Note: *The draft you are looking for begins on the next page.*

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Almost every form and publication also has a page on IRS.gov with a friendly shortcut. For example, the Form 1040 page is at IRS.gov/Form1040; the Pub. 501 page is at IRS.gov/Pub501; the Form W-4 page is at IRS.gov/W4; and the Schedule A (Form 1040) page is at IRS.gov/ScheduleA. If typing in a link above instead of clicking on it, be sure to type the link into the address bar of your browser, not a Search box.

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SCHEDULE M-3 (Form 1120-F)

Department of the Treasury
Internal Revenue Service

Net Income (Loss) Reconciliation for Foreign Corporations With Reportable Assets of $10 Million or More

▶ Attach to Form 1120-F.
▶ Go to *www.irs.gov/Form1120F* for instructions and the latest information.

OMB No. 1545-0123

2019

Name of corporation | **Employer identification number**

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A Has the corporation reported taxable income on Form 1120-F, page 4, using a treaty provision to attribute business profits to a U.S. permanent establishment under rules other than section 864(c)? . . . . . ☐ **Yes** ☐ **No**

B Did the corporation prepare a non-consolidated, worldwide, certified audited income statement for the period (see instructions)? . . . . . ☐ **Yes** ☐ **No**

C Did the corporation prepare a non-consolidated, worldwide income statement for the period (see instructions)? ☐ **Yes** ☐ **No**

D Did the corporation prepare certified audited income statement(s) for the set(s) of books reported on Form 1120-F, Schedule L? . . . . . ☐ **Yes** ☐ **No**

Part I Financial Information and Net Income (Loss) Reconciliation (see instructions)

1 Is the corporation a foreign bank as defined in Regulations section 1.882-5(c)(4)?

☐ **Yes.** Complete the remainder of Part I as follows:
If D is "Yes," use the income statement described in D to complete lines 2 through 5 and 7 through 11.
If D is "No," use the income statement(s) for the set(s) of books reported on Form 1120-F, Schedule L to complete lines 2 through 5 and 7 through 11.

☐ **No.** Complete the remainder of Part I as follows:
If B is "Yes," use the income statement described in B to complete lines 2 through 11.
If B is "No" and C is "Yes," use the income statement described in C to complete lines 2 through 11.
If B and C are "No" and D is "Yes," use the income statement described in D to complete lines 2 through 11.
If B, C, and D are "No," use the income statement described in the instructions to complete lines 2 through 11.

2a Enter the income statement period: Beginning _____ Ending _____

b Has the corporation's income statement been restated for the income statement period entered on line 2a?
☐ **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 5 income statement periods immediately preceding the period on line 2a?
☐ **Yes.** Attach an explanation and the amount of each item restated.
☐ **No.**

3 Is any of the corporation's stock publicly traded on any exchange, U.S. or foreign?
☐ **Yes.** List exchange(s) and symbol ▶ _____
☐ **No.**

4	Non-consolidated foreign corporation net income (loss) in U.S. dollars from the income statement source identified in line 1	**4**	
5a	Net income from includible disregarded foreign entities not included on line 4 (attach statement)	**5a**	
b	Net loss from includible disregarded foreign entities not included on line 4 (attach statement)	**5b**	( )
c	Net income from includible disregarded U.S. entities not included on line 4 (attach statement)	**5c**	
d	Net loss from includible disregarded U.S. entities not included on line 4 (attach statement)	**5d**	( )
6	Net income (loss) from foreign locations not included on line 4 (attach statement)	**6**	
7a	Net income of non-includible entities (attach statement)	**7a**	( )
b	Net loss of non-includible entities (attach statement)	**7b**	
8	Adjustments to intercompany transactions (attach statement)	**8**	
9	Adjustments to reconcile income statement period to tax year (attach statement)	**9**	
10	Other adjustments to reconcile to amount on line 11 (attach statement)	**10**	
11	**Adjusted financial net income (loss) of non-consolidated foreign corporation.** Combine lines 4 through 10	**11**	

Note. Part I, line 11, must equal Part II, line 28, column (a) or Schedule M-1, line 1 (see instructions).

Name of corporation | Employer identification number

Part II **Reconciliation of Net Income (Loss) per Income Statement of Non-Consolidated Foreign Corporations With Taxable Income per Return** (see instructions)

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	Income (Loss) Items	(a) Income (Loss) per Income Statement	(b) Temporary Differences	(c) Permanent Differences	(d) Other Permanent Differences for Allocations to Non-ECI and ECI	(e) Income (Loss) per Tax Return
1	Gross receipts					
2	Cost of goods sold (attach statement)					
3a	Dividends from foreign entities					
b	Dividends from U.S. entities					
c	Substitute dividend payments received					
4a	Interest income excluding interest equivalents					
b	Substitute interest payments received					
c	Interest equivalents not included on line 4b					
5	Gross rental income					
6	Gross royalty income					
7	Fee and commission income					
8	Income (loss) from equity method corporations					
9	Net income (loss) from U.S. partnerships					
10	Net income (loss) from certain foreign partnerships (see instructions)					
11	Net income (loss) from other pass-through entities (attach statement)					
12	Items relating to reportable transactions (attach statement)					
13	Hedging transactions					
14a	Mark-to-market income (loss) under section 475(a)					
b	Mark-to-market income (loss) subject to section 475(d)(3)(B)					
c	Mark-to-market income (loss) under section 475(e)					
d	Mark-to-market income (loss) under section 475(f)					
15	Gain (loss) from certain section 988 transactions					
16a	Interest income from global securities dealing					
b	Dividends from global securities dealing					
c	Gains (losses) and other fixed and determinable, annual, or periodic income from global securities dealing not included on lines 16a and 16b					
17	Sales versus lease (for sellers and/or lessors)					
18	Section 481(a) adjustments					
19	Unearned/deferred revenue					
20	Original issue discount, imputed interest, and phantom income					
21a	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					

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Part II **Reconciliation of Net Income (Loss) per Income Statement of Non-Consolidated Foreign Corporations With Taxable Income per Return** (see instructions) *(continued from page 2)*

	Income (Loss) Items	(a) Income (Loss) per Income Statement	(b) Temporary Differences	(c) Permanent Differences	(d) Other Permanent Differences for Allocations to Non-ECI and ECI	(e) Income (Loss) per Tax Return
21c	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 statement)					
g	Other gain/loss on disposition of assets other than inventory					
22	Capital loss limitation and carryforward used					
23	Gross effectively connected income of foreign banks from books that do not give rise to U.S. booked liabilities					
24	Other income (loss) items with differences (attach statement)					
25	**Total income (loss) items.** Combine lines 1 through 24					
26	**Total expense/deduction items** (from Part III, line 33)					
27	Other items with no differences					
28	**Reconciliation totals.** Combine lines 25 through 27					

Note. Line 28, column (a), must equal Part I, line 11, and column (e) must equal Form 1120-F, page 4, line 29.

Part III **Reconciliation of Net Income (Loss) per Income Statement of Non-Consolidated Foreign Corporations With Taxable Income per Return** (see instructions)

	Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Differences	(c) Permanent Differences	(d) Other Permanent Differences for Allocations to Non-ECI and ECI	(e) Deduction per Tax Return
1	U.S. current income tax expense					
2	U.S. deferred income tax expense					
3	Non-U.S. current income tax expense (other than foreign withholding taxes)					
4	Non-U.S. deferred income tax expense					
5	Non-U.S. withholding taxes					
6	Compensation with section 162(m) limitation					
7	Salaries and other base compensation					
8	Stock option expense					
9	Other equity-based compensation					
10	Meals and entertainment					
11	Fines and penalties					
12	Judgments, damages, awards, and similar costs					

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Part III **Reconciliation of Net Income (Loss) per Income Statement of Non-Consolidated Foreign Corporations With Taxable Income per Return** (see instructions) *(continued from page 3)*

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	Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Differences	(c) Permanent Differences	(d) Other Permanent Differences for Allocations to Non-ECI and ECI	(e) Deduction per Tax Return
13	Pension and profit-sharing					
14	Other post-retirement benefits					
15	Deferred compensation					
16	Charitable contributions					
17	Section 162(r)–FDIC premiums paid by certain large financial institutions (see instructions)					
18	Current year acquisition or reorganization investment banking fees, 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	Depreciation					
24	Bad debt expense					
25	Purchase versus lease (for purchasers and/or lessees)					
26a	Interest expense per books					
b	Interest expense under Regulations section 1.882-5 (from Schedule I (Form 1120-F), line 23)					
c	Regulations section 1.882-5 allocation amount subject to deferral or disallowance (from Schedule I (Form 1120-F), line 24d)			( )		
d	Substitute interest payments					
e	Interest equivalents (for example, guarantee fees) not included on line 26d					
27	Substitute dividend payments					
28	Fee and commission expense					
29	Rental expense					
30	Royalty expense					
31	Expenses allocable to effectively connected income under Regulations section 1.861-8 from home office or other books that do not give rise to U.S. booked liabilities (from Schedule H (Form 1120-F), line 20)					
32	Other expense/deduction items with differences (attach statement)					
33	**Total expense/deduction items.** Combine lines 1 through 32. Enter here and on Part II, line 26					