



**Technical Note**  
Gross Domestic Product  
Fourth Quarter of 2010 (Third Estimate)  
March 25, 2011

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the GDP news release. The complete set of estimates for the fourth quarter is available on BEA's Web site at [www.bea.gov](http://www.bea.gov); a brief summary of "highlights" is also posted on the Web site. In a few weeks, the estimates will be published in BEA's monthly journal, the *Survey of Current Business*, along with a more detailed analysis of the estimates ("GDP and the Economy").

### **Sources of Revision to Real GDP**

Real GDP increased 3.1 percent (annual rate) in the fourth quarter, which was 0.3 percentage point more than last month's estimate. The upward revision to GDP reflected upward revisions to inventory investment and to nonresidential fixed investment that were partly offset by a downward revision to exports.

- The revision to inventory investment reflected revised Census Bureau inventory data for December.
- The revision to nonresidential fixed investment primarily reflected upward revisions to software and to computers and peripheral equipment, based on newly available Census quarterly services survey software data for the fourth quarter and revised Federal Reserve industrial production index computer data for September through December.
- The downward revision to exports was to both goods and services and was based on revised Census goods data for December and quarterly services data from BEA's international transactions accounts.

The price index for gross domestic purchases—the prices paid by U.S. residents for goods and services wherever produced—increased 2.1 percent in the fourth quarter, the same as last month's estimate.

### **Corporate Profits**

Profits from current production increased \$38.2 billion, or 2.3 percent (quarterly rate), in the fourth quarter. Domestic profits of financial corporations increased \$57.7 billion, domestic profits of nonfinancial corporations decreased \$10.1 billion, and rest-of-the-world profits decreased \$9.4 billion.

## **Bonus Depreciation**

The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010, signed into law December 17, 2010, provided a retroactive increase in bonus depreciation from 50 percent to 100 percent for qualified purchases made between September 9, 2010 and December 31, 2011.

Profits from current production are not affected because they do not depend on the depreciation-accounting practices used for federal income tax returns; rather, they are based on depreciation of fixed assets valued at current cost and using consistent depreciation profiles based on used-asset prices. The additional depreciation provided for by the Act is estimated to have increased tax-based depreciation expenses of corporations in the fourth quarter by \$156.0 billion (annual rate) and reduced profits before tax, which is based on earnings reported on tax returns, by the same amount. The capital consumption adjustment, which is the difference between the depreciation specified in the tax code and the depreciation underlying profits from current production, also increased by the same amount because the Act raised tax depreciation by \$156.0 billion. (Fourth quarter profits tax liability was reduced by \$36.1 billion, and profits after tax were reduced by \$119.9 billion.)

As with corporate profits from current production, nonfarm proprietors' income with capital consumption and inventory valuation adjustments was not affected by the provisions of the act; nonfarm proprietors' income without these adjustments was reduced, and the related capital consumption adjustment was increased by the same amount. The other major national income and product account components and aggregates shown in this release were not affected.

Further information is available in [FAQ #955](#): "How did the Small Business Jobs and Credit Act of 2010 and the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 impact the current quarterly estimates of the capital consumption adjustment for domestic business in 2010?"

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