

**Additional Information for
Schedule M-3 Filers**

▶ See instructions on page 2.
▶ Attach to Form 1120.

Name	Employer identification number (EIN)
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		Yes	No
1 Do the amounts reported on Schedule M-3 (Form 1120), Part II, lines 9 or 10, column (d), reflect allocations to this corporation from a partnership of income, gain, loss, deduction, or credit that are disproportionate to this corporation's capital contribution to the partnership or its ratio for sharing other items of the partnership?	☐	☐	☐
2 At any time during the tax year, did the corporation sell, exchange, or transfer any interest in an intangible asset to a related person as defined in section 267(b)?	☐	☐	☐
3 At any time during the tax year, did the corporation acquire any interest in an intangible asset from a related person as defined in section 267(b)?	☐	☐	☐
4a During the tax year, did the corporation enter into a cost-sharing arrangement with any related foreign party on whose behalf the corporation did not file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations?	☐	☐	☐
b At any time during the tax year, was the corporation a participant in a cost-sharing arrangement with any related foreign party on whose behalf the corporation did not file Form 5471?	☐	☐	☐
5 At any time during the tax year, did the corporation make any change in accounting principle for financial accounting purposes? See instructions for the definition of change in accounting principle.	☐	☐	☐
6 At any time during the tax year, did the corporation make any change in a method of accounting for U.S. income tax purposes?	☐	☐	☐
7 At any time during the tax year, did the corporation own any voluntary employees' beneficiary association (VEBA) trusts that were used to hold funds designated for employee benefits?	☐	☐	☐
8 At any time during the tax year, did the corporation use an allocation method for mixed-service costs that varied from the Federal Energy Regulatory Commission method of accounting?	☐	☐	☐

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Purpose of Form

Use Schedule B (Form 1120) to provide answers to additional questions for filers of Schedule M-3 (Form 1120), Net Income (Loss) Reconciliation for Corporations With Total Assets of \$10 Million or More.

Who Must File

Schedule B (Form 1120) must be filed by all corporations that file a Form 1120, U.S. Corporation Tax Return, and that are required to file Schedule M-3 (Form 1120).

Attach Schedule B (Form 1120) to Form 1120.

Specific Instructions

Line 1. Partnership Allocations

Answer "Yes" if this corporation is a partner in a partnership and has received special allocations of income, gain, loss, deduction, or credit from such partnership.

Example. P, a corporation, joins with B, an individual, in forming the PB Partnership. P and B each contribute \$50,000 in cash to PB Partnership. Profits and losses are allocated 50-50, with the exception of depreciation, which is allocated 99 percent to P and 1 percent to B.

P answers "Yes," to question 1 because its 99 percent allocation of depreciation deductions from PB Partnership is disproportionate to its ratio of sharing other items of income, gain, loss, deduction, or credit.

Line 5. Changes in Accounting Principle

The term, "change in accounting principle," means a change from one generally accepted accounting principle to another generally accepted accounting principle as described in "Statement of Financial Accounting Standards No. 154—Accounting Changes and Error Corrections."

Answer "Yes," if a change in accounting principle occurred during the tax year that affected or will affect the amount of income reported for financial statement purposes.



If the corporation has audited financial statements, any changes in accounting principle should be identified in footnotes to those statements.

Line 6. Change in Method of Accounting

Corporations are generally required to file Form 3115, Application for Change in Accounting Method, or a statement in lieu thereof, to request a change in a method of accounting. See the Instructions for Form 3115 for information on requesting a change in accounting method.

Line 7. Voluntary Employees' Beneficiary Association Trusts

Employers that establish and fund welfare benefit plans on behalf of their employees do so through a tax-exempt trust that is referred to as a voluntary employees' beneficiary association (VEBA). See section 501(c)(9) and Regulations sections 1.501(c)(9)-1 through 1.501(c)(9)-8 for details.

Answer "Yes," if the corporation owned any VEBA trusts that were used to hold funds designated for employee benefits.

Line 8. Mixed-Service Costs

Certain utilities are subject to a regulatory method of accounting imposed by the Federal Energy Regulatory Commission (FERC) to determine which expenditures are capitalized or expensed. If your method of accounting is compulsory under FERC rules and that method clearly reflects income, it generally controls for federal income tax purposes. A consistent method used to determine the tax treatment of a recurring, material item—such as the FERC method of accounting—is a method of accounting subject to the rules of section 446(a) and Regulations section 1.446(a)(1).

Answer "Yes," if the corporation, during the tax year, used an allocation method for mixed-service costs that varied from the FERC method of accounting.

