

2010 Schedule M-3 (Form 1065), Net Income (Loss) Reconciliation for Certain Partnerships

Purpose: This is the first circulated draft of the 2010 Schedule M-3 (Form 1065) for your review and comments. See below for a discussion of the major changes.

TPCC Meeting: None, but one may be arranged if requested.

Prior Version: The 2009 Schedule M-3 (Form 1065) is available at: <http://www.irs.gov/pub/irs-pdf/f1065sm3.pdf>.

Instructions: The 2010 Instructions for Schedule M-3 (Form 1065) will be circulated at a later date. The 2009 Instructions for Schedule M-3 (Form 1065) are available at: <http://www.irs.gov/pub/irs-pdf/i1065sm3.pdf>.

Other Products: Circulations of draft tax forms, instructions, notices, and publications are posted at: <http://taxforms.web.irs.gov/Circulations/index.htm>.

Comments: Please email, fax, call, or mail any comments to me by **July 15, 2010**. Comments submitted by telephone must be followed up in writing to be considered. Send a copy of any email comments to the form's reviewer, Sharon Dewsbury, at Sharon.A.Dewsbury@irs.gov.

Max Rogel
Tax Forms and Publications
SE:W:CAR:MP:T:B:C
Email: Max.Rogel@irs.gov
Phone: 202-622-3878
Fax: 202-622-3262

Major Changes

We inserted a new line 29 in Part III reading "Research and development costs (attach schedule)" because LMSB had identified the need to create a separate line on Part III of Schedule M-3 (Form 1065). This line will be used to separately report research and development costs. The addition of this line will improve reporting transparency and compliance efforts. We also changed other line references, when necessary, to account for the addition of this new line to Schedule M-3 (Form 1065).

SCHEDULE M-3 (Form 1065)

Net Income (Loss) Reconciliation for Certain Partnerships

OMB No. 1545-0099

2010

Department of the Treasury Internal Revenue Service

Attach to Form 1065 or Form 1065-B.

See separate instructions.

Name of partnership

Employer identification number

This Schedule M-3 is being filed because (check all that apply):

- A The amount of the partnership's total assets at the end of the tax year is equal to \$10 million or more.
B The amount of the partnership's adjusted total assets for the year is equal to \$10 million or more.
C The amount of total receipts for the taxable year is equal to \$35 million or more.
D An entity that is a reportable entity partner with respect to the partnership owns or is deemed to own an interest of 50 percent or more in the partnership's capital, profit, or loss, on any day during the tax year of the partnership.

Table with 3 columns: Name of Reportable Entity Partner, Identifying Number, Maximum Percentage Owned or Deemed Owned

E Voluntary Filer

Part I Financial Information and Net Income (Loss) Reconciliation

- 1a Did the partnership file SEC Form 10-K for its income statement period ending with or within this tax year?
b Did the partnership prepare a certified audited non-tax-basis income statement for that period?
c Did the partnership prepare a non-tax-basis income statement for that period?
2 Enter the income statement period: Beginning / / Ending / /
3a Has the partnership's income statement been restated for the income statement period on line 2?
b Has the partnership's income statement been restated for any of the five income statement periods preceding the period on line 2?

Table with 2 columns: Description (4a-11) and Amount (4a-11)

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

Table with 2 columns: Total Assets, Total Liabilities and rows a-d for inclusion/removal details

Name of partnership

Employer identification number

Part II Reconciliation of Net Income (Loss) per Income Statement of Partnership with Income (Loss) per Return

Income (Loss) Items	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
(Attach schedules for lines 1 through 9)				
1 Income (loss) from equity method foreign corporations				
2 Gross foreign dividends not previously taxed				
3 Subpart F, QEF, and similar income inclusions				
4 Gross foreign distributions previously taxed				
5 Income (loss) from equity method U.S. corporations				
6 U.S. dividends				
7 Income (loss) from U.S. partnerships				
8 Income (loss) from foreign partnerships				
9 Income (loss) from other pass-through entities				
10 Items relating to reportable transactions (attach details)				
11 Interest income (attach Form 8916-A)				
12 Total accrual to cash adjustment				
13 Hedging transactions				
14 Mark-to-market income (loss)				
15 Cost of goods sold (attach Form 8916-A)	()			()
16 Sale versus lease (for sellers and/or lessors)				
17 Section 481(a) adjustments				
18 Unearned/deferred revenue				
19 Income recognition from long-term contracts				
20 Original issue discount and other imputed interest				
21a 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				
22 Other income (loss) items with differences (attach schedule)				
23 Total income (loss) items. Combine lines 1 through 22				
24 Total expense/deduction items. (from Part III, line 31) (see instructions)				
25 Other items with no differences				
26 Reconciliation totals. Combine lines 23 through 25				

Note. Line 26, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1065, page 5, Analysis of Net Income (Loss), line 1.

Name of partnership

Employer identification number

Part III Reconciliation of Net Income (Loss) per Income Statement of Partnership With Income (Loss) per Return—Expense/Deduction Items

Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 State and local current income tax expense				
2 State and local deferred income tax expense				
3 Foreign current income tax expense (other than foreign withholding taxes)				
4 Foreign deferred income tax expense				
5 Equity-based compensation				
6 Meals and entertainment				
7 Fines and penalties				
8 Judgments, damages, awards, and similar costs				
9 Guaranteed payments				
10 Pension and profit-sharing				
11 Other post-retirement benefits				
12 Deferred compensation				
13 Charitable contribution of cash and tangible property				
14 Charitable contribution of intangible property				
15 Organizational expenses as per Regulations section 1.709-2(a)				
16 Syndication expenses as per Regulations section 1.709-2(b)				
17 Current year acquisition/reorganization investment banking fees				
18 Current year acquisition/reorganization legal and accounting fees				
19 Amortization/impairment of goodwill				
20 Amortization of acquisition, reorganization, and start-up costs				
21 Other amortization or impairment write-offs				
22 Section 198 environmental remediation costs				
23a Depletion—Oil & Gas				
b Depletion—Other than Oil & Gas				
24 Intangible drilling & development costs				
25 Depreciation				
26 Bad debt expense				
27 Interest expense (attach Form 8916-A)				
28 Purchase versus lease (for purchasers and/or lessees)				
29 Research and development costs (attach schedule)				
30 Other expense/deduction items with differences (attach schedule)				
31 Total expense/deduction items. Combine lines 1 through 30. Enter here and on Part II, line 24, reporting positive amounts as negative and negative amounts as positive				

DRAFT AS OF
June 16, 2010