

SCHEDULES M-1 and M-2 (Form 1120-F)

Reconciliation of Income (Loss) and Analysis of Unappropriated Retained Earnings per Books

OMB No. 1545-0123

Department of the Treasury Internal Revenue Service

Attach to Form 1120-F.

2024

Go to www.irs.gov/Form1120F for the latest information.

Name of corporation

Employer identification number

Schedule M-1

Reconciliation of Income (Loss) per Books With Income per Return

Note: The corporation may be required to file Schedule M-3 (see instructions).

Table with 10 rows for Schedule M-1 reconciliation. Columns include line numbers, descriptions (e.g., Net income, Federal income tax, Excess of capital losses), and input fields for amounts.

Schedule M-2

Analysis of Unappropriated Retained Earnings per Books

Table with 8 rows for Schedule M-2 analysis. Columns include line numbers, descriptions (e.g., Balance at beginning of year, Distributions), and input fields for amounts.

Who Must File

Generally, any foreign corporation that is required to complete Form 1120-F, Section II, must complete Schedules M-1 and M-2 (Form 1120-F). However, the following rules apply.

Do not complete Schedules M-1, M-2, and M-3 if total assets at the end of the tax year (Schedule L, line 17, column (d)) are less than \$25,000.

Complete Schedule M-3 in lieu of Schedule M-1 if total assets at the end of the tax year that are reportable on Schedule L are \$10 million or more.

A corporation filing Form 1120-F that is not required to file Schedule M-3 may voluntarily file Schedule M-3 instead of Schedule M-1. See the Instructions for Schedule M-3 (Form 1120-F) for more information.

Foreign corporations that (a) are required to file a Schedule M-3 (Form 1120-F) and have less than \$50 million in total assets at the end of the tax year, or (b) are not required to file a Schedule M-3 (Form 1120-F) and voluntarily file a Schedule M-3 (Form 1120-F) must either (1) complete Schedule M-3 (Form 1120-F) entirely, or (2) complete Schedule M-3 (Form 1120-F) through Part I and complete Schedule M-1 instead of completing Parts II and III of

Schedule M-3 (Form 1120-F). If the foreign corporation chooses (2), then Schedule M-1, line 1, must equal Schedule M-3 (Form 1120-F), Part I, line 11. See the Instructions for Schedule M-3 (Form 1120-F) for more information.

Note: If Schedule M-3 is completed in lieu of Schedule M-1, the corporation is still required to complete Schedule M-2.

Specific Instructions

Schedule M-1

Line 1. Net income (loss) per books. The foreign corporation must report on line 1 of Schedule M-1 the net income (loss) per the set(s) of books taken into account on Schedule L.

Line 5c. Travel and entertainment expenses. Include any of the following.

- Entertainment expenses not deductible under section 274(a).
• Meal expenses not deductible under section 274(n).
• Expenses for the use of an entertainment facility.
• The part of business gifts over \$25.
• Expenses of an individual over \$2,000 that are allocable to conventions on cruise ships.

- Employee achievement awards of non-tangible property or of tangible property if the value is over \$400 (\$1,600 if part of a qualified plan).
• The part of luxury water travel expenses not deductible under section 274(m).

- Expenses for travel as a form of education.
• Other nondeductible travel and entertainment expenses.

Line 7a. Tax-exempt interest. Report any tax-exempt interest received or accrued, including any exempt-interest dividends received as a shareholder in a mutual fund or other regulated investment company. Also report this same amount in item P on page 2 of Form 1120-F.

Schedule M-2

Line 1. Beginning balance of unappropriated retained earnings. Enter the beginning balance of unappropriated retained earnings per the set(s) of books taken into account on Schedule L.

Note: For additional information for Schedule M-2 reporting, see the Instructions for Schedule M-3 (Form 1120-F).