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## Which Companies Use the Domestic Production Activities Deduction?

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### Abstract

This paper uses IRS C corporation 2012 tax return data to study the firms that claim the Sec. 199 deduction, thereby providing empirical evidence on the economic significance of the deduction and the characteristics of the companies that benefit from this incentive. The descriptive analyses show that, while the number of firms claiming Sec. 199 benefits is small, these firms are an economically important subset of all corporate firms and report over half of total positive corporate taxable income. Furthermore, corporations report that approximately \$440 billion of taxable income qualifies for the deduction, equal to one-third of all corporate taxable income. Additional analyses show that approximately 72% of the deduction is claimed by large, multinational public firms with assets greater than \$1 billion. While described as a tax deduction for domestic producers and manufacturers, only 60% of the deduction is claimed by firms in industries traditionally considered to generate production-related income. The statute has thus been applied widely by a number of firms in other industries who have identified some portion of their business that generates qualifying income. We also present data on how the statutory limitations within Sec. 199 reduce the number and extent to which firms claim the deduction, and we show how the number of firms and the amount of benefit claimed has changed over time.

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