

Caution: *DRAFT—NOT FOR FILING*

This is an early release draft of an IRS tax form, instructions, or publication, which the IRS is providing for your information as a courtesy. **Do not file draft forms.** Also, do not rely on draft instructions and publications for filing. We generally do not release drafts of forms until we believe we have incorporated all changes. However, in some cases unexpected issues arise, or legislation is passed, necessitating a change to a draft form we have posted on IRS.gov. Also, forms generally are subject to OMB approval before they are officially released. Drafts of instructions and publications are usually subject to at least some changes before being officially released.

All early releases of draft forms, instructions, and publications are available at www.irs.gov/draftforms. All information about forms, instructions, and publications is accessible from www.irs.gov/formspubs.

If you have any comments on this draft, you can email us at taxforms@irs.gov or submit them to us on our IRS.gov page titled [Comment on Forms and Publications](#). Please include the form or publication number in the subject. We cannot respond to all comments due to the high volume we receive, but we will carefully consider each suggestion. Please note that we may not be able to consider many suggestions until the subsequent revision.

**SCHEDULE M-3
(Form 1120S)**

**Net Income (Loss) Reconciliation for S Corporations
With Total Assets of \$10 Million or More**

OMB No. 1545-0130

2013

Department of the Treasury
Internal Revenue Service

▶ Attach to Form 1120S.

▶ Information about Sch. M-3 (Form 1120S) and its separate instructions is at www.irs.gov/form1120s.

Name of corporation

Employer identification number

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

- 1 a** Did the corporation prepare a certified audited non-tax-basis income statement for the period ending with or within this tax year? (See instructions if multiple non-tax-basis income statements are prepared.)
 Yes. Skip line 1b and complete lines 2 through 11 with respect to that income statement.
 No. Go to line 1b.
- b** Did the corporation prepare a non-tax-basis income statement for that period?
 Yes. Complete lines 2 through 11 with respect to that income statement.
 No. Skip lines 2 through 3b and enter the corporation's net income (loss) per its books and records on line 4a.
- 2** Enter the income statement period: Beginning / / Ending / /
- 3 a** Has the corporation's income statement been restated for the income statement period on line 2?
 Yes. (If "Yes," attach an explanation and the amount of each item restated.)
 No.
- b** Has the corporation's income statement been restated for any of the five income statement periods preceding the period on line 2?
 Yes. (If "Yes," attach an explanation and the amount of each item restated.)
 No.

4 a Worldwide consolidated net income (loss) from income statement source identified in Part I, line 1	4a	
b Indicate accounting standard used for line 4a (see instructions): (1) <input type="checkbox"/> GAAP (2) <input type="checkbox"/> IFRS (3) <input type="checkbox"/> Tax-basis (4) <input type="checkbox"/> Other (specify) _____		
5 a Net income from nonincludible foreign entities (attach statement)	5a	()
b Net loss from nonincludible foreign entities (attach statement and enter as a positive amount)	5b	
6 a Net income from nonincludible U.S. entities (attach statement)	6a	()
b Net loss from nonincludible U.S. entities (attach statement and enter as a positive amount)	6b	
7 a Net income (loss) of other foreign disregarded entities (attach statement)	7a	
b Net income (loss) of other U.S. disregarded entities (except qualified subchapter S subsidiaries) (attach statement)	7b	
c Net income (loss) of other qualified subchapter S subsidiaries (QSubs) (attach statement)	7c	
8 Adjustment to eliminations of transactions between includible entities and nonincludible entities (attach statement)	8	
9 Adjustment to reconcile income statement period to tax year (attach statement)	9	
10 Other adjustments to reconcile to amount on line 11 (attach statement)	10	
11 Net income (loss) per income statement of the corporation. Combine lines 4 through 10 Note. Part I, line 11, must equal Part II, line 26, column (a).	11	

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		

Name of corporation

Employer identification number

Part II Reconciliation of Net Income (Loss) per Income Statement of the Corporation With Total Income (Loss) per Return (see instructions)

Income (Loss) Items		(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1	Income (loss) from equity method foreign corporations (attach statement)				
2	Gross foreign dividends not previously taxed				
3	Subpart F, QEF, and similar income inclusions (attach statement)				
4	Gross foreign distributions previously taxed (attach statement)				
5	Income (loss) from equity method U.S. corporations (attach statement)				
6	U.S. dividends not eliminated in tax consolidation				
7	Income (loss) from U.S. partnerships (attach statement)				
8	Income (loss) from foreign partnerships (attach statement)				
9	Income (loss) from other pass-through entities (attach statement)				
10	Items relating to reportable transactions (attach statement)				
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 statement)				
g	Other gain/loss on disposition of assets other than inventory				
22	Other income (loss) items with differences (attach statement)				
23	Total income (loss) items. Combine lines 1 through 22				
24	Total expense/deduction items (from Part III, line 32)				
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 1120S, Schedule K, line 18.

Name of corporation

Employer identification number

Part III Reconciliation of Net Income (Loss) per Income Statement of the Corporation With Total Income (Loss) per Return—Expense/Deduction Items (see instructions)

	Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
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	Equity-based compensation				
8	Meals and entertainment				
9	Fines and penalties				
10	Judgments, damages, awards, and similar costs				
11	Pension and profit-sharing				
12	Other post-retirement benefits				
13	Deferred compensation				
14	Charitable contribution of cash and tangible property				
15	Charitable contribution of intangible property				
16	Current year acquisition or reorganization investment banking fees				
17	Current year acquisition or reorganization legal and accounting fees				
18	Current year acquisition/reorganization other costs				
19	Amortization/impairment of goodwill				
20	Amortization of acquisition, reorganization, and start-up costs				
21	Other amortization or impairment write-offs				
22	Reserved				
23a	Depletion—Oil & Gas				
b	Depletion—Other than Oil & Gas				
24	Depreciation				
25	Bad debt expense				
26	Interest expense (attach Form 8916-A)				
27	Corporate owned life insurance premiums				
28	Purchase versus lease (for purchasers and/or lessees)				
29	Research and development costs				
30	Section 118 exclusion (attach statement)				
31	Other expense/deduction items with differences (attach statement)				
32	Total expense/deduction items. Combine lines 1 through 31. Enter here and on Part II, line 24, reporting positive amounts as negative and negative amounts as positive				