

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

Department of the Treasury  
Internal Revenue Service

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

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

OMB No. 1545-0123

**2006**

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.
- b** Did the corporation prepare a certified audited 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 an 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 4.
- 2a** Enter the income statement period: Beginning        /        /        Ending        /        /
- 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 4.
- b** Enter the symbol of the corporation's primary U.S. publicly traded voting common stock . . . . .
- c** Enter the nine-digit CUSIP number of the corporation's primary publicly traded voting common stock . . . . .
- |  |            |     |
|--|------------|-----|
| <b>4</b> Worldwide consolidated net income (loss) from income statement source identified in Part I, line 1                            | <b>4</b>   |     |
| <b>5a</b> Net income from nonincludible foreign entities (attach schedule) . . . . .   | <b>5a</b>  | ( ) |
| <b>b</b> Net loss from nonincludible foreign entities (attach schedule and enter as a positive amount) . . . . .                       | <b>5b</b>  |     |
| <b>6a</b> Net income from nonincludible U.S. entities (attach schedule) . . . . .  | <b>6a</b>  | ( ) |
| <b>b</b> Net loss from nonincludible U.S. entities (attach schedule and enter as a positive amount) . . . . .                          | <b>6b</b>  |     |
| <b>7a</b> Net income of other includible entities (attach schedule) . . . . .  | <b>7a</b>  |     |
| <b>b</b> Net loss of other includible entities (attach schedule) . . . . .   | <b>7b</b>  | ( ) |
| <b>8</b> Adjustment to eliminations of transactions between includible entities and nonincludible entities (attach schedule) . . . . . | <b>8</b>   |     |
| <b>9</b> Adjustment to reconcile income statement period to tax year (attach schedule) . . . . .                                       | <b>9</b>   |     |
| <b>10a</b> Intercompany dividend adjustments to reconcile to line 11 (attach schedule) . . . . .                                       | <b>10a</b> |     |
| <b>b</b> Other statutory accounting adjustments to reconcile to line 11 (attach schedule) . . . . .                                    | <b>10b</b> |     |
| <b>c</b> Other adjustments to reconcile to amount on line 11 (attach schedule) . . . . .   | <b>10c</b> |     |
| <b>11</b> <b>Net income (loss) per income statement of includible corporations.</b> Combine lines 4 through 10                         | <b>11</b>  |     |

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)

	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
<b>Income (Loss) Items</b> (Attach schedules for lines 1 through 8)				
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 (attach schedule)				
10 Income (loss) from foreign partnerships (attach schedule)				
11 Income (loss) from other pass-through entities (attach schedule)				
12 Items relating to reportable transactions (attach details)				
13 Interest income				
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 <b>Total income (loss) items.</b> Combine lines 1 through 25				
27 <b>Total expense/deduction items</b> (from Part III, line 36)				
28 Other items with no differences				
29a 1120 subgroup reconciliation totals. Add lines 26 through 28				
b PC insurance subgroup reconciliation totals				
c Life insurance subgroup reconciliation totals				
30 <b>Reconciliation totals.</b> 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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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				
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 <b>Total expense/deduction items.</b> Combine lines 1 through 35. Enter here and on Part II, line 27				