	856,131	12,465,881	17,146,634
Insurance carriers and related activities	26	1,151,469,380	3,580,266	4,022,714	349,941	3,230,325	5,026,597
Professional, scientific and technical services	38	97,396,690	3,132,531	1,726,208	236,865	2,895,666	3,792,149
Management of companies and enterprises	21	8,406,839,528	11,110,038	6,627,479	2,210,599	8,899,439	7,823,098
Other services	26	198,643,960	5,839,515	4,526,616	259,070	5,580,445	6,186,698
All other industries	47	558,795,287	8,752,985	3,003,828	99,304	8,653,681	7,976,653

Footnotes at end of table.

Table 1. Corporations Repatriating Dividends Under IRC Section 965, Selected Items, by Selected Major and Minor Industry of the Parent Corporation, Tax Years 2004-2006—Continued

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

Industry	Increase of CFC debt to related parties [1]	Qualifying dividends	Section 965(2) amount of qualifying dividends	Deductible portion of qualifying dividends	Disallowed expenses per Section 965(d)(2)	Nondeductible dividends	Taxable income
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
All industries	**219,207**	**312,324,610**	**121,939,769**	**265,475,919**	**548,032**	**46,848,692**	**437,134,034**
Manufacturing	133,066	252,251,369	106,008,496	214,413,664	401,013	37,837,705	230,905,964
Food manufacturing	45,152	17,637,518	14,769,651	14,991,890	40,560	2,645,628	24,121,111
Paper manufacturing	0	6,186,498	3,170,928	5,258,524	7,907	927,975	9,013,937
Chemical manufacturing	44,916	120,202,492	52,657,687	102,172,118	106,754	18,030,374	70,247,323
Basic chemical manufacturing	42,520	4,803,249	1,745,161	4,082,762	9,907	720,487	3,312,043
Pharmaceutical and medicine manufacturing	1,025	98,780,756	41,473,108	83,963,643	82,561	14,817,113	46,222,129
Plastics and rubber products manufacturing	738	796,360	52,471	676,906	2,136	119,454	661,083
Primary metal manufacturing	433	478,789	107,623	406,971	2,051	71,818	1,522,913
Fabricated metal product manufacturing	25,723	4,809,733	1,180,049	4,088,273	17,804	721,460	5,531,663
Machinery manufacturing	0	5,353,065	1,333,427	4,550,105	16,126	802,960	11,781,736
Computer and electronic equipment manufacturing	7,314	57,486,812	15,095,284	48,863,790	115,298	8,623,022	43,396,984
Computer and peripheral equipment manufacturing	0	34,199,356	5,652,342	29,069,453	52,688	5,129,903	17,069,606
Semiconductor and other electronic component manufacturing	969	13,569,819	2,978,105	11,534,346	27,029	2,035,473	18,204,156
Electrical equipment, appliance, and component manufacturing	72	4,100,543	813,713	3,485,461	10,211	615,081	9,300,886
Transportation equipment manufacturing	400	10,243,076	3,317,546	8,706,614	10,980	1,536,461	14,471,756
Wholesale and retail trade	59,171	12,860,439	6,148,203	10,931,373	23,769	1,929,066	21,271,046
Wholesale trade, durable goods	320	4,643,031	3,289,081	3,946,576	3,400	696,455	3,201,206
Wholesale trade, nondurable goods	60	3,910,565	1,289,171	3,323,981	6,397	586,585	10,925,645
Retail trade	58,791	4,306,843	1,569,951	3,660,816	13,972	646,026	7,144,195
Transportation and warehousing	1,490	918,156	102,306	780,432	1,151	137,723	712,008
Information	9,716	13,202,284	2,516,315	11,221,941	18,626	1,980,343	42,166,529
Software publishers	9,050	8,256,358	1,996,504	7,017,904	11,949	1,238,454	18,699,812
Finance, insurance, real estate, rental and leasing	1,652	11,915,338	2,474,093	10,128,037	29,734	1,787,301	27,724,547
Insurance carriers and related activities	0	2,738,175	1,034,004	2,327,449	3,227	410,726	13,189,999
Professional, scientific and technical services	13,632	2,739,979	478,005	2,328,982	8,504	410,997	3,155,735
Management of companies and enterprises	0	7,023,785	1,238,448	5,970,217	16,097	1,053,568	76,781,055
Other services	345	5,567,914	880,195	4,732,727	28,187	835,187	11,372,879
All other industries	135	5,845,347	2,093,709	4,968,545	20,952	876,802	23,044,271

Footnotes at end of table.

Table 1. Corporations Repatriating Dividends Under IRC Section 965, Selected Items, by Selected Major and Minor Industry of the Parent Corporation, Tax Years 2004-2006—Continued

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

Industry	Taxable income excluding nondeductible dividends	Regular tax liability	Tax on nondeductible dividends	Foreign taxes paid on nondeductible dividends	Foreign tax credit from income categories with nondeductible dividends, prior to reduction	Revised foreign tax credit from income categories with nondeductible dividends	Revised total foreign tax credit
	(15)	(16)	(17)	(18)	(19)	(20)	(21)
All industries	**390,285,342**	**152,903,345**	**16,351,875**	**4,965,264**	**47,547,294**	**44,343,165**	**45,781,955**
Manufacturing	193,068,258	80,787,938	13,219,798	4,041,419	33,093,133	30,310,867	30,924,464
Food manufacturing	21,475,484	8,442,098	925,920	386,090	3,132,995	3,057,286	3,098,185
Paper manufacturing	8,085,962	3,150,140	324,702	215,923	1,065,587	1,059,538	1,085,600
Chemical manufacturing	52,216,949	24,568,567	6,290,249	1,595,271	11,889,971	10,581,490	10,664,895
Basic chemical manufacturing	2,591,556	1,156,106	249,062	218,496	656,609	616,175	617,966
Pharmaceutical and medicine manufacturing	31,405,016	16,180,286	5,185,878	1,023,540	7,648,067	6,568,165	6,594,828
Plastics and rubber products manufacturing	541,629	231,174	41,684	24,169	67,597	63,545	63,746
Primary metal manufacturing	1,451,094	532,672	25,061	10,314	32,297	30,599	37,948
Fabricated metal product manufacturing	4,810,203	1,935,325	252,071	110,907	510,645	508,018	508,377
Machinery manufacturing	10,978,776	4,123,065	280,733	107,780	1,563,377	1,482,531	1,486,755
Computer and electronic equipment manufacturing	34,773,963	15,187,457	3,016,927	797,449	5,755,880	4,637,583	4,769,491
Computer and peripheral equipment manufacturing	11,939,702	5,974,184	1,795,288	538,310	3,302,096	2,557,065	2,608,681
Semiconductor and other electronic component manufacturing	16,168,683	6,370,607	711,858	76,843	1,627,764	1,499,367	1,544,587
Electrical equipment, appliance, and component manufacturing	8,685,804	3,254,682	215,151	128,188	2,105,009	2,082,162	2,258,405
Transportation equipment manufacturing	12,935,294	5,064,666	537,484	313,421	2,163,724	2,075,550	2,137,939
Wholesale and retail trade	19,341,980	7,404,135	674,536	244,561	1,484,019	1,343,797	1,392,947
Wholesale trade, durable goods	2,504,751	1,119,983	243,569	103,417	258,472	190,539	198,191
Wholesale trade, nondurable goods	10,339,060	3,823,281	205,060	61,758	1,006,176	962,546	1,002,651
Retail trade	6,498,169	2,460,871	225,907	79,386	219,371	190,712	192,105
Transportation and warehousing	574,284	248,944	48,006	16,436	95,197	86,795	91,002
Information	40,186,186	14,753,979	690,211	168,268	2,266,678	2,220,678	2,492,723
Software publishers	17,461,358	6,544,779	433,370	127,185	1,636,303	1,590,836	1,856,955
Finance, insurance, real estate, rental and leasing	25,937,247	9,702,854	625,440	142,931	1,307,412	1,285,051	1,597,177
Insurance carriers and related activities	12,779,273	4,615,975	143,746	48,293	549,739	527,672	817,387
Professional, scientific and technical services	2,744,738	1,103,870	143,442	45,636	271,627	252,243	276,417
Management of companies and enterprises	75,727,487	26,873,319	368,747	154,084	6,020,784	5,900,926	5,967,594
Other services	10,537,692	3,980,425	292,251	119,527	624,243	575,825	578,650
All other industries	22,167,469	8,047,883	289,444	32,401	2,384,203	2,366,982	2,460,981

[1] CFC refers to Controlled Foreign Corporations.

Table 2. Cash and Qualifying Dividends Repatriated from Controlled Foreign Corporations (CFCs) under IRC Section 965, by Selected Major and Minor Industry of CFCs, Tax Years 2004-2006

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

Industry	CFCs		Cash dividends		Qualifying dividends	
	Number	Percent of total	Amount	Percent of total	Amount	Percent of total
	(1)	(2)	(3)	(4)	(5)	(6)
All industries	**4,246**	**100.0**	**361,865,763**	**100.0**	**312,324,610**	**100.0**
Manufacturing	1,361	32.1	168,778,901	46.6	156,501,699	50.1
Food manufacturing	85	2.0	3,027,713	0.8	1,701,897	0.5
Paper manufacturing	45	1.1	1,845,862	0.5	1,631,208	0.5
Chemical manufacturing	328	7.7	101,875,842	28.2	96,991,714	31.1
Pharmaceutical and medicine manufacturing	103	2.4	88,129,425	24.4	84,879,206	27.2
Plastics and rubber products manufacturing	69	1.6	1,173,585	0.3	1,114,902	0.4
Primary metal manufacturing	12	0.3	358,466	0.1	348,780	0.1
Fabricated metal product manufacturing	83	2.0	933,472	0.3	710,080	0.2
Machinery manufacturing	91	2.1	1,352,408	0.4	974,981	0.3
Computer and electronic equipment manufacturing	133	3.1	28,314,792	7.8	26,324,607	8.4
Electrical equipment, appliance, and component manufacturing	116	2.7	2,226,020	0.6	2,066,043	0.7
Transportation equipment manufacturing	75	1.8	3,611,100	1.0	3,126,145	1.0
Wholesale and retail trade	739	17.4	23,109,708	6.4	16,592,173	5.3
Wholesale trade, durable goods	331	7.8	10,785,022	3.0	6,918,894	2.2
Wholesale trade, nondurable goods	333	7.8	7,479,505	2.1	5,965,437	1.9
Retail trade	64	1.5	4,698,525	1.3	3,561,369	1.1
Transportation and warehousing	58	1.4	725,578	0.2	609,239	0.2
Information	122	2.9	9,972,791	2.8	9,368,500	3.0
Finance, insurance, real estate, rental and leasing	386	9.1	20,786,780	5.7	16,588,295	5.3
Insurance carriers and related activities	98	2.3	2,611,661	0.7	1,833,496	0.6
Securities, commodity contracts, and other financial investments	160	3.8	10,475,526	2.9	9,231,920	3.0
Professional, scientific and technical services	304	7.2	13,006,187	3.6	8,991,906	2.9
Computer systems design and related services	122	2.9	8,437,265	2.3	4,858,061	1.6
Management of companies and enterprises	509	12.0	97,703,288	27.0	82,611,194	26.5
All other industries	768	18.1	27,782,529	7.7	21,061,605	6.7

Table 3. Cash and Qualifying Dividends Repatriated from Controlled Foreign Corporations (CFCs) under IRC Section 965, by Selected CFCs Country of Incorporation, Tax Years 2004-2006

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

Selected country of incorporation	CFCs		Cash dividends		Qualifying dividends	
	Number	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)
All countries	**4,246**	**100.0**	**361,865,763**	**100.0**	**312,324,610**	**100.0**
Argentina	33	0.8	135,546	[1]	48,562	[1]
Australia	142	3.3	3,450,387	1.0	2,551,608	0.8
Austria	31	0.7	546,646	0.2	490,293	0.2
Bahamas	24	0.6	3,380,003	0.9	1,995,072	0.6
Belgium	58	1.4	1,313,047	0.4	790,548	0.3
Bermuda	82	1.9	34,974,125	9.7	31,798,882	10.2
Brazil	87	2.0	1,176,939	0.3	612,444	0.2
British Virgin Islands	20	0.5	2,230,704	0.6	2,108,849	0.7
Canada	426	10.0	25,540,545	7.1	21,435,573	6.9
Cayman Islands	101	2.4	19,893,521	5.5	18,453,692	5.9
Chile	24	0.6	235,553	0.1	137,776	[1]
China	96	2.3	2,521,662	0.7	2,265,543	0.7
Colombia	32	0.8	82,173	[1]	22,491	[1]
Costa Rica	22	0.5	295,376	0.1	248,172	0.1
Czech Republic	17	0.4	270,742	0.1	193,066	0.1
Denmark	24	0.6	336,081	0.1	278,439	0.1
Domincan Republic	12	0.3	66,011	[1]	63,878	[1]
El Salvador	16	0.4	75,854	[1]	74,180	[1]
Finland	11	0.3	149,790	[1]	50,918	[1]
France	56	1.3	3,154,213	0.9	2,605,876	0.8
Germany	100	2.4	3,505,274	1.0	2,722,850	0.9
Greece	18	0.4	110,354	[1]	24,551	[1]
Guatemala	18	0.4	62,826	[1]	43,412	[1]
Hong Kong	163	3.8	5,510,881	1.5	5,180,664	1.7
Honduras	20	0.5	147,444	[1]	145,771	[1]
Hungary	15	0.4	336,898	0.1	301,401	0.1
India	60	1.4	750,961	0.2	198,654	0.1
Indonesia	24	0.6	50,592	[1]	171	0.0
Ireland	112	2.6	27,587,513	7.6	25,580,241	8.2
Israel	12	0.3	498,466	0.1	433,820	0.1
Italy	47	1.1	1,952,900	0.5	842,286	0.3
Japan	143	3.4	5,005,973	1.4	497,514	0.2
Luxembourg	87	2.0	25,438,746	7.0	23,466,908	7.5
Malaysia	62	1.5	4,156,431	1.1	4,064,262	1.3
Mexico	163	3.8	3,791,863	1.0	2,745,736	0.9
Netherlands	253	5.9	94,414,845	26.1	89,912,245	28.8
New Zealand	42	1.0	603,595	0.2	410,662	0.1
Norway	12	0.3	187,085	0.1	145,173	[1]
Panama	22	0.5	801,743	0.2	785,841	0.3
Philippines	39	0.9	370,914	0.1	188,283	0.1
Poland	29	0.7	281,540	0.1	66,847	[1]
Portugal	22	0.5	136,500	0.0	45,999	[1]
Puerto Rico	22	0.5	3,085,915	0.9	3,003,321	1.0
Saudi Arabia	16	0.4	46,664	0.0	38,437	[1]
Singapore	89	2.1	5,518,171	1.5	5,401,243	1.7
South Africa	62	1.5	492,061	0.1	160,409	0.1
South Korea	76	1.8	1,192,889	0.3	502,347	0.2
Spain	77	1.8	3,023,295	0.8	1,824,308	0.6
Sweden	51	1.2	2,269,547	0.6	2,048,523	0.7
Switzerland	155	3.7	35,783,325	9.9	32,421,610	10.4
Taiwan	46	1.1	1,334,440	0.4	376,960	0.1
Thailand	64	1.5	702,115	0.2	548,888	0.2
Turkey	12	0.3	178,519	0.0	10,630	[1]
United Kingdom	330	7.8	22,264,330	6.2	15,924,015	5.1
Venezuela	20	0.5	181,911	0.1	77,402	[1]
All other countries	450	10.6	10,260,318	2.8	5,957,365	1.9

[1] Less than 0.05 percent