

Purpose of Schedule and Legal Authority for Schedule M-3 (Form 1120-PC)

Purpose of schedule—Schedule M-3 (Form 1120-PC) replaces Schedule M-1 for property and casualty insurance companies filing Form 1120-PC with total assets of \$10 million or more for any tax year ending on or after December 31, 2006. Schedule M-3 (Form 1120-PC) reconciles book income to taxable income reported on Form 1120-PC, Schedule A, line 35.

Schedule M-3 (Form 1120-PC) Part I asks certain questions about the corporation's financial statements and reconciles financial statement worldwide net income or loss for the corporation (or consolidated financial statement group, if applicable), as reported on Schedule M-3 (Form 1120-PC), Part I, line 4, to net income or loss per the income statement of the corporation for U.S. taxable income purposes, as reported on Schedule M-3 (Form 1120-PC), Part I, line 11. For property and casualty insurance companies that prepare an annual statement, financial statement net income or loss should be reported on the statutory basis on Part I, line 11.

Schedule M-3 (Form 1120-PC) Parts II and III reconcile financial statement net income or loss for the U.S. corporation (or consolidated tax group, if applicable) per Schedule M-3 (Form 1120-PC), Part I, line 11 to taxable income on Form 1120-PC, Schedule A, line 35.

Legal authority—The legal authority for Schedule M-3 (Form 1120-PC) is Internal Revenue Code section 6011 (P.L. 105-206, Title II, Sections 2001 through 2005). Also, the Schedule M-3 (Form 1120-PC) has been developed at the request of the U.S. Department of the Treasury and IRS, LMSB.