

Reconciliation of Cost of Goods Sold Reported on Schedule M-3

Department of the Treasury
Internal Revenue Service

▶ Attach to Schedule M-3 for Form 1065, 1120, or 1120S.

2006

Name of common parent Employer identification number

Name of subsidiary Employer identification number

Cost of Goods Sold Items	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1 Amounts attributable to cost flow assumptions . . .				
2 Amounts attributable to section 263A costs:				
a Stock option expense				
b Other equity based compensation				
c Meals and entertainment				
d Parachute payments				
e Compensation with section 162(m) limitation				
f Pension and profit sharing				
g Other post-retirement benefits				
h Deferred compensation				
i Section 198 environmental remediation costs				
j Amortization				
k Depletion				
l Depreciation				
m Corporate owned life insurance premiums				
n Other section 263A costs				
3 Inventory shrinkage accruals				
4 Excess inventory and obsolescence reserves				
5 Lower of cost or market write-downs				
6 Other items with differences (attach schedule)				
7 Other items with no differences				
8 Total cost of goods sold. Add lines 1 through 7. Enter total on Schedule M-3 (Form 1065), Part II, line 15; Schedule M-3 (Form 1120), Part II, line 17; or Schedule M-3 (Form 1120S), Part II, line 15.				

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General Instructions

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

Purpose of Form

Use Form 8916-A to provide a detailed schedule of the amount reported on Schedule M-3 for Form 1120, Form 1065, or 1120S for Cost of Goods Sold.

Who Must File

Form 8916-A must be filed for each separate entity required to file Form 1120, Form 1065, or Form 1120S Schedule M-3. In the case of a consolidated tax group, a Form 8916-A must be filed as part of the Schedules M-3 prepared for the parent company, each subsidiary, the eliminations Schedule M-3, and the consolidated Schedule M-3. It is not required that the supporting detail for Form 8916-A, line 6 be presented for the eliminations Schedule M-3 or the consolidated Schedule M-3.

How to File

Attach Form 8916-A to each separate Schedule M-3.

Specific Instructions

A corporation is not required to complete columns (a) and (d) if the corporation is not required to complete these columns on Schedule M-3. See Schedule M-3 instructions for Part II and III.

Columns (b) and (c) must be completed for any tax year for which the corporation files Form 8916-A.

Line 1

Report differences attributable to cost flow assumptions, for example, differences between book and tax LIFO computations.

Line 2

Report differences attributable to section 263A. [For example, if book inventory costs equal section 471 inventory costs, report differences between section 471 inventory costs and section 263A inventory costs.] LIFO taxpayers using the simplified production method or the simplified resale method should report the amount of additional §263A costs computed after LIFO computations. LIFO taxpayers not using a simplified §263A method should report costs attributable to additional §263A prior to performing LIFO computation. Differences due to purchasing, storage and handling costs should generally be reported on line n (to the extent not already included in lines a through m).

Lines 4 and 5

If the taxpayer does not distinguish between obsolescence and excess inventory reserves and lower of cost or market write-downs in its general ledger, report all amounts relating to these reserves on line 4 for excess inventory and obsolescence reserves.

Line 6

Attach a schedule that separately states and adequately discloses the nature and amount of each expense reported on this line. See instructions for Schedule M-3 for a definition of "separately stated and adequately disclosed." It is not required that the supporting detail for Form 8916-A, line 6 be presented for the eliminations Schedule M-3 or the consolidated Schedule M-3.

Line 8

Line 8 should equal the amount reported on the applicable Form 1120 Schedule M-3, Part II, line 17; Form 1120S Schedule M-3, Part II, line 15; or Form 1065 Schedule M-3, Part II, line 15.

