## Tax Year 2008 Work Request Notification

Schedule M-3 (Form 1120), Net Income (Loss) Reconciliation for Corporations With Total Assets of $\$ 10$ Million or More

| To: | Symbols: | Agreed: | Date: |
| :---: | :---: | :---: | :---: |
| 1. Scanned by: | SE:W:CAR:MP:T:B:C |  |  |
| 2. Section Chief: Barbara Bradley | SE:W:CAR:MP:T:B:C | $\checkmark$ | 9/11/07 |
| 3. Reviewer: Joan McAlpine | SE:W:CAR:MP:T:B:R | $\checkmark$ | 9/13/07 |
| 4. Review Chief: Johnny Cervantes | SE:W:CAR:MP:T:B:R | Johnny Corvantes | 9714/2007 |
| 5. Branch Chief: Curt Freeman Curt Freeman | SE:W:CAR:MP:T:B | $\checkmark$ | 9/14/2007 |
| 6. Senior Technical Advisor: Bob Erickson | SE:W:CAR:MP:T | molucosiminen | $\pm$ |
| 7. *TPCC Circulations Email sent to Distribution List by: |  |  |  |
| 8. Initiator (Tax Law Specialist): Linda Burke | SE:W:CAR:MP:T:B:C | Completed: |  |

## Attached is a marked up draft that can be used to develop any necessary Work Requests for the 2009 processing year. The major changes are as follows:

The following changes will be made to the 2008 Schedule M-3 (Form 1120) at the request of the LMSB task group.
Page 1.
We inserted a rule between lines 3 c and 4 to separate the financial information from the net income (loss) reconciliation.
Line 4. We inserted new "4b" with text and check boxes, (1) through (5), concerning accounting standards. On lines 1c and 3 c , references to line 4 were changed to "4a."

Line 7. We inserted new line 7 a , and renumbered old 7 a and 7 b to 7 b and 7 c . We also inserted "U.S." in 7 b after the word "includible."

Line 11. We inserted a note below line 11 and inserted a rule after the note.
Line 12. We inserted a new line 12 below the new rule.
Page 2.
Above line 1, we revised the text to to state "Attach schedules for lines 1 through 11."
Lines 9, 10, 11. We deleted "(attach schedule)."
Page 3.
Line 36. We inserted text to clarify the amounts to enter on Part II, line 27.

## This Notification is for changes due to:

$\square$ Legislation or Chief Counsel guidance:
$\square$ A Program change initiated by: LMSB M-3 Team
$\square$ We do not anticipate the need for any further changes that would require a Work Request.
$\square$ We may need to make further changes that would require a Work Request.
If you have any questions, please contact the TLS shown below, or the reviewer on line 3 (above).

| From: |  |  |  |
| :--- | :--- | :--- | :--- |
| Linda Burke <br> SE:W:CAR:MP:T:B :C | Signed: | Email: <br> Linda.R.Burke@irs.gov | Phone Number: <br> (202) 927-9546 |
|  | Date: | Room: 6141 | Fax Number: |

(1) $\square$ Non-Consolidated return
(3) $\square$ Mixed 1120/L/PC group
(2) $\square$ Consolidated return (Form 1120 only)
(4) $\square$ Dormant subsidiaries schedule attached

## Part I Financial Information and Net Income (Loss) Reconciliation (see instructions)

1a Did the corporation file SEC Form 10-K for its income statement period ending with or within this tax year?Yes. Skip lines 1 b and 1 c and complete lines $2 a$ through 11 with respect to that SEC Form 10-K.
$\square$
No. Go to line 1b. See instructions if multiple non-tax-basis income statements are prepared.
baudited non-tax-basYes. Skip line 1c and complete lines 2a through 11 with respect to that income statement.
$\square$
No. Go to line 1c.
c Did the corporation prepare a non-tax-basis income statement for that period?Yes. Complete lines 2a through 11 with respect to that income statement.
No. Skip lines $2 a$ through $3 c$ and enter the corporation's net income (loss) per its books and records on line 4.
2a Enter the income statement period: Beginning $\quad$ Ending $/ 1 / 1 / 1$
b Has the corporation's income statement been restated for the income statement period on line 2 a ?
$\square$ Yes. (If "Yes," attach an explanation and the amount of each item restated.)
$\square$ No.
c Has the corporation's income statement been restated for any of the five income statement periods preceding the period on line 2 a ?
$\square$ Yes. (If "Yes," attach an explanation and the amount of each item restated.)
$\square$ No.
3a Is any of the corporation's voting common stock publicly traded?
$\square$ Yes.
$\square$ No. If "No," go to line 4.
b Enter the symbol of the corporation's primary U.S. publicly traded voting common stock.

c Enter the nine-digit CUSIP number of the corporation's primary publicly traded voting common stock

^
4 Worldwide consolidated net income (loss) from income statement source identified in Part I, line 1 5 Net income from nonincludible foreign entities (attach schedule)
b Net loss from nonincludible foreign entities (attach schedule and enter as a positive amount) . .
6a Net income from nonincludible U.S. entities (attach schedule)
b Net loss from nonincludible U.S. entities (attach schedule and enter as a positive amount)
U.S. 1 a $a$ Net income (loss) of other includible disregarded entities (attach schedule)
b Net income (loss) of other includible corporations (attach schedule).
8 Adjustment to eliminations of transactions between includible entities and nonincludible entities (attach schedule)

| 4 |  |
| :---: | :--- |
| $5 a$ |  |
| $5 b$ |  |
| $6 a$ | $($ |
| $6 b$ |  |
| $7 a$ |  |
| $7 b$ |  |
|  |  |
| 8 |  |
| 9 |  |
| $10 a$ |  |
| $10 b$ |  |
| $10 c$ |  |
| 11 |  |

9 Adjustment to reconcile income statement period to tax year (attach schedule)
10a Intercompany dividend adjustments to reconcile to line 11 (attach schedule)
b Other statutory accounting adjustments to reconcile to line 11 (attach schedule)
c Dther adjustments to reconcile to amount on line 11 (attach schedule).
11
11 Net income (loss) per income statement of includible corporations. Combine lines 4 through 10

## For Paperwor

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\text { Reduction Act Notice, see the Instructions for Form 1120. } \quad \text { Cat. No. 37961C } \quad \text { Schedule M-3 (Form 1120) 200² }
$$

b Indicate accounting standard used for line 4a (see instructions): <insert zip atone in

$$
\begin{aligned}
& \begin{array}{ll}
(1) \text { [ ] GAAP } & (2) \text { [ ] IFRS } \quad \text { (3) [ ] Statutory } \\
(4) \text { [ ] Tax-basis } & \text { (5) [ ] Other (specify) }>\ldots \ldots .
\end{array}
\end{aligned}
$$

column between 4a

$$
\text { and } 5 a>
$$

7 a Net income (loss) of other includible foreign disregarded entities (attach schedule)...
<Insert attachment below for Part I, line 12.
Insert rule after note on line 11 and before line 12>
<insert note below line 11><bld>Note $<$ bld $>$ Part I, line 11, must equal Part II, line 30, column (a), and Schedule M-2, line 2 .

12 Enter the total amount (not just the corporation's share) of the assets and liabilities of all entities included or removed on the following lines:

|  | Total Assets Total Liabilities |  |
| :---: | :---: | :---: |
| a Included on Part I, line 4 |  |  |
| b Removed on Part I, line 5 |  |  |
| c Removed on Part I, line 6 |  |  |
| d Included on Part I, line 7 |  |  |

This page cannot be deleted from the package after it has been signed. This page has been replaced by the previous page.

12 indicate the total assets and total liabilities of all entities included or removed on the following lines of Part labove:

| a Entities included on Part I, line 4 Total Assets |  |  |
| :--- | :--- | :--- |
| b Entities removed on Part I, line 5 Liabilities |  |  |
| c Entities removed on Part I, line 6 |  |  |

d Entities included on Part I, line 7 $\qquad$
Check applicable box(es): (1) $\square$ Consolidated group (2) $\square$ Parent corp (3) $\square$ Consolidated eliminations (4) $\square$ Subsidiary corp (5) $\square$ Mixed 1120/L/PC group Check if a sub-consolidated: (6) $\square 1120$ group (7) $\square 1120$ eliminations
Name of subsidiary (if consolidated return)
Employer identification number
Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return (see instructions)

Income (Loss) Items
(Attach schedules for lines 1 through \$)
1 Income (loss) from equity method foreign corporations
2 Gross foreign dividends not previously taxed
3 Subpart F, QEF, and similar income inclusions
4 Section 78 gross-up.
5 Gross foreign distributions previously taxed
6 Income (loss) from equity method U.S. corporations
7 U.S. dividends not eliminated in tax consolidation
8 Minority interest for includible corporations
9 Income (loss) from U.S. partnerships tattarede)
10 Income (loss) from foreign partnerships tattach schedule)
11 Income (loss) from other pass-through entities (attach schectule).
12 Items relating to reportable transactions (attach details)
13 Interest income (attach Form 8916-A) .
14 Total accrual to cash adjustment
15 Hedging transactions
16 Mark-to-market income (loss) .
17 Cost of goods sold (attach Form 8916-A)
18 Sale versus lease (for sellers and/or lessors).
19 Section 481(a) adjustments
20 Unearned/deferred revenue
21 Income recognition from long-term contracts
22 Original issue discount and other imputed interest
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities
b Gross capital gains from Schedule D, excluding amounts from pass-through entities
c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses
d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses
e Abandonment losses
f Worthless stock losses (attach details)
g Other gain/loss on disposition of assets other than inventory
24 Capital loss limitation and carryforward used .
25 Other income (loss) items with differences (attach schedule)
26 Total income (loss) items. Combine lines 1 through 25
27 Total expense/deduction items (from Part III, line 36)
28 Other items with no differences
29a Mixed groups, see instructions. All others, add lines 26 through 28
b PC insurance subgroup reconciliation totals
c Life insurance subgroup reconciliation totals
30 Reconciliation totals. Combine lines 29a through 29c
Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

## Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With

 Taxable Income per Return-Expense/Deduction Items (see instructions)
## Expense/Deduction Items

1 U.S. current income tax expense
2 U.S. deferred income tax expense
3 State and local current income tax expense
4 State and local deferred income tax expense
5 Foreign current income tax expense (other than foreign withholding taxes)
6 Foreign deferred income tax expense
7 Foreign withholding taxes
8 Interest expense (attach Form 8916-A).
9 Stock option expense
10 Other equity-based compensation
11 Meals and entertainment
12 Fines and penalties
13 Judgments, damages, awards, and similar costs
14 Parachute payments
15 Compensation with section 162(m) limitation
16 Pension and profit-sharing
17 Other post-retirement benefits
18 Deferred compensation
19 Charitable contribution of cash and tangible property
20 Charitable contribution of intangible property
21 Charitable contribution limitation/carryforward
22 Domestic production activities deduction
23 Current year acquisition or reorganization investment banking fees
24 Current year acquisition or reorganization legal and accounting fees
25 Current year acquisition/reorganization other costs
26 Amortization/impairment of goodwill
27 Amortization of acquisition, reorganization, and start-up costs
28 Other amortization or impairment write-offs
29 Section 198 environmental remediation costs
30 Depletion
31 Depreciation
32 Bad debt expense
33 Corporate owned life insurance premiums
34 Purchase versus lease (for purchasers and/or lessees)
35 Other expense/deduction items with differences (attach schedule)
36 Total expense/deduction items. Combine lines 1 through 35. Enter here and on Part II, line 27

| (a) Expense per Income Statement | (b) Temporary Difference | (c) Permanent Difference | (d) <br> Deduction per Tax Return |
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, reporting positive amounts as negative and negative amounts as positive.

