

Instructions for Schedule M-3 (Form 1120)

(Rev. November 2022)

(For use with the December 2019 revision of Schedule M-3 (Form 1120))

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

Volume 1 of 3



Department of the Treasury
Internal Revenue Service

Instructions for Form 1120 Schedule M-3 (Rev. 11-2022) Catalog Number 54645N
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Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Schedule M-3 (Form 1120) and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form1120](https://www.irs.gov/Form1120).

What's New

Contributions in aid of construction for regulated water and sewerage disposal utility companies. For contributions made after December 31, 2020, a special rule applies to contributions to the capital of water and sewerage disposal utilities. See the instructions for [Part III, line 36](#), later. For additional information, see section 118.

Amortization of research and development costs. Specified research or experimental expenditures paid or incurred in tax years beginning in 2022 must be capitalized and amortized ratably over a 5-year period (15-year period for any expenditures related to foreign research). See the instructions for [Line 35. Research and Development Costs](#), later.

General Instructions

Purpose of Schedule

Schedule M-3, Part I, asks certain questions about the corporation's financial statements and reconciles financial statement net income (loss) for the corporation (or consolidated financial statement group, if applicable), as reported on Part I, line 4a, to net income (loss) of the corporation for U.S. taxable income purposes, as reported on Part I, line 11.

Schedule M-3, Parts II and III, reconcile financial statement net income (loss) for the U.S. corporation (or consolidated tax group, if applicable), as reported on Schedule M-3, Part I, line 11, to taxable income on Form 1120, page 1, line 28.

Where To File

If the corporation is required to file (or voluntarily files) Schedule M-3 (Form 1120),

the corporation **must** file Form 1120 (or Form 1120-C, if applicable) and all attachments and schedules, including Schedule M-3 (Form 1120) at the following address.

Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84201-0012

Who Must File

Generally, the following apply.

- A domestic corporation or group of corporations required to file Form 1120, U.S. Corporation Income Tax Return, that reports on Form 1120, Schedule L, Balance Sheets per Books, total assets at the end of the corporation's tax year that equal or exceed \$10 million must file Schedule M-3 instead of Schedule M-1, Reconciliation of Income (Loss) per Books With Income per Return.

- A corporation filing a non-consolidated Form 1120 that reports on Schedule L total assets that equal or exceed \$10 million must complete and file Schedule M-3 and must check box (1) Non-consolidated return, at the top of page 1 of Schedule M-3.
- Any U.S. consolidated tax group consisting of a U.S. parent corporation and additional includible corporations listed on Form 851, Affiliations Schedule, required to file Form 1120, that reports on Schedule L total consolidated assets at the end of the tax year that equal or exceed \$10 million must file Schedule M-3 and must check box (2) Consolidated return (Form 1120 only), or box (3) Mixed 1120/L/PC group, as applicable, at the top of page 1 of Schedule M-3.
- Cooperatives filing Form 1120-C, U.S. Income Tax Return for Cooperative Associations, that report total assets at

tax year end that equal or exceed \$10 million must file Schedule M-3 (Form 1120).

- A corporation filing Form 1120 (or Form 1120-C) that is not required to file Schedule M-3 may voluntarily file Schedule M-3.
- If a corporation was required to file Schedule M-3 for the preceding tax year, but reports on Form 1120, page 1, item D, and on Form 1120, Schedule L, total consolidated assets at the end of the current tax year of less than \$10 million, the corporation is not required to file Schedule M-3 for the current tax year.

See Completing Schedule M-3, later.

In the case of a U.S. consolidated tax group, total assets at the end of the tax year must be determined based on the total year-end assets of all includible corporations listed on Form 851, net of eliminations for

intercompany transactions and balances between the includible corporations. In addition, for purposes of determining whether the corporation (or U.S. consolidated tax group) has total assets at the end of the current tax year of \$10 million or more, the corporation's total consolidated assets must be determined on an overall accrual method of accounting unless both of the following apply: (a) the tax returns of all includible corporations in the U.S. consolidated tax group are prepared using an overall cash method of accounting, and (b) no includible corporation in the U.S. consolidated tax group prepares or is included in financial statements prepared on an accrual basis.

Special Filing Requirements for Certain Groups

Mixed groups. If the parent corporation of a U.S. consolidated tax group files Form 1120 and files and completes Schedule M-3, Parts II and III, then Schedule M-3, Parts II and

III, must be completed for each member of the group. However, if the parent corporation of a U.S. consolidated tax group files Form 1120 and any member of the group files Form 1120-PC, U.S. Property and Casualty Insurance Company Income Tax Return, or Form 1120-L, U.S. Life Insurance Company Income Tax Return, that member must complete Parts II and III of Schedule M-3 (Form 1120-PC) or Schedule M-3 (Form 1120-L), respectively, and the group must comply with the mixed group consolidated Schedule M-3 instructions under *Schedule M-3 Consolidation for Mixed Groups (1120/L/PC)*, later. A mixed group must also file Form 8916, Reconciliation of Schedule M-3 Taxable Income With Tax Return Taxable Income for Mixed Groups, and, if applicable, Form 8916-A, Supplemental Attachment to Schedule M-3.

If the parent company of a U.S. consolidated tax group files Form 1120 and any member of

the group files Form 1120-PC or Form 1120-L and the consolidated Schedule L reported in the return includes the assets of all of the companies (the insurance companies as well as the non-insurance companies), in order to determine if the group meets the \$10 million threshold test for the requirement to file Schedule M-3, use the amount of total assets reported on Schedule L of the consolidated return. If the parent company of a U.S. consolidated tax group files Form 1120 and any member of the group files Form 1120-PC or Form 1120-L and the consolidated Schedule L reported in the return does not include the assets of one or more of the insurance companies in the U.S. consolidated tax group, in order to determine if the group meets the \$10 million threshold test, use the sum of the amount of total assets reported on the consolidated Schedule L plus the amounts of all assets reported on Forms 1120-PC and 1120-L that are included in the consolidated

return but not included on the consolidated Schedule L.

Other entities. There are unique separate Schedules M-3 for taxpayers required to file Form 1065, U.S. Return of Partnership Income; Form 1120-S, U.S. Income Tax Return for an S Corporation; Form 1120-F, U.S. Income Tax Return of a Foreign Corporation; and for Forms 1120-PC or 1120-L. For more information, see the instructions for the applicable Schedule M-3.

For insurance companies included in the consolidated U.S. income tax return, see the instructions for Part I, lines 10 and 11, and Part II, line 7, for guidance on Schedule M-3 reporting of intercompany dividends and statutory accounting adjustments.

No Schedule M-3 is required for taxpayers filing Form 1120-REIT, U.S. Income Tax Return for Real Estate Investment Trusts; Form 1120-RIC, U.S. Income Tax Return for Regulated Investment Companies; Form

1120-H, U.S. Income Tax Return for Homeowners Associations; and Form 1120-SF, U.S. Income Tax Return for Settlement Funds.

Completing Schedule M-3

A corporation (or any member of a U.S. consolidated tax group) that is required to file Schedule M-3 and has at least \$50 million total assets at the end of the tax year must complete the schedule in its entirety. In particular, a corporation filing a non-consolidated return that has at least \$50 million total assets at the end of the tax year must complete Parts I, II, and III. Such a corporation does not check any of the checkboxes at the top of Parts II and III. In the case of a U.S. consolidated tax group, Part I must be completed once, on the consolidated Schedule M-3, by the parent corporation. Parts II and III must be completed by the parent corporation, each

includible corporation, and a consolidating eliminations entity.

Form 1120 and Form 1120-C filers that (a) are required to file Schedule M-3 (Form 1120) and have less than \$50 million total assets at the end of the tax year, or (b) are not required to file Schedule M-3 (Form 1120) and voluntarily file Schedule M-3 (Form 1120), must either (i) complete Schedule M-3 (Form 1120) entirely, or (ii) complete Schedule M-3 (Form 1120) through Part I, and complete Schedule M-1 of Form 1120 (or Form 1120-C, if applicable) instead of completing Parts II and III of Schedule M-3 (Form 1120). If the filer chooses to complete Schedule M-1 instead of completing Parts II and III of Schedule M-3, line 1 of the applicable Schedule M-1 must equal line 11 of Part I of Schedule M-3.

Note. In the case of an 1120 mixed group, Parts II and III of Schedule M-3 (Form 1120) must be completed for all members of the

mixed group whether Schedule M-3 (Form 1120) is required or voluntarily filed.

For any part of Schedule M-3 (Form 1120) that is completed, all applicable questions must be answered on Part I, all columns must be completed on Parts II and III, and all numerical data required by Schedule M-3 must be provided. Any statement required to support a line item on Schedule M-3 must be attached at the time Schedule M-3 is filed and must provide the information required for that line item.

All detailed statements for Part II and Part III of Schedule M-3 must be attached for each separate entity included in the consolidated Part II and Part III, including those for the parent company and the eliminations entity, if applicable. It is not required that the same supporting detailed information be presented for Part II and Part III of the consolidated Schedule M-3.

Example 1.

1. U.S. corporation A owns U.S. subsidiary B and foreign subsidiary F. For its current tax year, A prepares consolidated financial statements with B and F that report total assets of \$12 million. A files a consolidated U.S. income tax return with B and reports total consolidated assets on Schedule L of \$8 million. A's U.S. consolidated tax group is not required to file Schedule M-3 for the current tax year.
2. U.S. corporation C owns U.S. subsidiary D. For its current tax year, C prepares consolidated financial statements with D, but C and D file separate U.S. income tax returns. The consolidated accrual basis financial statements for C and D report total assets at the end of the tax year of \$12 million after intercompany eliminations. C reports separate

company total year-end assets on its Schedule L of \$7 million. D reports separate company total year-end assets on its Schedule L of \$6 million. Neither C nor D is required to file Schedule M-3 for the current tax year.

3. Foreign corporation A owns 100% of both U.S. corporation B and U.S. corporation C. C owns 100% of U.S. corporation D. For its current tax year, A prepares a consolidated worldwide financial statement for the ABCD consolidated group. The ABCD consolidated financial statement reports total year-end assets of \$65 million. A is not required to file a U.S. income tax return. B files a separate U.S. income tax return and reports separate company total year-end assets on its Schedule L of \$52 million. C files a consolidated U.S. income tax return with D and, after eliminating

intercompany transactions between C and D, reports consolidated total year-end assets on Schedule L of \$8 million. B is required to file Schedule M-3 because its total year-end assets reported on Schedule L exceed \$50 million. The CD U.S. consolidated tax group is not required to file Schedule M-3 because its total year-end assets do not exceed \$10 million.

Example 2. At the end of Corporation A's current tax year, A's total assets were less than \$10 million. A is not required to file Schedule M-3 for any reason. A may elect to file Schedule M-3 instead of completing Schedule M-1 of Form 1120. If A elects to file Schedule M-3, A must either (i) complete Schedule M-3 entirely, or (ii) complete Schedule M-3 through Part I and complete Schedule M-1 instead of completing Parts II and III of Schedule M-3. If A elects to

complete Schedule M-3 entirely, A must complete all columns of Parts II and III.

Certain Allocations, Limitations, and Carryovers

If an item attributable to an includible corporation is not shared by or allocated to the appropriate member of the group but is retained in the parent corporation's financial statements (or books and records, if applicable), then the item must be reported by the parent corporation in its separate Schedule M-3. For example, if the parent of a U.S. consolidated tax group prepares financial statements that include all members of the U.S. consolidated tax group and the parent does not allocate the group's income tax expense as reflected in the financial statements among the members of the group but retains it in the parent corporation, the parent corporation must report on its separate Schedule M-3 the

U.S. consolidated tax group's income tax expense as reflected in the financial statements.

Any adjustments made at the consolidated group level that are not attributable to any specific member of the U.S. consolidated tax group (for example, disallowance of net capital losses, contribution deduction carryovers, and limitation of contribution deductions) must not be reported on the separate consolidating parent or subsidiary Schedules M-3 but rather on the consolidated Schedule M-3 and on the consolidating Schedule M-3 for consolidation eliminations (or on Form 8916 in the case of a mixed group).

If an includible corporation has (1) no activity for the tax year (for example, because the corporation is dormant or inactive); (2) no amount for the corporation to include in Part I, line 11; and (3) no amounts to report on Part II and Part III of Schedule M-3 for the

tax year, the parent corporation of the U.S. consolidated tax group may attach to the consolidated Schedule M-3 a statement that provides the name and employer identification number (EIN) of the includible corporation in lieu of filing a blank Part II and Part III of Schedule M-3 for the entity. On Part I, check box (4) Dormant subsidiaries schedule attached.

Other Form 1120 Schedules Affected by Schedule M-3 Requirements

Schedule B

Generally, a corporation or group of corporations that files a Form 1120 and is required to file Schedule M-3, must also file Schedule B (Form 1120), Additional Information for Schedule M-3 Filers. In the case of a consolidated group, a parent corporation files one Schedule B (Form 1120) for the entire consolidated group.

Certain corporations or groups of corporations filing Form 1120 that (a) are required to file Schedule M-3 and have less than \$50 million in total assets at the end of the tax year, or (b) are not required to file Schedule M-3 and voluntarily file Schedule M-3, are not required to file Schedule B (Form 1120). See the instructions for Schedule B (Form 1120).

Schedule L

If a non-tax-basis income statement and related non-tax-basis balance sheet are prepared for any purpose for a period ending with or within the tax year, Schedule L must be prepared showing non-tax-basis amounts. See the instructions for Part I, line 1, for the discussion of non-tax-basis income statements and related non-tax-basis balance sheets prepared for any purpose and the impact on the selection of the income statement used for Schedule M-3 and the related non-tax-basis balance sheet amounts that must be used for Schedule L.

Total assets shown on Schedule L, line 15, column (d) (or, for some consolidated mixed groups with a Form 1120 parent and an insurance subsidiary, the assets reported on Form 1120, page 1, item D), must equal the total assets of the corporation (or, for a U.S. consolidated tax group, the total assets of all members of the group listed on Form 851) as of the last day of the tax year, and must be the same total assets reported by the corporation (or by each member of the U.S. consolidated tax group) in the non-tax basis financial statements, if any, used for Schedule M-3. If the corporation prepares non-tax-basis financial statements, Schedule L must equal the sum of the financial statement total assets for each corporation listed on Form 851 and included in the consolidated U.S. income tax return (includible corporation) net of eliminations for intercompany transactions between includible corporations. If the corporation does not prepare non-tax-basis financial statements, Schedule L must be

based on the corporation's books and records. The Schedule L balance sheet can show tax-basis balance sheet amounts if the corporation is allowed to use books and records for Schedule M-3 and the corporation's books and records reflect only tax-basis amounts.

Generally, total assets at the beginning of the year (Schedule L, line 15, column (b)) must equal total assets at the close of the prior year (Schedule L, line 15, column (d)). For each Schedule L balance sheet item reported for which there is a difference between the current opening balance sheet amount and the prior closing balance sheet amount, attach a statement that reports the balance sheet item, the prior closing amount, the current opening amount, and a short explanation of the change. Reasons for these differences include mergers and acquisitions.

For purposes of measuring total assets at the end of the year, the corporation's assets may

not be netted or reduced by the corporation's liabilities. In addition, total assets may not be reported as a negative amount. If Schedule L is prepared on a non-tax-basis method, an investment in a partnership may be shown as appropriate under the corporation's non-tax-basis method of accounting, including, if required by the corporation's reporting methodology, the equity method of accounting for investments. If Schedule L is prepared on a tax basis, an investment by the corporation in a partnership must be shown as an asset and measured by the corporation's adjusted basis in its partnership interest. Any liabilities contributing to such adjusted basis must be shown on Schedule L as corporate liabilities.

Schedule M-2

The amount shown on Schedule M-2, line 2, Net income (loss) per books, must equal the amount shown on Schedule M-3, Part I, line 11. Schedule M-2 must reflect activity only of

corporations included in the consolidated U.S. income tax return.

Consolidated Return (Form 1120, Page 1)

Report on Form 1120, page 1, each item of income, gain, loss, expense, or deduction net of elimination entries for intercompany transactions between includible corporations. The corporation must not report as dividends on Form 1120, Schedule C, any amounts received from an includible corporation. In general, dividends received from an includible corporation must be eliminated in consolidation rather than offset by the dividends-received deduction.

Entity Considerations for Schedule M-3

For purposes of Schedule M-3, references to the classification of an entity (for example, as a corporation, a partnership, or a trust) are

references to the treatment of the entity for U.S. income tax purposes. An entity that is generally disregarded as separate from its owner for U.S. income tax purposes (disregarded entity) must not be separately reported on Schedule M-3 except, if required, on Part I, line 7a or 7b. On Schedule M-3, Parts II and III, any item of income, gain, loss, deduction, or credit of a disregarded entity must be reported as an item of its owner. In particular, the income or loss of a disregarded entity must not be reported on Part II, line 9, 10, or 11, as from a separate partnership or other pass-through entity. The financial statement income or loss of a disregarded entity is included on Part I, line 7a or 7b, only if its financial statement income or loss is included on Part I, line 11, but not on Part I, line 4a.

Reportable Entity Partner Reporting Responsibilities

A reportable entity partner with respect to a partnership filing Form 1065 is an entity that:

- Owns or is deemed to own, directly or indirectly, under these instructions a 50% or greater interest in the income, loss, or capital of the partnership on any day of the tax year; and
- Was required to file Schedule M-3 with its most recently filed U.S. income tax return or return of income filed prior to that day.

For the purposes of these instructions, the following rules apply.

1. The parent corporation of a consolidated tax group is deemed to own all corporate and partnership interests owned or deemed to be owned under these instructions by any member of the tax consolidated group.

2. The owner of a disregarded entity is deemed to own all corporate and partnership interests owned or deemed to be owned under these instructions by the disregarded entity.
3. The owner of 50% or more of a corporation by vote on any day of the corporation's tax year is deemed to own all corporate and partnership interests owned or deemed to be owned under these instructions by the corporation during its tax year.
4. The owner of 50% or more of partnership income, loss, or capital on any day of the partnership tax year is deemed to own all corporate and partnership interests owned or deemed to be owned under these instructions by the partnership during the partnership tax year.
5. The beneficial owner of 50% or more of the beneficial interest of a trust or

nominee arrangement on any day of the trust or nominee arrangement tax year is deemed to own all corporate and partnership interests owned or deemed to be owned under these instructions by the trust or nominee arrangement.

A reportable entity partner with respect to a partnership (as defined above) must report the following to the partnership within 30 days of first becoming a reportable entity partner and, after first reporting to the partnership under these instructions, thereafter within 30 days of the date of any change in the interest it owns or is deemed to own, directly or indirectly, under these instructions, in the partnership.

1. Name.
2. Mailing address.
3. Taxpayer identification number (TIN) or EIN, if applicable.

4. Entity or organization type.
5. State or country in which it is organized.
6. Date on which it first became a reportable entity partner.
7. Date with respect to which it is reporting a change in its ownership interest in the partnership, if applicable.
8. The interest in the partnership it owns or is deemed to own in the partnership, directly or indirectly (as defined under these instructions), as of the date with respect to which it is reporting.
9. Any change in that interest as of the date with respect to which it is reporting.

The reportable entity partner must retain copies of required reports it makes to

partnerships under these instructions. Each partnership must retain copies of the required reports it receives under these instructions from reportable entity partners.

Example 3.

1. A, limited liability company (LLC) filing a Form 1065 for 2022, is owned 50% by U.S. corporation Z. A owns 50% of B, C, D, and E, which are also LLCs filing a Form 1065 for calendar year 2022. Z was first required to file Schedule M-3 (Form 1120) for its corporate tax year ending December 31, 2021, and filed its Form 1120 with Schedule M-3 for 2021 on October 15, 2022. As of October 16, 2022, Z was a reportable entity partner with respect to A and, through A, with respect to B, C, D, and E. On November 5, 2022, Z reports to A, B, C, D, and E, as it is required to do within 30 days of October 16, that Z is a reportable

entity partner directly owning (with respect to A) or deemed to own indirectly (with respect to B, C, D, and E) a 50% interest. Therefore, because Z was a reportable entity partner for 2022, each of A, B, C, D, and E is required to file Schedule M-3 (Form 1065) for 2022, regardless of whether they would otherwise be required to file Schedule M-3 for that year.

2. P, a U.S. corporation, is the parent of a financial consolidation group with 50 domestic subsidiaries, DS1 through DS50, and 50 foreign subsidiaries, FS1 through FS50, all 100% owned on October 16, 2022. On October 15, 2022, P filed a consolidated tax return on Form 1120 and was required to file Schedule M-3 for the tax year ending December 31, 2021. On October 16, 2022, DS1, DS2, DS3, FS1, and FS2 each acquire a 10% partnership

interest in partnership K, which files Form 1065 for the tax year ending December 31, 2022. P is deemed to own, directly or indirectly (under these instructions), all corporate and partnership interests of DS1, DS2, and DS3 as the parent of the tax consolidation group and is therefore deemed to own 30% of K on October 16, 2022. P is deemed to own, directly or indirectly (under these instructions), all corporate and partnership interests of FS1 and FS2 as the owner of 50% or more of each corporation by vote and is therefore deemed to own 20% of K on September 16, 2022. P is therefore deemed to own 50% of K on October 16, 2022. Since P owns or is deemed to own, directly or indirectly (under these instructions), 50% or more of K on October 16, 2022, and was required to file Schedule M-3 on its

most recently filed U.S. income tax return filed prior to that date, P is a reportable entity partner of K as of October 16, 2022. On November 5, 2022, P reports to K, as it is required to do, that P is a reportable entity partner as of October 16, 2022, deemed to own (under these instructions), a 50% interest in K. K is therefore required to file Schedule M-3 when it files its Form 1065 for its tax year ending December 31, 2022.

Consolidated Schedule M-3 Versus Consolidating Schedules M-3 for Form 1120 Groups

A consolidated tax return group with a parent corporation that files a Form 1120 is a mixed group if any member is a life insurance company (files using Form 1120-L) or a property and casualty insurance company (files using Form 1120-PC). See *Schedule M-3*

Consolidation for Mixed Groups (1120/L/PC),
later.

A U.S. consolidated tax group must file a consolidated Schedule M-3. Parts I, II, and III of the consolidated Schedule M-3 must reflect the activity of the entire U.S. consolidated tax group. The parent corporation must also complete Parts II and III of a separate Schedule M-3 to reflect the parent's own activity. In addition, Parts II and III of a separate Schedule M-3 must be completed by each includible corporation to reflect the activity of that includible corporation. Lastly, it will generally be necessary to complete Parts II and III of a separate Schedule M-3 for consolidation eliminations.

If a U.S. consolidated tax group that is not a mixed group consists of four includible corporations (the parent and three subsidiaries) all filing Form 1120, the U.S. consolidated tax group must complete six Schedules M-3 as follows.

- One consolidated Schedule M-3 with Parts I, II, and III completed to reflect the activity of the entire U.S. consolidated tax group.
- Parts II and III of a separate Schedule M-3 for each of the four includible corporations to reflect the activity of each includible corporation.
- Parts II and III of a separate Schedule M-3 to eliminate intercompany transactions between includible corporations and to include limitations on deductions (charitable contribution limitations and capital loss limitations) and carryover amounts (charitable contribution carryovers and capital loss carryovers). See *Completing Schedule M-3 and Certain Allocations, Limitations, and Carryovers*, earlier.

Note. Complete only one Schedule M-3, Part I, for each consolidated group. A subsidiary of

a consolidated group does not complete Schedule M-3, Part I. Enter on Schedule M-3, Part I, the name and EIN of the common parent of the consolidated group. Indicate on Schedule M-3, Parts II and III, on the line after the common parent's name and EIN, whether the Schedule M-3, Parts II and III, is for the (1) consolidated group, (2) parent corporation, (3) consolidation eliminations, or (4) subsidiary corporation, by checking the appropriate box. If Schedule M-3, Parts II and III, are for a subsidiary in a consolidated return, also enter the name and EIN of the subsidiary.

Schedule M-3 Consolidation for Mixed Groups (1120/L/PC)

Special Schedule M-3 consolidation rules apply to a mixed group, that is, a consolidated tax group that includes (a) both a corporation that is an insurance company and a corporation that is not an insurance company; or (b) both a life insurance

company and a property and casualty insurance company; or (c) a life insurance company, a property and casualty insurance company, and a corporation that is not an insurance company.

Mixed group consolidation for Schedule M-3, Parts II and III, requires (a) subgroup sub-consolidation of the 1120 subgroup, the 1120-PC subgroup, and the 1120-L subgroup, each with its own sub-consolidated Schedule M-3, Parts II and III; and (b) consolidation of the subgroup sub-consolidation totals on a consolidated Schedule M-3, Part II, that ties to a consolidated Schedule M-3, Part I, and a consolidated Form 8916.

In addition to one Schedule M-3, Part II, and one Schedule M-3, Part III, for each corporation in the three subgroup sub-consolidations, there will generally be a total of six additional Schedules M-3, Part II, and six additional Schedules M-3, Part III, for the subgroup sub-consolidations. Specifically,

there must be one Part II and one Part III for each subgroup's sub-consolidated amounts and one Part II and one Part III for each subgroup's sub-consolidation eliminations amounts.

At the mixed group consolidated level, there must be a consolidated Schedule M-3, Part II, and, if applicable, a Part II for consolidation eliminations not includible in the subgroup eliminations. At the consolidated level, there must also be a consolidated Schedule M-3, Part I, and a consolidated Form 8916. For a mixed group, there is no Schedule M-3, Part III, at the consolidated level.

The corporation must check the applicable mixed group checkboxes on all Schedules M-3, Parts I, II, and III, as discussed below.

Subgroup Sub-Consolidation: 1120 Subgroup, 1120-PC Subgroup, and 1120-L Subgroup

A subgroup Schedule M-3, Parts II and III, sub-consolidation must be prepared with all necessary eliminations within the subgroup for each of the three possible subgroups that are in fact present: one subgroup for those corporations reporting on Form 1120, one subgroup for those corporations reporting on Form 1120-PC, and one subgroup for those reporting on Form 1120-L. The parent corporation is included in the subgroup that corresponds to the form on which it reports and the entire consolidated group files. For example, in the case of a Form 1120 parent and Form 1120 consolidated group, the parent is included in the Form 1120 subgroup sub-consolidation. Each subgroup uses its own Schedule M-3 (Form 1120, 1120-PC, or 1120-L), Parts II and III, for each corporation within the subgroup and for the subgroup

sub-consolidation and the subgroup eliminations.

The three subgroup sub-consolidation taxable income calculations on Schedule M-3 must follow the separate return requirements of the regulation under section 1502 and all other applicable regulations, taking into account the amounts separately reported on Form 8916. Capital loss limitation and carryforward used and charitable deduction limitation and carryforward used are not taken into account in the determination of the three subgroup sub-consolidated taxable incomes on Schedule M-3, but are reflected on Form 8916 and in the calculation of the life/non-life loss limitation and carryforward used. See *Life/Non-Life Loss Limitation and Carryforward Used Calculations*, later.

The reconciliation totals for book, temporary difference, permanent difference, and taxable income for each subgroup are reported on Form 1120, 1120-PC, or 1120-L, as

applicable, Schedule M-3, Part II, line 29a, columns (a), (b), (c), and (d), and equal the sum of the line amounts on Part II, lines 26 through 28. For a mixed group, Schedule M-3, Part II, lines 29b, 29c, and 30 are blank on the Form 1120, 1120-PC, or 1120-L, as applicable, for the separate corporations (parent and subsidiary) and for the three subgroup sub-consolidations.

Note. A sub-consolidation is required for every subgroup, even if the subgroup consists of only one corporation. In addition, Form 8916-A, if applicable, is required at the sub-consolidated level and the sub-consolidated elimination level.

Reconciliation of Mixed Group Subgroup Sub-Consolidation Amounts to Schedule M-3, Part I, Line 11, and to Tax Return Taxable Income

At the consolidated level, use the Schedule M-3 (Form 1120, 1120-PC, or 1120-L), Parts I

and II, that matches the form on which the parent corporation reports and the entire consolidated group files. For a mixed group, on the consolidated Schedule M-3, Part II, lines 29a, 29b, and 29c, report the applicable amounts from the three subgroup sub-consolidation Part II, line 29a, amounts. (If a consolidated level Part II for consolidation eliminations not includible in the subgroup eliminations is applicable, the applicable amounts must be adjusted by the applicable elimination amounts.) The consolidated Schedule M-3, Part II, line 30, amounts are the sum of the applicable amounts on the consolidated Part II, lines 29a, 29b, and 29c. For a mixed group, the consolidated Part II, lines 1 through 28, are blank and no consolidated Part III is required to be completed.

For mixed groups, the consolidated Part II, line 30, column (a), must equal Part I, line 11, with appropriate adjustments for

statutory accounting requirements reflected on Part I, lines 10a and 10b. The consolidated taxable income indicated on Part II, line 30, column (d), must equal the amount shown on Form 8916, line 1. Form 8916, line 8, must equal taxable income reported on the tax return.

Completion of Mixed Group Checkboxes for Schedule M-3, Part II and Part III

Note. The following discussion of checkboxes will assume that the 1120 subgroup includes the corporate parent of the mixed group.

Forms 1120, 1120-PC, and 1120-L, Schedule M-3, Parts II and III, each have a checkbox (5) at the top indicating a mixed group.

Checkbox (5) and one or more other applicable checkboxes must be checked.

For example, an 1120 parent corporation included in the 1120 subgroup must check Schedule M-3 (Form 1120), Parts II and III, box (2) Parent corporation, and box (5) Mixed

1120/L/PC group. An 1120 subsidiary corporation within the 1120 subgroup must check Schedule M-3 (Form 1120), Parts II and III, box (4) Subsidiary corporation, and box (5) Mixed 1120/L/PC group. An 1120-PC subsidiary corporation within the 1120-PC subgroup must check Schedule M-3 (Form 1120-PC), Parts II and III, box (4) Subsidiary corporation, and box (5) Mixed 1120/L/PC group. An 1120-L subsidiary corporation within the 1120-L subgroup must check Schedule M-3 (Form 1120-L), Parts II and III, box (4) Subsidiary corporation, and box (5) Mixed 1120/L/PC group.

The 1120 subgroup sub-consolidation Schedule M-3 (Form 1120), Parts II and III, must be indicated by checking box (5) Mixed 1120/L/PC group, and box (6) 1120 group for the sub-consolidation, and by checking box (5) Mixed 1120/L/PC group, and box (7) 1120 eliminations for the eliminations. The 1120-PC subgroup sub-consolidation Form 1120-PC,

Schedule M-3, Parts II and III, must be indicated by checking box (5) Mixed 1120/L/PC group, and box (6) 1120-PC group for the sub-consolidation, and by checking box (5) Mixed 1120/L/PC group, and box (7) 1120-PC eliminations for the eliminations. The 1120-L subgroup sub-consolidation Schedule M-3 (Form 1120-L), Parts II and III, must be indicated by checking box (5) Mixed 1120/L/PC group, and box (6) 1120-L group for the sub-consolidation, and by checking box (5) Mixed 1120/L/PC group, and box (7) 1120-L eliminations for the eliminations.

A mixed group with a Form 1120 parent corporation completes a consolidated level Schedule M-3 (Form 1120), Parts I and II, and a consolidated Form 8916. The mixed group consolidated Schedule M-3, Part II, must be indicated by checking box (1) Consolidated group, and box (5) Mixed 1120/L/PC group. (If a consolidated level Part II for consolidation eliminations not includible

in the subgroup eliminations is applicable, that Part II must be indicated by checking box (3) Consolidated eliminations, and box (5) Mixed 1120/L/PC group.)

Life/Non-Life Loss Limitation and Carryforward Used Calculations

The applicable life/non-life loss limitation and all carryforward used calculations are made using the amounts determined for taxable income in the three subgroup sub-consolidations and other applicable amounts separately reported on Form 8916. The calculated life/non-life loss limitation or carryforward used amounts, if any, are not entered on Schedule M-3. The calculated amounts, if any, are entered on Form 8916.

Specific Instructions for Part I

Part I. Financial Information and Net Income (Loss) Reconciliation

When To Complete Part I

Part I must be completed for any tax year for which the corporation files Schedule M-3.

Check either box (1) Non-consolidated return, (2) Consolidated return (Form 1120 only), or (3) Mixed 1120/L/PC group, as applicable. In addition, check box (4) Dormant subsidiaries schedule attached, if applicable.

Line 1. Questions Regarding the Type of Income Statement Prepared

For Part I, lines 1 through 12, use only the financial statements of the U.S. corporation filing the U.S. income tax return (or the consolidated financial statements for the U.S. parent corporation of a U.S. consolidated tax

group). If the U.S. corporation filing a U.S. income tax return (or the U.S. parent corporation of a U.S. consolidated tax group) prepares its own financial statements but is controlled by another corporation (U.S. or foreign) that prepares financial statements that include the U.S. corporation, the U.S. corporation (or the U.S. parent corporation of a U.S. consolidated tax group) must use for its Schedule M-3, Part I, its own financial statements and not the financial statements of the controlling corporation.

If a non-publicly traded U.S. parent corporation of a U.S. consolidated tax group prepares financial statements and that group includes a publicly traded subsidiary that files financial statements with the Securities and Exchange Commission (SEC), the consolidated financial statements of the parent corporation are the appropriate financial statements for purposes of completing Part I. Do not use any separate

company financial statements that might be prepared for publicly traded subsidiaries.

Non-Tax-Basis Financial Statements and Tax-Basis Financial Statements

A tax-basis income statement is allowed for Schedule M-3, and a tax-basis balance sheet for Schedule L, only if no non-tax-basis income statement and no non-tax-basis balance sheet were prepared for any purpose and the books and records of the corporation reflect only tax-basis amounts. The corporation is deemed to have non-tax-basis income statements and the related non-tax-basis balance sheets for the current tax year for purposes of Schedule M-3 and Schedule L if such non-tax-basis financial statements were prepared for and presented to management, creditors, shareholders, government regulators, or any other third parties for a period ending with or within the tax year. If a Form 10-K is filed with the SEC for the period ending with or within the tax

year, the corporation must check “Yes” for Part I, line 1a, and use that income statement for Schedule M-3. If Form 10-K is not filed and a non-tax-basis income statement is prepared that is a certified non-tax-basis income statement for the period ending with or within the tax year, the corporation must check “Yes” for Part I, line 1b, and use that income statement for Schedule M-3. If Form 10-K is not filed and no certified non-tax-basis income statement is prepared but an unaudited non-tax-basis income statement is prepared for the period ending with or within the tax year, the corporation must check “Yes” for Part I, line 1c, and use that income statement for Schedule M-3.

Order of priority in accounting standards.

If no Form 10-K is filed and two or more non-tax-basis income statements are both certified non-tax-basis income statements for the period, the income statement prepared

according to the following order of priority in accounting standards must be used.

1. U.S. Generally Accepted Accounting Principles (GAAP).
2. International Financial Reporting Standards (IFRS).
3. Any other International Accounting Standards (IAS).
4. Statutory accounting for insurance companies.
5. Other regulatory accrual accounting.
6. Any other accrual accounting standard.
7. Any fair market value standard.
8. Any cash basis standard.

If no non-tax-basis income statement is certified and two or more non-tax-basis income statements are prepared, the income statement prepared according to the first

listed of the accounting standards listed above must be used.

If no non-tax-basis financial statements are prepared for a U.S. corporation (or, in the case of a U.S. consolidated tax group, for the U.S. parent corporation's consolidated group) filing Schedule M-3 (Form 1120), the U.S. corporation (or the U.S. parent corporation of a U.S. consolidated tax group) must check "No" on questions 1a, 1b, and 1c; skip Part I, lines 2a through 3c; and enter the net income (loss) per the books and records of the U.S. corporation (or U.S. consolidated tax group) on Part I, line 4a.

If no non-tax-basis financial statements are prepared for a U.S. corporation (or, in the case of a U.S. consolidated tax group, for the U.S. parent corporation's consolidated group) filing Schedule M-3 (Form 1120) and the U.S. corporation is owned by a foreign corporation that prepares financial statements that includes the

U.S. corporation (or the U.S. parent corporation's consolidated group), the U.S. corporation (or the U.S. parent corporation of the U.S. consolidated tax group) must check "No" on questions 1a, 1b, and 1c; skip Part I, lines 2a through 3c; and enter the net income (loss) per the books and records of the U.S. corporation (or U.S. consolidated tax group) on Part I, line 4a.

Line 2. Questions Regarding Income Statement Period and Restatements

Enter the beginning and ending dates on line 2a for the corporation's annual income statement period ending with or within the current tax year.

The questions on Part I, lines 2b and 2c, regarding income statement restatements refer to the worldwide consolidated income statement issued by the corporation filing the U.S. income tax return (the consolidated financial statements for the U.S. parent

corporation of a U.S. consolidated tax group) and used to prepare Schedule M-3. Answer "Yes" on lines 2b and/or 2c if the corporation's annual income statement has been restated for any reason. Attach a short explanation of the reasons for the restatement in net income for each annual income statement period that is restated, including the original amount and restated amount of each annual statement period's net income. The attached statement is not required to report restatements on an entity-by-entity basis.

Line 3. Questions Regarding Publicly Traded Voting Common Stock

The primary U.S. publicly traded voting common stock class is the most widely held or most heavily traded within the United States as determined by the corporation. If the corporation has more than one class of publicly traded voting common stock, attach a list of the classes of publicly traded voting

common stock and the trading symbol and the nine-digit CUSIP number of each class.

Line 4a. Worldwide Consolidated Net Income (Loss) per Income Statement

Report on Part I, line 4a, the worldwide consolidated net income (loss) per the income statement (or books and records, if applicable) of the corporation. A corporation filing a non-consolidated Form 1120 for itself must report its worldwide income on Part I, line 4a.

In completing Schedule M-3, the corporation must use financial statement amounts from the financial statement type checked "Yes" on Part I, line 1, or from its books and records if Part I, line 1c, is checked "No." If Part I, line 1a, is checked "Yes," report on Part I, line 4a, the net income amount reported in the income statement presented to the SEC on the corporation's Form 10-K (the Form 10-K

for the security identified on Part I, line 3b, if applicable).

If a corporation prepares non-tax-basis financial statements, the amount on line 4a must equal the financial statement net income (loss) for the income statement period ending with or within the tax year as indicated on Part I, line 2a.

If the corporation prepares non-tax-basis financial statements and the income statement period differs from the corporation's tax year, the income statement period indicated on Part I, line 2a, applies for purposes of Part I, lines 4a through 8.

If the corporation does not prepare non-tax-basis financial statements and has checked "No" on Part I, line 1c, enter the net income (loss) per the books and records of the U.S. corporation or the U.S. consolidated tax group on Part I, line 4a.

Indicate on Part I, line 4b, which of the following accounting standards were used for line 4a.

1. U.S. Generally Accepted Accounting Principles (GAAP).
2. International Financial Reporting Standards (IFRS).
3. Statutory.
4. Tax-basis.
5. Other (specify).

Report on Part I, lines 5a through 10, as instructed below, all adjustment amounts required to adjust worldwide net income (loss) reported on this Part I, line 4a (whether from financial statements or books and records), to net income (loss) of includible corporations that must be reported on Part I, line 11.

Report on line 12a the worldwide consolidated total assets and total liabilities amounts for

the corporation using the same financial statements (or books and records) used for the worldwide consolidated income (loss) amount reported on Part I, line 4a.

If a U.S. corporation (a) has net income (loss) included on Part I, line 4a, and removed on Part I, line 6a or 6b, on another U.S. corporation's Schedule M-3; (b) files its own Form 1120 (separate or consolidated); (c) does not have a separate non-tax-basis financial statement (certified or otherwise) of its own; and (d) reports on Schedule L of its own Form 1120 total consolidated assets that equal or exceed \$10 million at the end of the corporation's tax year, the corporation must answer questions 1a, 1b, and 1c of Part I as appropriate for its own Form 1120 and must report on Part I, line 4a, the amount for the corporation's net income (loss) that is removed on Part I, line 6a or 6b, of the other corporation's Schedule M-3. However, if in the circumstances described immediately above,

the corporation does have separate non-tax-basis financial statements (certified or otherwise) of its own, independent of the amount of the corporation's net income included in Part I, line 4a, of the other U.S. corporation, the corporation must answer questions 1a, 1b, and 1c of Part I, as appropriate, for its own Form 1120, based on its own separate income statement, and must report on Part I, line 4a, the net income amounts shown on its separate income statement.

If line 4a includes net income (loss) for a corporation that files Form 1120-PC or Form 1120-L, see the instructions for Part I, line 10, for adjustments that may be necessary to reconcile financial statement income to statutory income.

Line 5. Net Income (Loss) of Nonincludible Foreign Entities

Remove the financial net income (line 5a) or loss (line 5b) of each foreign entity that is included on line 4a and is not an includible corporation in the U.S. consolidated tax group (nonincludible foreign entity). In addition, on Part I, line 8, adjust for consolidation eliminations and correct for minority interest and intercompany dividends between any nonincludible foreign entity and any includible corporation. Do not remove in Part I the financial net income (loss) of any nonincludible foreign entity accounted for on line 4a using the equity method.

Attach a supporting statement that provides the name, EIN (if applicable), and net income (loss) included on line 4a that is removed on this line 5 for each separate nonincludible foreign entity. Also state the total assets and total liabilities for each such separate nonincludible foreign entity and include those

assets and liabilities amounts in the total assets and total liabilities reported on Part I, line 12b. The amounts of income (loss) detailed on the supporting statement should be reported for each separate nonincludible foreign entity without regard to the effect of consolidation or elimination entries. If there are consolidation or elimination entries relating to nonincludible foreign entities whose income (loss) is reported on the attached statement that are not reportable on Part I, line 8, the net amounts of all such consolidation and elimination entries must be reported on a separate line on the attached statement, so that the separate financial accounting income (loss) of each nonincludible foreign entity remains separately stated.

For example, if the net income (after consolidation and elimination entries) of a nonincludible foreign sub-consolidated group is being reported on line 5a, the attached

supporting statement should report the income (loss) of each separate nonincludible foreign legal entity from each such entity's own financial accounting net income statement or books and records, and any consolidation or elimination entries (for intercompany dividends, minority interests, etc.) not reportable on Part I, line 8, should be reported on the attached supporting statement as a net amount on a line separate and apart from lines that report each nonincludible foreign entity's separate net income (loss).

Line 6. Net Income (Loss) of Nonincludible U.S. Entities

Remove the financial net income (line 6a) or loss (line 6b) of each U.S. entity that is included on line 4a and is not an includible corporation in the U.S. consolidated tax group (nonincludible U.S. entity). In addition, on Part I, line 8, adjust for consolidation eliminations and correct for minority interest

and intercompany dividends between any nonincludible U.S. entity and any includible corporation. Do not remove in Part I the financial net income (loss) of any nonincludible U.S. entity accounted for on line 4a using the equity method.

Attach a supporting statement that provides the name, EIN, and net income (loss) included on line 4a that is removed on this line 6 for each separate nonincludible U.S. entity. Also state the total assets and total liabilities for each such separate nonincludible U.S. entity and include those assets and liabilities amounts in the total assets and total liabilities reported on Part I, line 12c.

The amounts of income (loss) detailed on the supporting statement should be reported for each separate nonincludible U.S. entity without regard to the effect of consolidation or elimination entries. If there are consolidation or elimination entries relating to nonincludible U.S. entities whose income

(loss) is reported on the attached statement that are not reportable on Part I, line 8, the net amounts of all such consolidation and elimination entries must be reported on a separate line on the attached statement, so that the separate financial accounting income (loss) of each nonincludible U.S. entity remains separately stated. For example, if the net income (after consolidation and elimination entries) of a nonincludible U.S. sub-consolidated group is being reported on line 6a, the attached supporting statement should report the income (loss) of each separate nonincludible U.S. legal entity from each such entity's own financial accounting net income statement or books and records, and any consolidation or elimination entries (for intercompany dividends, minority interests, etc.) not reportable on Part I, line 8, should be reported on the attached supporting statement as a net amount on a line separate and apart from lines that report

each nonincludible U.S. entity's separate net income (loss).

Line 7. Net Income (Loss) of Other Includible Foreign Disregarded Entities, Other Includible U.S. Disregarded Entities, and Other Includible Entities

Include on Part I, line 7a, 7b, or 7c, the financial net income or (loss) of each foreign or U.S. disregarded entity or other includible entity that is not included in the consolidated financial group and therefore not included in the income reported on Part I, line 4a.

Include on line 7a or 7b financial income of any disregarded entity that is not included in the income reported on Part I, line 4a, but is included in Part I, line 11 (other disregarded entities). Include on line 7c the financial income of any entity not a disregarded entity that is not included in the income reported on

line 4a, but is included on line 11 (other includible entities). In addition, on Part I, line 8, adjust for consolidation eliminations and correct for minority interest and intercompany dividends for any other disregarded entity or other includible entities.

Attach a supporting statement that provides the name, EIN, and net income (loss) per the financial statement or books and records on lines 7a, 7b, and 7c, for each separate other U.S. disregarded entity or other includible entity. Also, state the total assets and total liabilities for each such separate includible entity and include those asset and liability amounts in the total assets and total liabilities reported on Part I, line 12d. The amounts of income (loss) detailed on the supporting statement should be reported for each separate other disregarded entity or other includible entity without regard to the effect of consolidation or elimination entries solely between or among the entities listed. If there

are consolidation or elimination entries relating to such disregarded entity or other includible entities whose income (loss) is reported on the attached statement that are not reportable on Part I, line 8, the net amounts of all such consolidation and elimination entries must be reported on a separate line on the attached statement, so that the separate financial accounting income (loss) of each other disregarded entity or other includible entity remains separately stated. For example, if the net income (after consolidation and elimination entries) of a sub-consolidated group of other U.S. disregarded entities is being reported on line 7b, the attached supporting statement should report the income (loss) of each separate other U.S. disregarded entity from each entity's own financial accounting net income statement or books and records, and any consolidation or elimination entries (for intercompany dividends, minority interests, etc.) not reportable on Part I, line 8, should

be reported on the attached supporting statement as a net amount on a line separate and apart from lines that report each other includible corporation's or entity's separate net income (loss).

Line 8. Adjustment to Eliminations of Transactions Between Includible Entities and Nonincludible Entities

Adjustments on Part I, line 8, to reverse certain financial accounting consolidation or elimination entries are necessary to ensure that transactions between includible entities and nonincludible U.S. or foreign entities are not eliminated, in order to report the correct total amount on Part I, line 11.

Also, additional consolidation entries and elimination entries may be necessary on Part I, line 8, related to transactions between includible entities that are in the consolidated financial group and other disregarded entities and other includible entities that are not in

the consolidated financial group but that are reported on Part I, line 7a, 7b, or 7c, in order to report the correct total amount on Part I, line 11.

Include on Part I, line 8, the total of the following: (a) amounts of any adjustments to consolidation entries and elimination entries that are contained in the amount reported on Part I, line 4a, required as a result of removing amounts on Part I, line 5 or 6; and (b) amounts of any additional consolidation entries and elimination entries that are required as a result of including amounts on Part I, line 7a, 7b, or 7c. This is necessary in order that the consolidation entries and intercompany elimination entries included in the amount reported on Part I, line 11, are only those applicable to the financial net income (loss) of includible entities for the financial statement period. For example, adjustments must be reported on line 8 to remove minority interest and to reverse the

elimination of intercompany dividends included on Part I, line 4a, that relate to the net income of entities removed on Part I, line 5 or 6, because the income to which the consolidation or elimination entries relate has been removed. Also, for example, consolidation or elimination entries must be reported on line 8 to reflect any minority interest ownership in the net income of other disregarded entities or other includible entities reported on Part I, line 7a, 7b, or 7c.

Consolidation and elimination entries must also be reported on line 8 to eliminate any intercompany dividends between entities whose income is included on Part I, line 7a, 7b, or 7c, and other entities included in the consolidated U.S. income tax return. See *Examples 4, 5, and 6* in the instructions for line 11. If a corporate owner of an interest in another entity (a) accounts for the interest in the entity in the owner corporation's separate general ledger on the equity method, and (b)

fully consolidates the entity in the owner corporation's consolidated financial statements, but the entity is not includible in the owner corporation's consolidated U.S. income tax return, then, as part of reversing all consolidation and elimination entries for the nonincludible entity, the corporate owner must reverse on Schedule M-3, Part I, line 8, the elimination of the equity income inclusion from the entity. If the owner corporation does not account for the entity on the equity method on its own general ledger, it will not have eliminated the equity income for consolidated financial statement purposes and therefore will have no elimination of equity income to reverse.

The attached supporting statement for Part I, line 8, must identify the type (for example, minority interest, intercompany dividends, etc.) and amount of consolidation or elimination entries reported, as well as the names of the entities to which they pertain. It

is not necessary, but it is permitted, to report intercompany eliminations that net to zero on Part I, line 8, such as intercompany interest income and expense.

Line 9. Adjustment To Reconcile Income Statement Period to Tax Year

Include on line 9 any adjustments necessary to the income (loss) of includible corporations to reconcile differences between the corporation's income statement period reported on line 2a and the corporation's tax year. Attach a statement describing the adjustment.

Statutory accounting for an insurance company subsidiary acquired or merged may require the use of a financial statement period for income reported on Part I, line 11, that differs from the period reported on Part I, line 4a or line 7. Report on Part I, line 10b, adjustments to income because of the differences in accounting period.

**Line 10a. Intercompany Dividend
Adjustments To Reconcile to Line 11,
Line 10b. Other Statutory Accounting
Adjustments To Reconcile to Line 11,
and Line 10c. Other Adjustments To
Reconcile to Amount on Line 11**

Include on lines 10a, 10b, and 10c any other adjustments to reconcile net income (loss) on Part I, line 4a, through Part I, line 9, with net income (loss) on Part I, line 11. Include on line 10a the amount of any intercompany dividend adjustment required by statutory accounting. Include on line 10b the amount of any other required statutory accounting adjustment. Include on line 10c the amount of any other adjustment not required by statutory accounting.