

**2009 Schedule M-3 (Form 1120) Net Income (Loss) Reconciliation for Corporations
With Total Assets of \$10 Million or More**

Purpose: This is the first circulated draft of the 2009 Schedule M-3 (Form 1120) for your review and comments. There are no major changes.

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

Prior Version: The 2008 Schedule M-3 (Form 1120) is available at:
<http://www.irs.gov/pub/irs-pdf/f1120sm3.pdf>.

Instructions: The 2009 Instructions for Schedule M-3 will be circulated at a later date. The 2008 Instructions are available at:
<http://www.irs.gov/pub/irs-pdf/i1120sm3.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 and email the reviewer at Joan.A.McAlpine@irs.gov by July 1, 2009.

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

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

OMB No. 1545-0123

Department of the Treasury
Internal Revenue Service

▶ **Attach to Form 1120 or 1120-C.**
▶ **See separate instructions.**

2008 ← 9

Name of corporation (common parent, if consolidated return)

Employer identification number

- Check applicable box(es): (1) Non-consolidated return (2) Consolidated return (Form 1120 only)
(3) Mixed 1120/L/PC group (4) 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 1b and 1c and complete lines 2a through 11 with respect to that SEC Form 10-K.
 No. Go to line 1b. See instructions if multiple non-tax-basis income statements are prepared.
- b** Did the corporation prepare a certified audited non-tax-basis income statement for that period?
 Yes. Skip line 1c and complete lines 2a through 11 with respect to that income statement.
 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 2a through 3c and enter the corporation's net income (loss) per its books and records on line 4a.
- 2a** Enter the income statement period: Beginning MM/DD/YYYY Ending MM/DD/YYYY
- b** Has the corporation's income statement been restated for the income statement period on line 2a?
 Yes. (If "Yes," attach an explanation and the amount of each item restated.)
 No.
- c** Has the corporation's income statement been restated for any of the five income statement periods preceding the period on line 2a?
 Yes. (If "Yes," attach an explanation and the amount of each item restated.)
 No.
- 3a** Is any of the corporation's voting common stock publicly traded?
 Yes.
 No. If "No," go to line 4a.
- b** Enter the symbol of the corporation's primary U.S. publicly traded voting common stock

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

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|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----|
| 4a 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"/> Statutory (4) <input type="checkbox"/> Tax-basis (5) <input type="checkbox"/> Other (specify) _____ | | |
| 5a Net income from nonincludible foreign entities (attach schedule) | 5a | () |
| b Net loss from nonincludible foreign entities (attach schedule and enter as a positive amount) | 5b | |
| 6a Net income from nonincludible U.S. entities (attach schedule) | 6a | () |
| b Net loss from nonincludible U.S. entities (attach schedule and enter as a positive amount) | 6b | |
| 7a Net income (loss) of other includible foreign disregarded entities (attach schedule) | 7a | |
| b Net income (loss) of other includible U.S. disregarded entities (attach schedule) | 7b | |
| c Net income (loss) of other includible entities (attach schedule) | 7c | |
| 8 Adjustment to eliminations of transactions between includible entities and nonincludible entities (attach schedule) | 8 | |
| 9 Adjustment to reconcile income statement period to tax year (attach schedule) | 9 | |
| 10a Intercompany dividend adjustments to reconcile to line 11 (attach schedule) | 10a | |
| b Other statutory accounting adjustments to reconcile to line 11 (attach schedule) | 10b | |
| c Other adjustments to reconcile to amount on line 11 (attach schedule) | 10c | |
| 11 Net income (loss) per income statement of includible corporations. Combine lines 4 through 10 | 11 | |

Note. Part I, line 11, must equal the amount on 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 ▶ | | |

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| Name of corporation (common parent, if consolidated return) | Employer identification number |
| Check applicable box(es): (1) <input type="checkbox"/> Consolidated group (2) <input type="checkbox"/> Parent corp (3) <input type="checkbox"/> Consolidated eliminations (4) <input type="checkbox"/> Subsidiary corp (5) <input type="checkbox"/> Mixed 1120/L/PC group | |
| Check if a sub-consolidated: (6) <input type="checkbox"/> 1120 group (7) <input type="checkbox"/> 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 11) | (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 | | | | |
| 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 | | | | |
| 10 Income (loss) from foreign partnerships | | | | |
| 11 Income (loss) from other pass-through entities . . . | | | | |
| 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, combine 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.

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| Name of corporation (common parent, if consolidated return) | Employer identification number |
| Check applicable box(es): (1) <input type="checkbox"/> Consolidated group (2) <input type="checkbox"/> Parent corp (3) <input type="checkbox"/> Consolidated eliminations (4) <input type="checkbox"/> Subsidiary corp (5) <input type="checkbox"/> Mixed 1120/L/PC group | |
| Check if a sub-consolidated: (6) <input type="checkbox"/> 1120 group (7) <input type="checkbox"/> 1120 eliminations | |
| Name of subsidiary (if consolidated return) | Employer identification number |

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 | (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 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, reporting positive amounts as negative and negative amounts as positive | | | | |