

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

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

OMB No. 1545-0123

2006

Department of the Treasury
Internal Revenue Service

▶ Attach to Form 1120S.
▶ See separate instructions.

Name of corporation

Employer identification number

Part I Financial Information and Net Income (Loss) Reconciliation

- 1a** Did the corporation prepare a certified audited income statement for the period ending with or within this taxable year?
 - Yes.** Skip line 1b and complete lines 2a through 10 with respect to that income statement.
 - No.** Go to line 1b.
- b** Did the corporation prepare an income statement for that period?
 - Yes.** Complete lines 2a through 10 with respect to that income statement.
 - No.** Skip lines 2a through 2c and enter the corporation's net income (loss) per its books and records on line 3.

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.**

3 Worldwide consolidated net income (loss) from income statement source identified in Part I, line 1	3	
4a Net income from nonincludible foreign entities (attach schedule)	4a	()
b Net loss from nonincludible foreign entities (attach schedule and enter as a positive amount)	4b	
5a Net income from nonincludible U.S. entities (attach schedule)	5a	()
b Net loss from nonincludible U.S. entities (attach schedule and enter as a positive amount)	5b	
6a Net income of other includible entities (attach schedule)	6a	
b Net loss of other includible entities (attach schedule)	6b	()
7 Adjustment to eliminations of transactions between includible entities and nonincludible entities (attach schedule)	7	
8 Adjustment to reconcile income statement period to tax year (attach schedule)	8	
9 Other adjustments to reconcile to amount on line 10 (attach schedule)	9	
10 Net income (loss) per income statement of the corporation. Combine lines 3 through 9	10	

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Part II Reconciliation of Net Income (Loss) per Income Statement of the Corporation With Total Income (Loss) per Return

Income (Loss) Items	(a) Income (Loss) per Income Statement (optional)	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return (optional)
1	Income (loss) from equity method foreign corporations			
2	Gross foreign dividends not previously taxed			
3	Subpart F, QEF, and similar income inclusions			
4	Gross foreign distributions previously taxed			
5	Income (loss) from equity method U.S. corporations			
6	U.S. dividends not eliminated in tax consolidation			
7	Income (loss) from U.S. partnerships (attach schedule)			
8	Income (loss) from foreign partnerships (attach schedule)			
9	Income (loss) from other pass-through entities (attach schedule)			
10	Items relating to reportable transactions (attach details)			
11	Interest income			
12	Total accrual to cash adjustment			
13	Hedging transactions			
14	Mark-to-market income (loss)			
15	Cost of goods sold			
16	Sale versus lease (for sellers and/or lessors)			
17	Section 481(a) adjustments			
18	Unearned/deferred revenue			
19	Income recognition from long-term contracts			
20	Original issue discount and other imputed interest			
21a	Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities			
21b	Gross capital gains from Schedule D, excluding amounts from pass-through entities			
21c	Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses			
21d	Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses			
21e	Abandonment losses			
21f	Worthless stock losses (attach details)			
21g	Other gain/loss on disposition of assets other than inventory			
22	Other income (loss) items with differences (attach schedule)			
23	Total income (loss) items. Combine lines 1 through 22			
24	Total expense/deduction items (from Part III, line 32)			
25	Other income (loss) and expense/deduction items with no differences			
26	Reconciliation totals. Combine lines 23 through 25			

Note. Line 26, column (a), must equal the amount on Part I, line 10, and column (d) must equal Form 1120S, page 3, line 17e.

Name of corporation

Employer identification number

Part III Reconciliation of Net Income (Loss) per Income Statement of the Corporation With Total Income (Loss) per Return—Expense/Deduction Items

Expense/Deduction Items	(a) Expense per Income Statement (optional)	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return (optional)
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 Equity-based compensation				
8 Meals and entertainment				
9 Fines and penalties				
10 Judgments, damages, awards, and similar costs				
11 Parachute payments				
12 Pension and profit-sharing				
13 Other post-retirement benefits				
14 Deferred compensation				
15 Charitable contribution of cash and tangible property				
16 Charitable contribution of intangible property				
17 Current year acquisition or reorganization investment banking fees				
18 Current year acquisition or reorganization legal and accounting fees				
19 Current year acquisition/reorganization other costs				
20 Amortization/impairment of goodwill				
21 Amortization of acquisition, reorganization, and start-up costs				
22 Other amortization or impairment write-offs				
23 Section 198 environmental remediation costs				
24 Depletion				
25 Depreciation				
26 Bad debt expense				
27 Interest expense				
28 Corporate owned life insurance premiums				
29 Purchase versus lease (for purchasers and/or lessees)				
30 Domestic production activities deduction				
31 Other expense/deduction items with differences (attach schedule)				
32 Total expense/deduction items. Combine lines 1 through 31. Enter here and on Part II, line 24				