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SPECIAL REPORT

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This study was prepared for the June 2014 IRS Research Conference. The authors thank SOI for making its final corporate files available to create the 2010 through 2011 Schedule M-3 ''First Look'' data sets. Those data sets are available as zip files in an Excel format by e-mail request to charles.e.boynton@irs.gov. The authors also thank Richard Bartlett, Thomas Brandt, Paul Coates, Paul Feinberg, Martha Harris, Christopher Larsen, Catherine Leonard, Dave Macias, John Miller, Stephen Moore, Cliff Scherwinski, Matthew Smith, Kenneth Szeflinski, David Wagner, and Kimmy Wang.

The study presents and compares 2010 and 2011 Schedule M-3 and Form 1120 tax return data profiles for Schedule UTP (uncertain tax position statement) filers and nonfilers with $100 million or more in assets. The authors conclude that filing Schedule UTP does not identify the same tax compliance risks as reporting Schedule M-3 tax-income-decreasing book-tax differences. They also conclude that Schedule UTP and Schedule M-3 are complementary and not duplicative for tax compliance risk analysis. Only a minority of large corporations file Schedule UTP, while all file Schedule M-3.

The opinions expressed are those of the authors and do not necessarily represent positions of the Treasury Department or the IRS.

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A. General Conclusions

The study presents and compares 2010 and 2011 Schedule M-3 and Form 1120 tax return data profiles for Schedule UTP (uncertain tax position statement) filers and nonfilers with $100 million or more in assets. It includes 12,044 corporations in 2010 and 12,307 corporations in 2011. In 2010, Schedule UTP filers decrease tax income using Schedule M-3 book-tax differences less (as a percentage of total pretax book income) than Schedule UTP nonfilers for all financial statement types (SEC 10K/public, audited, and unaudited). In 2011, Schedule UTP filers decrease tax income using book-tax differences less than Schedule UTP nonfilers for SEC 10K/public financial statements and decrease tax income no more than nonfilers for audited financial statements. The authors conclude that filing Schedule UTP does not identify the same tax compliance risks as reporting Schedule M-3 tax-income-decreasing book-tax differences. They also conclude Schedule UTP and Schedule M-3 are complementary and not duplicative for tax compliance risk analysis. The authors observe that for all financial statement types, only a minority of large corporations file Schedule UTP, while all file Schedule M-3.

B. Discussion

Taxpayers prepare corporate and partnership tax returns by adjusting amounts from their financial statements or books and records. The goal of the Schedule M-3 reconciliation is to increase taxpayer transparency to the IRS regarding the adjustments made to financial statements or books and records in preparing the tax return and to assist the IRS in selecting returns and issues for audit only when tax compliance risk is present.

Schedule UTP was introduced in 2010 for corporations with assets of $100 million or more with audited financial statements reporting UTPs in the income tax footnote and for some related corporations. The goal was to increase taxpayer transparency to the IRS regarding items giving rise to federal income tax UTPs in the taxpayer's financial statements and, again, to assist the IRS in selecting appropriate returns and issues for audit.

The study presents and compares Schedule M-3 and Form 1120 tax return data profiles for Schedule UTP filers and nonfilers with $100 million or more in assets in 2010 and 2011. It includes 12,044 corporations in 2010 and 12,307 corporations in 2011. Only a minority of corporations with $100 million or more in assets filed Schedule UTP in 2010 and 2011. Nonfilers either failed to file or were not required to file because they had no federal income tax UTPs. In 2010, 1,856 corporations (15.4 percent) in the study population filed Schedule UTP. In 2011, 2,074 corporations (16.9 percent) filed Schedule UTP.

In 2010 the study includes 3,446 corporations with SEC 10K/public financial statements, 5,218 with audited financial statements, and 3,380 with unaudited financial statements. In 2011 the study includes 3,370 corporations with SEC 10K/public financial statements, 5,396 with audited financial statements, and 3,540 with unaudited financial statements.

The rate of filing Schedule UTP varies across the three financial statement types. In the study population with SEC 10K/public financial statements, 1,093 corporations (31.7 percent) filed Schedule UTP in 2010, and 1,227 (36.4 percent) filed it in 2011. In the study population with audited financial statements, 493 corporations (9.4 percent) filed Schedule UTP in 2010, and 535 (9.9 percent) filed it in 2011. In the study population with unaudited financial statements, 269 corporations (8 percent) filed Schedule UTP in 2010, and 311 (8.8 percent) filed it in 2011.

The study uses a "Mini M-3" format to summarize the book, tax, and book-tax difference data in Schedule M-3, Parts II and III. The study also presents distribution tables of key tax and Schedule M-3 items by Schedule L total assets, financial statement type, and the presence or absence of Schedule UTP.

In the Mini M-3 format, the aggregate amounts reported on the Schedule M-3, Parts II and III "other with difference" lines are compared with the aggregate amounts reported on the Schedule M-3, Parts II and III "specified" lines. A Schedule M-3 cost of goods sold (COGS) adjustment is used to remove the cost of securities, commodity contracts, and other financial products reported in COGS by some corporations and to reconcile the COGS amount reported by the IRS Statistics of Income corporate data file. The Mini M-3 format also makes related special adjustments to "other income with difference" and "other items with no difference" lines and divides the adjusted "other items with no difference" line into "other income with no difference" and "other expense/deduction with no difference" lines.

After making the data adjustments, the Mini M-3 format has 10 categories of "specified" lines, "other with difference" or "no difference" lines, and subtotals or totals:

- other income with no difference (Part II, line 28 adjusted) (gross receipts);
- COGS (Part II, line 17 adjusted);
- adjusted gross profit;

- specified income (Part II, lines 1-16, 18-24, and 29a-29c);
- other income with difference (Part II, line 25 adjusted);
- adjusted total income;
- specified expense/deduction (Part III, lines 3-36);
- other expense/deduction with difference (Part III, line 37);
- other expense/deduction with no difference (an adjustment to Part II, line 28); and
- pretax book income.

The report tables and text state all Mini M-3 category data as a percentage of adjusted total book income to facilitate comparisons between groups with corporations that differ in size.

In comparing the Schedule M-3 characteristics of Schedule UTP filers and nonfilers for the three financial statement types in the Mini M-3 format, a temporary or permanent book-tax difference component for any specified-versus-other category is identified as large in relative magnitude if it is 1.5 percent or more in negative or positive (absolute) magnitude as a percentage of adjusted total book income. Total pretax income book-tax difference is similarly described as large in relative magnitude if it is 1.5 percent or more in negative or positive (absolute) magnitude as a percentage of adjusted total book income. Also, in comparing the Schedule M-3 characteristics of Schedule UTP filers and nonfilers for the three financial statement types, total pretax income book-tax difference is expressed as a percentage of total pretax book income.

The study presents tables for 2011 that include comparative tax data for 41,636 corporations that file Schedule M-3, including 12,307 corporations with total assets of $100 million or more that are potentially subject to filing Schedule UTP. The 12,307 corporations (30 percent) with assets of $100 million or more report 98 percent of assets, approximately 100 percent of net aggregate worldwide income, 99 percent of the nonincludable foreign income, approximately 100 percent of net aggregate pretax book income, 95 percent of the net negative (tax-income-decreasing) temporary book-tax differences, 90 percent of the net positive (tax-income-increasing) permanent book-tax differences, and 95 percent of tax less credits for the 41,636 corporations.

The 2,074 corporations (5 percent) with assets of $100 million or more that filed Schedule UTP report 70 percent of assets, 94 percent of worldwide income, 90 percent of the nonincludable foreign income, 91 percent of pretax book income, 108 percent of the net negative temporary book-tax differences, 12 percent of the net positive permanent book-tax differences, and 66 percent of tax less credits for the 41,636 corporations.

In contrast, the 10,233 corporations (25 percent) with assets of $100 million or more that did not file Schedule UTP (were not required to file or failed to file) report 28 percent of assets, 6 percent of worldwide income, 9 percent of nonincludable foreign income, 9 percent of the pretax book income, net positive temporary book-tax differences equal to -12 percent of the net negative temporary book-tax differences, 77 percent of the net positive permanent book-tax differences, and 29 percent of tax less credits for the 41,636 corporations.

C. Conclusions: SEC 10K/Public

The requirements to file Schedule UTP in 2010 and 2011 identify a minority group of corporations with SEC 10K/public financial statements with $100 million or more in assets that has UTPs and, in aggregate, reduces tax income with book-tax differences reported on Schedule M-3 (a 27.8 percent reduction in pretax book income for 2010 and a 20.4 percent reduction in 2011). However, similar corporations in financial statement type and asset size not required to file Schedule UTP (or failing to file) reduce tax income with book-tax differences to a relatively greater extent (a 37.2 percent reduction in pretax income for 2010 and a 40.5 percent reduction in 2011). For 2010 and 2011, 31.7 percent and 36.4 percent, respectively, of the SEC 10K/public corporations filed Schedule UTP, while 68.3 percent and 63.6 percent, respectively, did not file a Schedule UTP. The conclusion for corporations with SEC 10K/public financial statements with $100 million or more in assets is that filing Schedule UTP does not identify the same tax compliance risks as reporting Schedule M-3 tax-income-decreasing book-tax differences. The further conclusion is that Schedule UTP supplements, but does not replace, Schedule M-3 for transparency and return selection for the minority of large corporations with SEC 10K/public financial statements that file Schedule UTP.

D. Conclusions: Audited

The requirements to file Schedule UTP in 2010 identify a minority group of corporations with audited financial statements with total assets of $100 million or more that has UTPs and, in aggregate, increases tax income with book-tax differences reported on Schedule M-3. (This group of taxpayers had a 65.1 percent increase to pretax book income.) For 2011, the requirements to file Schedule UTP identify a minority group of corporations with audited financial statements with total assets of $100 million or more that has UTPs and, in aggregate, reduces tax income with book-tax differences reported on Schedule M-3 (a 46.9 percent reduction in pretax book income). Similar corporations in financial statement type and asset size not required to file Schedule UTP (or failing to file) reduce tax income with book-tax differences for both 2010 and 2011 to a relatively greater or same extent (a 29.8 percent reduction in pretax book income for 2010 and a 47.6 percent reduction in 2011). For 2010 and 2011, 9.4 percent and 9.9 percent, respectively, of the audited corporations filed Schedule UTP, while 90.6 percent and 90.1 percent, respectively, did not file a Schedule UTP. The conclusion for corporations with audited financial statements with $100 million or more in assets is that filing Schedule UTP does not identify the same tax compliance risks as reporting Schedule M-3 tax-income-decreasing book-tax differences. The further conclusion is that Schedule UTP supplements, but does not replace, Schedule M-3 for transparency and return selection for the minority of large corporations with audited financial statements that file Schedule UTP.

E. Conclusions: Unaudited

The requirements to file Schedule UTP in 2010 and 2011 identify a minority group of corporations with unaudited financial statements with total assets of $100 million or more that has UTPs and, in aggregate, increase tax income with book-tax differences reported on Schedule M-3. (This group of taxpayers had an increase in pretax book income of 123.6 percent for 2010 and 81.2 percent for 2011.) Similar corporations in financial statement type and asset size not required to file Schedule UTP (or failing to file) reduce tax income with book-tax differences in 2010 to a relatively greater extent but not in 2011 (a reduction of pretax income of 64.5 percent for 2010 and an increase of 114 percent for 2011). For 2010 and 2011, 8 percent and 8.8 percent, respectively, of the unaudited corporations filed Schedule UTP, while 92 percent and 91.2 percent, respectively, did not file a Schedule UTP. The conclusion for corporations with unaudited financial statements with $100 million or more in assets is that filing Schedule UTP does not identify the same tax compliance risks as reporting Schedule M-3 tax-income-decreasing book-tax differences. The further conclusion is that Schedule UTP supplements, but does not replace, Schedule M-3 for transparency and return selection for the minority of large corporations with unaudited financial statements that file Schedule UTP.

II. Schedules M-3 and UTP Background

A. Schedule M-3 Overview

Taxpayers prepare corporate and partnership tax returns by adjusting amounts from their financial statements or books and records. The goal of the Schedule M-3 reconciliation is to increase taxpayer transparency to the IRS regarding the adjustments (book-tax differences) made to financial statements or books and records in preparing the tax return and to assist the IRS in selecting returns and issues for audit only when tax compliance risk is present.

Schedule M-3 was first introduced in 2004 for U.S. corporations with total assets of $10 million or more filing U.S. income tax return Form 1120. It replaced four decades of use of the less-structured Schedule M-1 for these corporations for the required reconciliation of financial statement income to tax income.[1]

A 1999 Treasury report and Treasury testimony in 2000 by then-Treasury Assistant Secretary for Tax Policy Jonathan Talisman viewed the 1990s' widening difference between the sum of corporate financial statement income (book income) and federal income tax expense reported on Form 1120, Schedule M-1, lines 1 and 2, and tax income reported on Form 1120, page 1, line 28, as a possible indicator of corporate tax shelter activity, but also noted the difficulty in interpreting Schedule M-1 book-tax difference data.[2]

Mills and Plesko (2003) proposed a redesign of Schedule M-1 to increase the transparency of the corporate book-to-tax reconciliation and to improve

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[1]This report repeats some material from Charles Boynton, Portia DeFilippes, and Ellen Legel (2005, 2006a, 2006b, and 2008); Boynton, DeFilippes, Legel, and Todd Reum (2011 and 2014); Boynton and William Wilson (2006); and Boynton and Barbara Livingston (2010). Our tax return table values may not add as a result of rounding. The SOI corporate data file for year t includes all tax years ending between July of calendar year t and June of calendar year t+1. Effective for tax years ending on or after December 31, 2004, Schedule M-3 replaced Schedule M-1 for corporations filing Form 1120 and reporting total assets of $10 million or more on Form 1120, Schedule L. Effective for tax years ending on or after December 31, 2006, for corporations with total assets of $10 million or more, Schedule M-3 applies to Form 1120S for S corporations, to Form 1120-C for cooperative associations, to Form 1120-L for life insurance companies, and to Form 1120-PC for property and casualty insurance companies. Effective for tax years ending on or after December 31, 2006, Schedule M-3 also applies to Forms 1065 and 1065-B for partnerships with total assets of $10 million or more and to some other partnerships. Effective for tax years ending on or after December 31, 2007, a special Schedule M-3 applies to Form 1120-F for foreign corporations with effectively connected U.S. income and total assets of $10 million or more. Schedule M-1 continues to apply to Form 1120-RIC for regulated investment companies, to Form 1120-REIT for real estate investment trusts, and to all corporations with total assets of less than $10 million. Effective for tax years ending December 31, 2014, and later, corporations and partnerships with $10 million or more in assets but less than $50 million in assets, and partnerships with less than $10 million in assets required to file Schedule M-3, would be permitted to file Schedule M-3, Part I, and to file Schedule M-1 in place of Schedule M-3, Parts II and III if they so choose.

[2]*See* Treasury Department (1999) and Talisman (2000). *See also* Mills (1998) cited by Treasury (1999, at 32, n.118).

data interpretability.[3] The Mills and Plesko (2003) Schedule M-1 redesign recommendations are largely reflected in Schedule M-3, particularly in Part I.[4]

Part I of Schedule M-3 is important and unique in tax reporting in that it lists the adjustments made to worldwide consolidated income in the parent corporation's financial statements to determine the book income of the includable corporations in the tax return.[5] We also use Part I data to identify each corporation financial statement type as SEC Form 10K/public, audited, or unaudited.[6]

Parts II and III of Schedule M-3 are a more structured listing of book-tax differences than on Schedule M-1 and specify several fixed categories as well as two ''other with difference'' categories. The fixed categories are machine readable. The book income and tax income amounts generating the book-tax differences are listed, as well as the book-tax difference and the name for the line.

On Parts II and III of Schedule M-3, book-tax differences are characterized as temporary or permanent. Temporary differences are items of income or expense that are recognized for both financial and tax reporting but appear in different periods. Permanent differences are items of income or expense that are recognized for either financial or tax reporting, but not both.[7]

Parts II and III contain four columns. Column (a) represents financial statement (book) income or expense amounts using the financial statement source determined in Part I. Column (d) represents amounts as shown on the tax return. The book-tax difference between the amount shown in column (a) and the amount shown in column (d) is reported either as a temporary difference amount in column (b) or as a permanent difference amount in column (c).

Note that on Schedule M-3, a negative total book-tax difference adjustment occurs if tax income is below book income. Further note that in our study, we conform the sign of Part III data to agree with Part II so that a negative book income or tax income item always reduces total book income or tax income and a negative book-tax difference reduces tax income.[8]

We impose some minimum reconciliation requirements on the returns included in our study.[9]

This is the seventh article in a series by the authors researching the differences between financial statement income (book income) and tax income as reported on U.S. corporate income tax returns.[10] This seventh article analyzes final data for

[3]*See* Mills and Plesko (2003) for the proposed redesign of Schedule M-1.

[4]For a discussion of the development of Schedule M-3, see Boynton and Mills (2004).

[5]A major problem with interpreting Schedule M-1 data in the past was the fact that the taxpayer was allowed to report a starting Schedule M-1, line 1 book income amount without reconciling the reported book income amount to financial accounting income on the taxpayer's financial statements. Schedule M-3, Part I, line 11 defines the starting book income for the book-to-tax reconciliation in Parts II and III. The May 10, 2013, IRS notice, effective December 31, 2014, permitting the use of Schedule M-1 by corporations and partnerships with $10 million but less than $50 million in assets in place of Schedule M-3, Parts II and III, requires Schedule M-3, Part I, and requires that Schedule M-1, line 1 book income equal Schedule M-3, line 11.

[6]We define SEC Form 10K/public to include any tax return on which (1) Schedule M-3, Part I, line 1a indicated that an SEC Form 10K was filed or (2) Part I, line 3a indicated that the corporation had publicly traded common stock. Some corporations indicate the first without the second, which may mean publicly traded debt or a reporting error. Other corporations report the second without the first, suggesting a reporting error. We make use of the presence of either indicator. We define audited to include any tax return on which Schedule M-3, Part I, line 1b indicates that certified audited financial statements were prepared and our requirements for SEC Form 10K/public are not met. We define unaudited to include all other returns.

[7]Temporary differences are important in tax administration because they may identify that an item is being included in the wrong tax year. For example, deferring the recognition of $1 billion of income for 30 years (or accelerating the recognition of $1 billion of deductions by 30 years) involves a substantial time value of money change in the value of the tax due. In contrast to temporary differences, permanent differences are adjustments that arise as a result of fundamental permanent differences in financial and tax accounting rules. These differences result from transactions that will not reverse in subsequent periods. In financial statement reporting under generally accepted accounting principles, permanent differences are not considered in the Financial Accounting Standard No. 109 (ASC Topic 740) computation of deferred tax assets and liabilities but do have a direct impact on the effective tax rate. Therefore, permanent differences can substantially influence reported financial earnings per share computations, and, for public companies, stock prices. Accordingly, permanent differences of a given size may represent a greater audit risk than temporary differences of the same size.

[8]*See* Section II.C of this report for a discussion of sign conventions.

[9]Some companies with assets of less than $10 million voluntarily filed Schedule M-3. We do not analyze that data. Our minimum reconciliation tests require Schedule M-3 data agreement within tolerances of 1 percent of the maximum absolute value of the amounts on Part II, line 30 for income between Part I, line 11 and Part II, line 30, column (a) and for expenses/deductions between Part III, line 38 (line 36 through 2009) and the carryover line Part II, line 27. The reconciliations of the subset of corporations meeting our minimum data and reconciliation tests for this 2010 and 2011 Schedule M-3 study with the full 2010 and 2011 SOI corporate files are presented in Distribution Table D3 of the full Schedule M-3 ''First Look'' data sets for 2010 and 2011 available on request.

[10]*See* Boynton, DeFilippes, and Legel (2005, 2006a, 2006b, and 2008); and Boynton, DeFilippes, Legel, and Reum (2011 and 2014). The first two articles analyze corporate Form 1120, Schedule M-1 reporting for tax years 1990-2003. The third article

(Footnote continued on next page.)

the 2010 and 2011 corporate Form 1120, Schedule M-3 with Schedule UTP filing status.

B. Schedule M-3 Versus Schedule UTP

Schedule M-3 was introduced in 2004 for corporations with assets of $10 million or more to assist the IRS in reconciling financial statement income to tax income, including identifying temporary and permanent book-tax differences. Taxpayers prepare corporate and partnership tax returns by adjusting amounts from their financial statements. The goal is to increase taxpayer transparency regarding the adjustments made to the financial statements to prepare the tax return. Many of the items that must be listed on Schedule UTP generate or affect book-tax differences that must be included on Schedule M-3. Schedule M-3 reports dollar amounts; Schedule UTP does not.

Schedule UTP was introduced in 2010 for corporations with assets of $100 million or more with audited financial statements reporting UTPs in the income tax footnote and for some related corporations.[11] The purpose was to share with the IRS some of the taxpayer information calculated as part of preparing the financial statement income tax footnote.[12] The goal was to increase taxpayer transparency regarding items giving rise to federal income tax UTPs in the taxpayer's financial statements.

Schedule UTP asks for relevant code sections and a concise description of issues, without dollar amounts, for the UTPs that affect the financial-statement-reported U.S. federal income tax liabilities of some corporations that issue or are included in audited financial statements. The corporate asset reporting threshold is assets of $100 million or more in tax years 2010 and 2011, $50 million or more in tax years 2012 and 2013, and $10 million or more in tax years ending after December 30, 2014.[13]

Items listed on Schedule UTP relate to amounts or positions reported on other forms or schedules of the current tax return or a prior tax return. Many of the Schedule UTP items concern the temporary or permanent book-tax differences reported on Parts II and III of Schedule M-3. (Note that adjustments can be made during an examination for amounts reported on Part I of Schedule M-3 because of errors in the calculations of the income or loss of the includable and excludable entities. However, it is unlikely taxpayers would report a Schedule UTP item that would relate to whether an entity should be included or excluded from the consolidated tax return.) Other Schedule UTP items may concern tax credit amounts or international issues that are not reported on Schedule M-3 but are instead reported on the forms and schedules specific to those items (that is, Form 6765, ''Credit for Increasing Research Activities,'' or Form 5471, ''Information Return of U.S. Persons With Respect to Certain Foreign Corporations'').[14]

In summary:

- Schedule M-3:
  - Schedule M-3 is a crosswalk from the taxpayer's financial statements to its tax return.
  - Part I removes the income (loss) of all entities included in the financial statements but not included in the consolidated tax return, and it adds the income (loss) of all entities not included in the financial statements but included in the consolidated tax return.
  - Parts II and III require taxpayers to report the dollar amounts of the temporary and permanent adjustments they make to create

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in this series analyzes advance file data for the 2004 corporate Form 1120, Schedule M-3. The fourth article analyzes final data for the 2005 corporate Form 1120, Schedule M-3, and updates the prior 2004 report using final 2004 data. The fifth article analyzes final data for the 2006 and 2007 corporate Form 1120, Schedule M-3, and earlier Schedule M-1 data from 1994 through 2005 and Schedule M-3 data from 2004-2005. The sixth article analyzes final data for 2008, 2009, and 2010 corporate Form 1120, Schedule M-3 as well as earlier Schedule M-3 data for 2006 and 2007 and information on 2010 Schedule UTP filing status.

[11]For a discussion of the UTPs reported on Schedule UTP and an analysis of how Schedule UTP reporting requirements affect corporate tax and financial reporting behavior, see Towery (2013).

[12]Footnote reporting of UTPs is required by U.S. GAAP under FAS No. 109 (ASC 740) and Financial Accounting Standards Board Interpretation No. 48 (ASC 740-10).

[13]Schedule UTP requires the reporting of each U.S. federal income tax position taken by an applicable corporation on its U.S. federal income tax return for which two conditions are

(Footnote continued in next column.)

satisfied: (1) the corporation has taken a tax position on its U.S. federal income tax return for the current tax year or for a prior tax year; and (2) either the corporation or a related party has recorded a reserve for that tax position for U.S. federal income tax in audited financial statements, or the corporation or related party did not record a reserve for that tax position because the corporation expects to litigate the position. A tax position for which a reserve was recorded (or for which no reserve was recorded because of an expectation to litigate) must be reported regardless of whether the audited financial statements are prepared based on U.S. GAAP, international financial reporting standards, or other country-specific accounting standards, including a modified version of any of the above (for example, modified GAAP).

[14]Although Schedule M-3 does not deal with credits, a direct correlation may exist between an item on Schedule M-3 and a credit. For example, there is a direct correlation between Schedule M-3 research and development costs on Part III, line 36, column (d), and credit-eligible expenses on Form 6765, and therefore with the research credit. Section 41, governing the research credit, is the most frequent code section cited in 2010 and 2011 on Schedule UTP, Part I. The second most frequent code section cited is section 482, for transfer pricing.

their tax return from their financial statements as well as the initial book income and final tax income amounts for each scheduled item.

- Schedule UTP:
  - Schedule UTP reports the federal income tax UTPs reserved on the taxpayer's financial statements for items on the tax return that the taxpayer acknowledges the IRS may challenge.
  - Schedule UTP discloses relevant code sections and provides a concise description of the UTPs without reporting the dollar amounts.
  - Items listed on Schedule UTP may relate to the amounts reported on Schedule M-3.
  - Some items reported on Schedule UTP may relate to items not reported on Schedule M-3 (that is, tax credit items).[15]

Schedule M-3 and Schedule UTP are complementary sources of taxpayer transparency that do not overlap and do not contain duplicative information. Sections V.A to V.D of this report investigate some of the Schedule M-3 characteristics of Schedule UTP filers and nonfilers. Tables 1A, 1B, 2A, 2B, 4, 5, and 6 present additional data on Schedule UTP filers and nonfilers.

C. Book-Tax Differences and Signs

Book income is the financial statement income of the entity filing a corporate or partnership income tax return. For consolidated corporations filing U.S. Form 1120, book income is the consolidated financial statement income of the includable corporations joining in the consolidated tax return and will often differ from the worldwide consolidated income reported by the parent corporation's worldwide consolidated financial statements. Part I of Schedule M-3 reconciles worldwide consolidated financial statement income to book income.

We compare pretax book income (book income measured before federal income tax expense) with tax income and calculate book-tax differences as pretax differences, consistent with the book-tax difference literature since Talisman (2000).[16]

The book-tax difference literature before the introduction of Schedule M-3 defined the sign of the difference between pretax book income and tax income as ''book minus tax,'' resulting in a positive difference if the book amount is higher than the tax amount. The reconciliation rules of Schedule M-3 reverse this prior convention to ''tax minus book.''

For Schedule M-3, the temporary and permanent adjustment amounts reported in columns (b) and (c) of Parts II and III are the amounts that are added to column (a) book income to determine column (d) tax income. A positive total book-tax difference in columns (b) and (c) means that the tax amount is higher than the book amount. A negative total book-tax difference in columns (b) and (c) means that the tax amount is lower than the book amount.

In our report, the sign of Schedule M-3, Part III, expense/deduction data including book-tax differences has been changed to agree with the effect of those expense/deduction items and book-tax differences on net income reported on Part II, line 30. If a Part III expense/deduction item or book-tax difference reduces Part II, line 30 net income, it is shown as a negative amount in our report.[17]

D. Data Source

A weighted statistical sample of tax return data is electronically encoded annually by SOI for use by the Office of Tax Analysis (OTA) and the Joint Committee on Taxation.[18] The Office of Planning, Analysis, Inventory, and Research (PAIR) within the Large Business and International Division also receives a copy of the file.[19] The SOI corporate file includes Schedule M-1 data and, beginning with the 2004 file, Schedule M-3 data. Starting with 2010, the SOI corporate file reports if (1) the taxpayer indicates on Form 1120, Schedule K, that Schedule UTP is required; (2) if Schedule UTP, Part I, identifying a UTP is attached to the return with any data; and (3) the number of lines on Schedule UTP, Part I, with

[15]*See supra* note 14 (research credits and Schedule M-3).

[16]We calculate total pretax book income and total pretax temporary and permanent book-tax differences by adding back federal income tax expense and differences reported on Schedule M-3, Part III, lines 1 and 2, columns (a), (b), and (c), to book income and differences reported on Schedule M-3, Part II, line 30, columns (a), (b), and (c), column by column. Total book-tax difference is the sum of total temporary and permanent book-tax differences.

[17]Schedule M-3 instructions require that column (a) book expense and column (d) tax deduction amounts that reduce net book income and reduce net tax income be shown on Part III as positive amounts. However, some taxpayers fail to follow the instructions. For a discussion of the problem and how we deal with it, see Boynton, DeFilippes, and Legel (2006b and 2008); and Boynton, DeFilippes, Legel, and Reum (2011).

[18]The SOI corporate file is a statistical sample. The record for a smaller tax return (usually measured by total assets) may be weighted to represent more than one tax return. Generally tax returns for corporations with $50 million or more in assets have a weight of one — that is, the record represents only itself. The record for a smaller tax return generally has a weight greater than one (for example five), that is, the record represents several similar tax returns (for example, five tax returns). The SOI corporate data file for year t includes all tax years ending between July of calendar year t and June of calendar year t+1.

[19]Under a formal memorandum of understanding between SOI and LB&I, use of the file data by either division is limited to research studies. SOI file data is not used for IRS audit case building.

any data on the line.[20] The 2011 SOI corporate file was issued to OTA, the JCT, and LB&I in October 2013.[21]

Beginning May 2011, researchers using SOI data must report tax data as an aggregate for a minimum of five taxpayers to protect taxpayer confidentiality.[22] For statistical reasons, SOI prefers that reported aggregate data are for 10 or more taxpayers when possible.[23]

E. Limits of Schedule M-3 Data

With the exception of Schedule M-3, Part I, amounts reported on the Form 1120 tax return and Schedule M-3, Parts II and III:

- are limited to the tax information and pretax book income information of the includable corporations in the tax consolidated return; and
- do not include the tax information or pretax book income information of the nonincludable corporations and partnerships (both foreign and domestic) that are included in the worldwide consolidated after-tax income reported on Schedule M-3, Part I, line 4 (the worldwide book income reported in the financial statements for consolidated book purposes).

The after-tax income of the nonincludable corporations and partnerships are removed in gross after-tax amounts on Schedule M-3, Part I, lines 5 and 6, as one step in determining the book income of the includable corporations reported on Schedule M-3, Part I, line 11.

Form 1120 tax return and Schedule M-3 data do not yield generalizations about the financial statement pretax consolidated worldwide income. Amounts reported on the Form 1120 and Schedule M-3 do not provide the data needed to calculate the pretax worldwide effective tax rate for the entities included in the worldwide financial statements.

F. Reconciling Counts of Schedule UTP

Table 1A of this report shows a total of 2,074 Form 1120 2011 Schedule UTP filers compared with 2,190 reported by the PAIR LB&I UTP registry for the 2011 form year. The difference is a result of (1) including different corporate income tax return forms (PAIR counts include Form 1120-F, as well as Form 1120 filed by parents of insurance companies, and this report includes neither); (2) using different tax year beginning months and ending months for 2011 (July 2011 to June 2012 for SOI data versus December 2011 to November 2012 for PAIR); (3) using different standards for whether Schedule UTP is filed (SOI reports the indication on Form 1120, Schedule K, that Schedule UTP is required; SOI also counts Schedule UTP as present if any Schedule UTP, Part I "current year" line has any data; and PAIR requires both Schedule UTP, Parts I "current year" or II "prior year" and also Part III "concise descriptions");[24] and (4) different minimum asset recognition thresholds (PAIR includes

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[20]The regular 2010 and 2011 SOI corporate files do not tabulate what is reported on Schedule UTP, Part I, and do not report if an attached Schedule UTP, Part I, contains relevant data. A special SOI supplement to each of the regular 2010 and 2011 SOI corporate files tabulates the limited information reported on Schedule UTP, Part I, lines 1 through 10, for current-year UTPs such as code sections cited, temporary and permanent effect, whether the position is major, and relative rank of the position. Part II concerning prior-year UTPs, and Part III regarding the concise descriptions for the positions listed in Parts I and II, are not tabulated by SOI.

[21]The final SOI corporate file may contain placeholder records representing returns that are unavailable for some reason when the SOI file is issued but are desired by SOI for statistical purposes. Placeholder data are commonly the edited return data from the prior tax year but may also be current-year data from the IRS Business Master File (limited return data tabulated by the IRS when the return is first received and processed) or data from the IRS Employee User Portal. Placeholder returns are not included in the Schedule M-3 "First Look" data files.

[22]Before May 2011, the minimum aggregation requirement for SOI and for other government agencies was data aggregation for three or more taxpayers or individuals. SOI has increased the required minimum for the use of SOI data to five or more. The change for SOI data applies to tax year 2008 and to new studies of data from earlier tax years. A data count of zero is permitted. Tests must be performed to ensure that data cannot be generated by subtraction that would violate the minimum aggregation requirement. For a discussion of the older requirement of three or more taxpayers or individuals for aggregate data, see Office of Management and Budget working paper 22 (2005); and IRS Publication 1075 (rev. 2007).

[23]Our tax return table values may not add and may differ from official 2010 and 2011 SOI values because of rounding. SOI publications do not include Schedules M-1 or M-3 data. Before the publication of Boynton, DeFilippes, and Legel (2005 and 2006a), only Plesko (2002) (for 1996-1998) and Plesko-Shumofsky (2005) (for 1995-2001) presented public Schedule M-1 data for the SOI corporate file population. The year-by-year reconciliations of the subset of corporations meeting our minimum data and reconciliation tests for this 2010 and 2011 Schedule M-3 study with the full 2010 and 2011 SOI corporate files are presented in Distribution Table D3 of the full Schedule M-3 "First Look" data set for each year, 2010-2011, available on request. Our minimum data and reconciliation tests require that Part I, line 11 and Part II, line 30, column (a) agree and that Part III, line 38 and Part II, line 27 agree within 1 percent of the maximum absolute value of the amounts on Part II, line 30.

[24]The regular 2010 and 2011 SOI corporate files do not tabulate what is reported on Schedule UTP, Part I, and do not report if an attached Schedule UTP, Part I, contains relevant data. A special SOI supplement to each of the regular 2010 and 2011 SOI corporate files tabulates the limited information reported on Schedule UTP, Part I, lines 1 through 10, for current-year UTPs such as code sections cited, temporary and permanent effect, whether the position is major, and relative rank of the position. Part II relating to prior-year UTPs, and Part

(Footnote continued on next page.)

voluntary filing by a corporation with assets below $100 million, and this report does not).

In particular: (1) 2011 SOI Schedule UTP data is for Form 1120 tax returns with year ends of July 2011 through June 2012; (2) we recognize a corporation as a Schedule UTP filer if SOI recognizes the indication on Form 1120, Schedule K, that Schedule UTP is required and/or SOI recognizes the presence of a Schedule UTP, Part I, with any data on any line; (3) we exclude Form 1120 returns if SOI indicates that it is the parent of an insurance company and should be classified as either 1120-L or 1120-PC under the SOI test that 50 percent or more of the total receipts are from life insurance or property and casualty insurance; and (4) we exclude voluntary 2011 Schedule UTP filed by corporations with total Schedule L assets of less than $100 million.

For 2011	
UTP registry for Dec. 2011-Nov. 2012	2,190
Remove Form 1120-F	-22
Subtotal Form 1120, 1120-L, 1120-PC for Dec. 2011-Nov. 2012	2,168
Remove Form 1120 for July 2012-Nov. 2012	-217
Subtotal Form 1120, Form 1120-L, Form 1120-PC for Dec. 2011-June 2012	1,951
Add Form 1120 for July 2011-Nov. 2011	+245
Subtotal Form 1120, Form 1120-L, Form 1120-PC for July 2011-June 2012	2,196
Add Form 1120 identified by SOI UTP flag NOT in registry	+75
Form 1120+Form 1120-L+Form 1120-PC UTP identified by SOI UTP flag for July 2011-July 2012	2,271
Remove deemed Form 1120-L and Form 1120-PC identified by SOI	-111
Form 1120 UTP identified by SOI UTP flag for July 2011-June 2012	2,160
Remove Form 1120 for July 2011-June 2012 with assets below $100 million	-86
Total Form 1120 for July 2011-June 2012 identified by SOI UTP flag with assets of $100 million or more	2,074

III. 2011 Worldwide Income to Tax Less Credits

A. By Asset Size, FS Type, and UTP Status

Tables 1A and 1B present 2011 Schedule M-3, Part I, data and other tax return data for all corporations meeting our study requirements filing the Form 1120 and for three financial statement types (SEC Form 10K/public, audited, and unaudited).[25]

Figures 1A through 1C highlight the relative magnitude of several 2011 Schedule M-3 and Form 1120 tax return income and adjustment amounts involved in moving from worldwide consolidated financial statement income to tax less credits. Data is presented for three financial statement types: SEC Form 10K/public, audited, and unaudited.[26]

In Figure 1A, for 2011, total worldwide consolidated financial statement income (reported on Schedule M-3, Part I, line 4) is $867,248 million for SEC Form 10K/public, $63,688 million for audited, and -$110,295 million for unaudited.

Next shown in Figure 1A is the adjustment to remove nonincludable foreign net income (reported on Schedule M-3, Part I, line 5). The 2011 adjustment is -$748,596 million for SEC Form 10K/public, -$22,616 million for audited, and -$5,223 million for unaudited.[27]

Data for the following 2011 Schedule M-3, Part I, adjustments are not shown in Figure 1A and are not included in tables 1A and 1B[28]:

- the adjustment to remove nonincludable U.S. net income (reported on Schedule M-3, Part I, line 6);[29]
- the adjustment to include the net income of other includable entities (reported on Schedule M-3, Part I, line 7);[30]

III relating to the concise descriptions for the positions listed in Parts I and II, are not tabulated by SOI.

[25]Some companies with assets of less than $10 million voluntarily filed Schedule M-3. We do not analyze that data. Our minimum reconciliation tests require Schedule M-3 data agreement within tolerances of 1 percent of the maximum absolute value of the amounts on Part II, line 30 for income between Part I, line 11 and Part II, line 30 column (a) and for expenses/deductions between Part III, line 38 and the carryover line Part II, line 27. The year-by-year reconciliations of the subset of corporations meeting our minimum data and reconciliation tests for this 2010-2011 Schedule M-3 study with the full 2010-2011 SOI corporate files are presented in Distribution Table D3 of the full Schedule M-3 "First Look" data set for each year, 2010-2011, available on request.

(Footnote continued in next column.)

[26]*See supra* note 6, regarding the definitions of SEC Form 10K/public, audited, and unaudited.

[27]The adjustment to remove positive nonincludable foreign net income from worldwide financial statement income is shown as a negative amount on Schedule M-3, Part I in the calculation of the book income of includable corporations. The income must be removed from worldwide financial statement income in the calculation of the book income of includable corporations because foreign subsidiaries owned more than 50 percent, and some foreign partnerships are includable in worldwide consolidated financial statements, but only U.S. corporations owned more than 80 percent are includable in the U.S. tax consolidated group tax return.

[28]Data for 2006-2010 for all of the items are reported in tables 1A through 1D of Boynton, DeFilippes, Legel, and Reum (2014).

[29]The adjustment to remove positive nonincludable U.S. net income from worldwide financial statement income would be shown as a negative amount. U.S. subsidiaries owned more than 50 percent and some U.S. partnerships are includable in worldwide consolidated financial statements, but only U.S. corporations owned 80 percent or more are includable in the U.S. tax consolidated group tax return.

[30]Other includable entities are U.S. subsidiaries owned 80 percent or more and some disregarded entities (if owned by any

(Footnote continued on next page.)

Figure 1A. 2011 U.S. Corp. Schedule M-3: Worldwide Income to Pretax Book Income

- the adjustment to financial statement consolidation eliminations (reported on Schedule M-3, Part I, line 8) because of the removal of the net income of foreign and U.S. nonincludable corporations and partnerships and the inclusion of the net income of other includable entities;[31]
- the adjustment to income because of differences in financial statement year and tax year (reported on Schedule M-3, Part I, line 9);
- other adjustments (reported on Schedule M-3, Part I, line 10) required to determine the net income of includable corporations (book income); and[32]
- the net income of includable corporations (book income) (reported on Schedule M-3, Part I, line 11).[33]

Shown last in Figure 1A is pretax book income. Pretax book income is $878,771 million for SEC Form 10K/public, $92,621 million for audited, and -$92,114 million for unaudited.[34]

The first item in Figure 1B is pretax book income, repeating the last item in Figure 1A.

Next shown in Figure 1B is the adjustment for net temporary book-tax difference followed by the adjustment for net permanent book-tax difference. Net total book-tax difference is the sum of net temporary book-tax difference and net permanent book-tax difference. A negative book-tax difference reduces tax net income compared with pretax book

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of the includable corporations) for some reason not included in the worldwide consolidated financial statements and therefore not included on Schedule M-3, Part I, line 4.

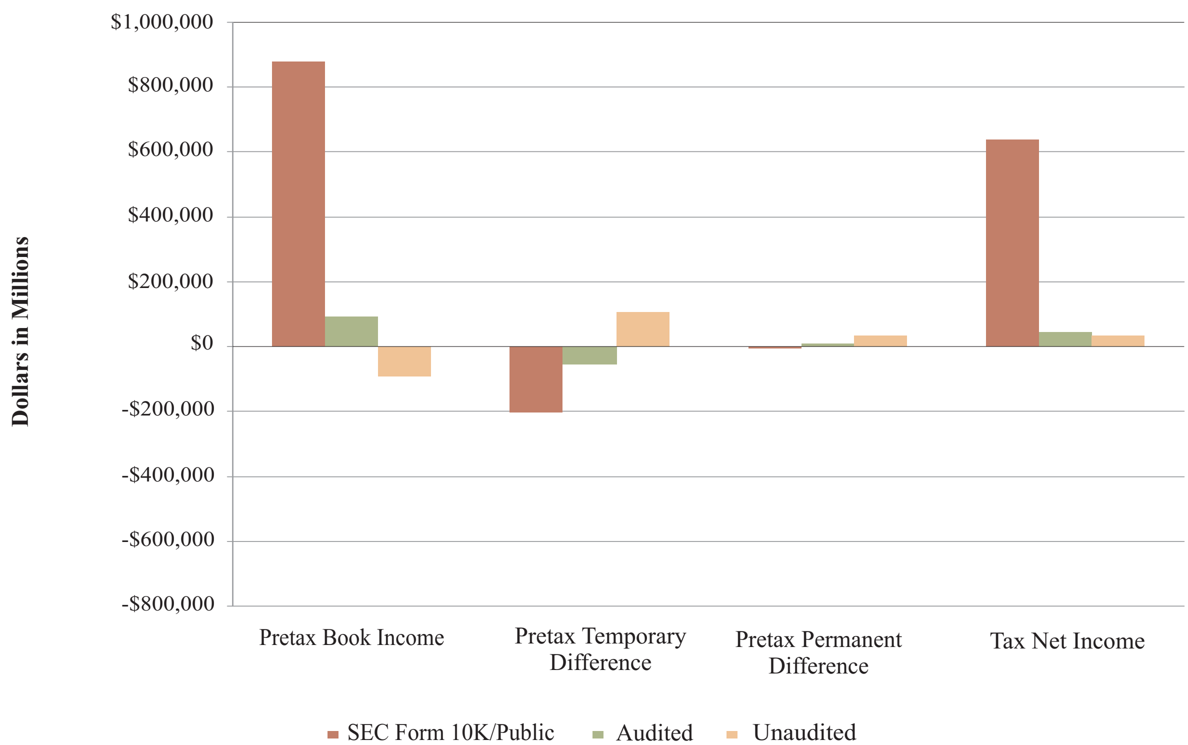
[31]Those adjustments include the restoration of specific dividends, minority interests, and equity method income eliminated in the consolidation for worldwide consolidated financial statements income.

[32]These adjustments include adjustments required between GAAP and statutory accounting when subsidiaries are insurance companies.

[33]Book income on Schedule M-3, Part I, line 11 is the book anchor for the Schedule M-3 book-to-tax reconciliation in Parts II and III. Tax net income on Form 1120, page 1, line 28 is the tax anchor.

[34]For our analysis, consistent with the book-tax difference literature since Talisman (2000), we adjust book income to pretax book income by reversing the recognition of federal income tax expense (reported on Schedule M-3, Part III, lines 1 and 2) and calculate book-tax differences as pretax differences. The adjustment of book income to pretax book income permits a consistent comparison with tax return income. *See* our discussion of pretax income, book-tax differences, and signs in Section II.C.

Figure 1B. 2011 U.S. Corp. Schedule M-3: Pretax Book Income to Tax Net Income



income. A positive book-tax difference increases tax net income compared with pretax book income.

The net temporary book-tax difference is -$202,588 million for SEC Form 10K/public, -$54,477 million for audited, and $106,629 million for unaudited. The net permanent book-tax difference is -$5,315 million for SEC Form 10K/public, $9,707 million for audited, and $32,416 million for unaudited.

Not shown are the adjustments to Form 1120, page 1, line 4 dividend income and line 28 tax net income made by SOI to remove intercompany dividends and the adjustment to correct other Form 1120, page 1 reporting errors affecting line 28 tax net income.[35]

Tax net income is the last item in Figure 1B and the first item in Figure 1C. It is $637,691 million for SEC Form 10K/public, $45,882 million for audited, and $32,300 million for unaudited.

The next item shown in Figure 1C is total positive tax net income — that is, the total tax net income of corporations not reporting a loss on Form 1120, page 1, line 28. Loss corporations are not subject to the regular corporate income tax. Positive tax net income is $776,399 million for SEC Form 10K/public, $117,093 million for audited, and $114,147 for unaudited.

Not shown in Figure 1C are[36]:

- the Form 1120, page 1, line 29a, net operating loss deduction using prior-year losses to reduce current taxable income;[37] and
- the adjustment for special deductions (dividend received deductions) on Form 1120, page 1, line 29b (which reduces taxable income).

The next item shown is Form 1120, page 1, line 30 taxable income. It is $700,876 million for SEC Form

[35]Data for 2006-2010 are reported in tables 1A through 1D of Boynton, DeFilippes, Legel, and Reum (2014). Some taxpayers improperly include intercompany dividend (ICD) in tax net income on Form 1120, page 1, line 28, the reconciliation target for Schedule M-3. The taxpayer then removes the same ICD amount as a 100 percent dividends received deduction on line 29b so that it does not increase final income subject to tax on line 30. On the SOI corporate file, SOI removes all ICD that it identifies from Form 1120 data, including from page 1, line 28, regardless of whether the tax consolidation group contains an insurance company subsidiary. *See* the discussion of the history of ICD editing by SOI for 1990-2003 tax years in Boynton, DeFilippes, and Legel (2005 and 2006a); and Boynton, DeFilippes, Legel, and Reum (2011 and 2014). Note that changes on

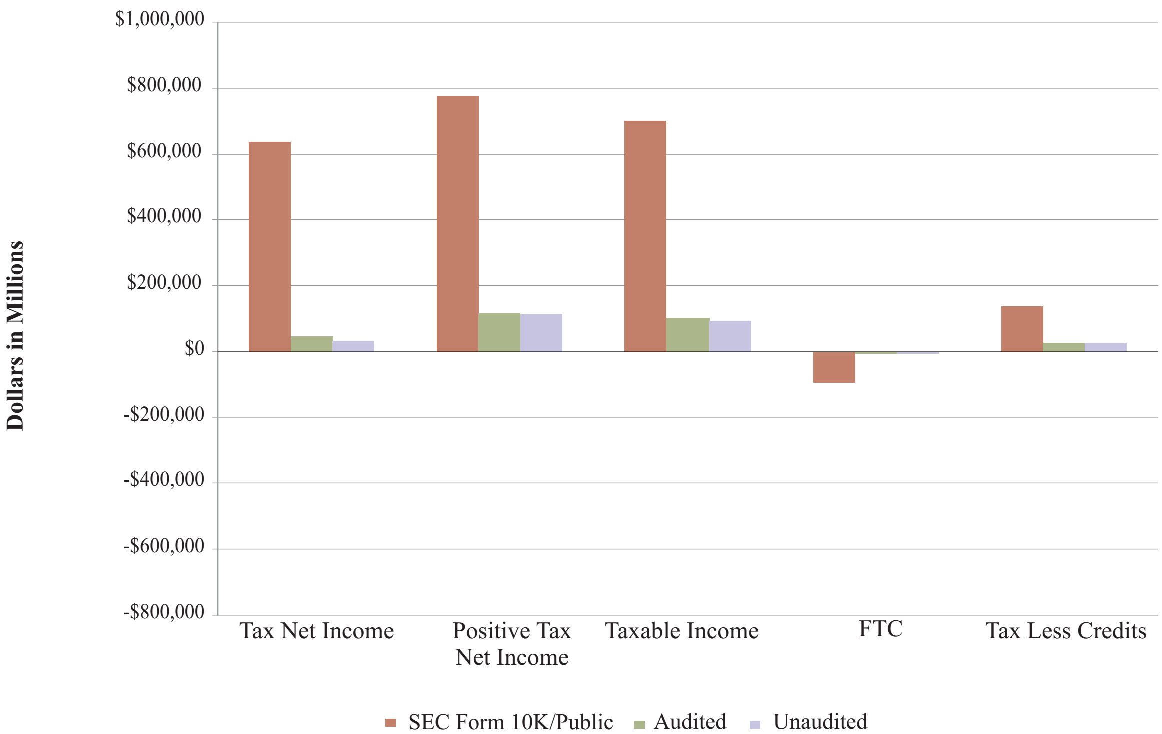
(Footnote continued in next column.)

the SOI corporate file do not change the amounts on the tax return and do not affect IRS audits (or lack of audits) for corporate tax returns.

[36]Data for 2006-2010 for all the items are reported in tables 1A through 1D of Boynton, DeFilippes, Legel, and Reum (2014).

[37]The adjustment for the NOL deduction would be shown as negative because the adjustment reduces taxable income.

Figure 1C. 2011 U.S. Corp. Schedule M-3: Tax Net Income to Tax Less Credits



10K/public, $101,086 million for audited, and $92,590 million for unaudited.

Not shown is U.S. federal corporate income tax before credits.[38]

The next-to-last item shown is foreign tax credits of -$104,882 million for all corporations, -$94,412 million for SEC Form 10K/public, -$5,769 million for audited, and -$4,701 million for unaudited.[39]

Missing from Figure 1C are adjustments for the general business credit and other credits reducing taxes due.[40]

In Figure 1C, the last item is tax less credits of $137,090 million for SEC Form 10K/public, $27,160 million for audited, and $26,506 million for unaudited.

Figure 2 expands on the 2011 analysis of pretax book income to tax net income first shown in Figure 1B and its focus on the corporations with $100 million or more in assets — that is, the study population potentially subject to filing Schedule UTP for 2011. Figure 2 and tables 1A and 1B present data for Schedule UTP filers and nonfilers by financial statement type.

Tables 1A and 1B present distribution table data for 2011 for the 41,636 corporations in this study with rows for asset size, financial statement type, return type, and the presence or absence of Schedule UTP.[41] The columns are key tax return and Schedule M-3 variables. For Table 1A, they are: number of returns, Schedule L total assets, worldwide income, nonincludable foreign income, pretax book income, and tax net income. For Table 1B, they are: pretax temporary book-tax difference; pretax permanent book-tax difference; positive tax net income, taxable income, FTC, and U.S. corporate income tax less credits.[42]

Tables 1A and 1B have two columns of percentages following each amount, giving first the percentage of the total for all 41,636 corporations represented by that row amount, and second the

[38]Data for 2006-2010 are reported in tables 1A through 1D of Boynton, DeFilippes, Legel, and Reum (2014).

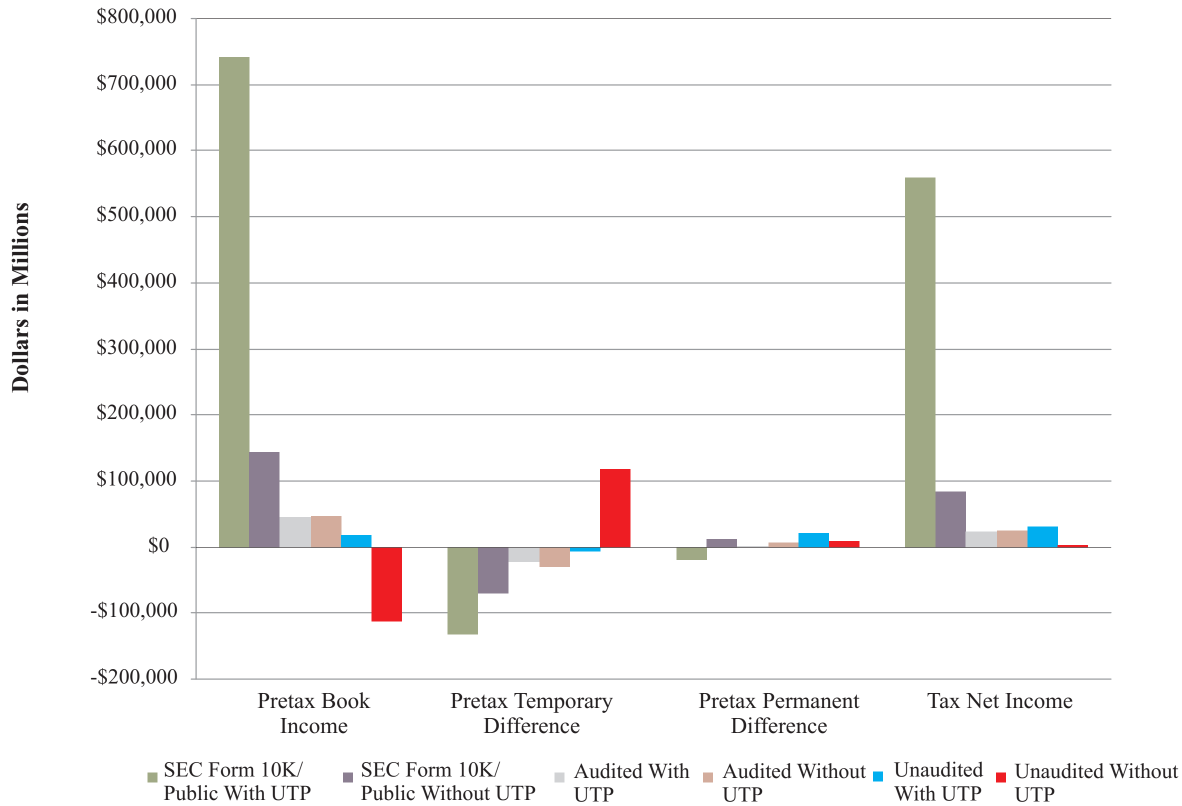
[39]The adjustment for FTC is shown as negative because the adjustment reduces the U.S. income tax that is owed. FTC reduces U.S. income taxes, within limits, for income taxes paid to foreign countries on income earned outside the United States but included in U.S. taxable income.

[40]Data for 2006-2010 are reported in tables 1A through 1D of Boynton, DeFilippes, Legel, and Reum (2014).

[41]*See* Sections III.A, III.B, V.A to V.D, and tables 2A, 2B, 4, 5, and 6 for additional data on Schedule UTP filers and nonfilers.

[42]Nonincludable foreign income is shown as negative in Table 1A because it is the foreign income that must be removed from worldwide income in determining book income for the U.S. tax consolidated group. FTC is shown as negative in Table 1B because it reduces the U.S. income tax that is owed.

Figure 2. 2011 U.S. Corp. Schedule M-3: Pretax Book Income to Tax Net Income: FS Type by UTP Status



percentage of the total for the subgroup of rows in which the row is included, represented by that row amount.

The data in tables 1A and 1B highlight the relative importance to the U.S. corporate tax system of very large corporations, corporations that are publicly held and file with the SEC, and so-called mixed groups (tax consolidated groups with a noninsurance parent and one or more insurance subsidiaries). The study data for 2011 include 41,636 corporations that file Schedule M-3, including 12,307 corporations (30 percent) with total assets of $100 million or more that are potentially subject to filing Schedule UTP.

The 2,751 corporations (7 percent) with $1 billion or more in assets report 92 percent of the assets, 95 percent of the worldwide income, 97 percent of the nonincludable foreign income, 95 percent of pretax book income, 82 percent of the net negative (tax-income-reducing) temporary book-tax differences, 70 percent of the net positive permanent book-tax differences, and 83 percent of the tax less credits for the 41,636 corporations. The 4,488 corporations (11 percent) with SEC Form 10K/public financial statements report 74 percent of the assets, 106 percent of the worldwide income, 96 percent of the nonincludable foreign income, 100 percent of pretax income, 135 percent of the net negative temporary book-tax differences, net negative permanent book-tax differences equal to -14 percent of the aggregate net positive permanent book-tax differences, and 72 percent of the tax less credits. The 420 corporations (1 percent) that are mixed groups report 46 percent of the assets, 32 percent of the worldwide income, 55 percent of the nonincludable foreign income, 31 percent of pretax book income, net positive temporary book-tax differences equal to -30 percent of the aggregate net negative temporary book-tax differences, net negative permanent book-tax differences equal to -82 percent of the aggregate net positive permanent book-tax differences, and 31 percent of the tax less credits.

In contrast with the above, the 24,012 corporations (58 percent) with assets of $10 million or more but less than $50 million report only 1 percent of total assets, an aggregate financial statement net loss representing less than 1 percent of worldwide income, and 3 percent of tax less credits.[43] The 5,317 corporations (13 percent) with assets of $50 million

[43]Effective for tax years ending December 31, 2014, and later, corporations and partnerships with $10 million or more in assets but less than $50 million in assets and those partnerships with less than $10 million in assets required to file Schedule M-3

(Footnote continued on next page.)

or more but less than $100 million report only 1 percent of total assets, an aggregate financial statement net profit representing less than 1 percent of worldwide income, and 2 percent of tax less credits. Corporations with assets of $50 million or more but less than $100 million are potentially subject to filing Schedule UTP starting in 2012. Corporations with assets of $10 million or more but less than $50 million are potentially subject to filing Schedule UTP starting in 2014.

The 12,307 corporations (30 percent) with assets of $100 million or more in 2011 are potentially required to file Schedule UTP. They report 98 percent of assets, approximately 100 percent of net aggregate worldwide income, 99 percent of the nonincludable foreign income, approximately 100 percent of net aggregate pretax book income, 95 percent of the net negative temporary book-tax differences, 90 percent of the net positive permanent book-tax differences, and 95 percent of tax less credits for the 41,636 corporations.

The 2,074 corporations (5 percent) with assets of $100 million or more that filed Schedule UTP report 70 percent of assets, 94 percent of worldwide income, 90 percent of the nonincludable foreign income, 91 percent of pretax book income, 108 percent of the net negative (tax-income-reducing) temporary book-tax differences, 12 percent of the net positive (tax-income-increasing) permanent book-tax differences, and 66 percent of tax less credits for the 41,636 corporations.

In contrast, the 10,233 corporations (25 percent) with assets of $100 million or more that did not file Schedule UTP (were not required to file or failed to file) report 28 percent of assets, 6 percent of worldwide income, 9 percent of nonincludable foreign income, 9 percent of the pretax book income, net positive temporary book-tax differences equal to -12 percent of the net negative temporary book-tax differences, 77 percent of the net positive permanent book-tax differences, and 29 percent of tax less credits for the 41,636 corporations.

B. By Industry and UTP Status

Tables 2A and 2B present distribution table data for 2011, with rows for 19 major industries and Schedule UTP filing status for 12,307 corporations with $100 million or more in assets.[44] The columns are key tax return and Schedule M-3 variables: number of returns, Schedule L total assets, worldwide income, nonincludable foreign income, pretax book income, pretax temporary book-tax difference, pretax permanent book-tax difference, and U.S. corporate income tax less credits.[45] Subtotals are presented for manufacturing, finance/holding, and other.[46]

Tables 2A and 2B have two columns of percentages following each row amount, giving first, the percentage of the total for all 12,307 corporations represented by that row amount, and second, the percentage of the total for the industry within which the row is included, represented by that row amount.

The rate of filing Schedule UTP by the 12,307 corporations with assets of $100 million or more differs greatly by industry. In manufacturing, 908 (34 percent) file Schedule UTP and 1,802 (66 percent) do not. In finance/holding, 189 (4 percent) file and 4,678 (96 percent) do not. In other, 976 (21 percent) file and 3,753 (79 percent) do not.

The 908 manufacturing corporations filing Schedule UTP report 18 percent of assets for the 12,307 corporations with $100 million or more in assets, 54 percent of the worldwide income, 69 percent of nonincludable foreign income, 44 percent of pretax book income, 28 percent of the net negative temporary book-tax differences, 44 percent of the net positive permanent book-tax differences, and 28 percent of the tax less credits. In contrast, the 1,802 manufacturing corporations that do not file Schedule UTP report 9 percent of the worldwide income of the 12,307 corporations, 6 percent of the foreign nonincludable income, and 13 percent of the net negative permanent book-tax differences.

The 189 finance/holding corporations filing Schedule UTP report a disproportionate 41 percent of assets for the 12,307 corporations with assets of $100 million or more but only 12 percent of tax less

would be permitted to file Schedule M-3, Part I, and to file Schedule M-1 in place of Schedule M-3, Parts II and III, if they so choose.

[44]The industries listed in tables 2A-2B are listed in SOI publications in the following industries, major codes, and sector codes: Petroleum Refineries: Ind. 324110; Pharmaceuticals: Ind. 325410; Computers/Electronics: Major code 334; Electrical Equipment: Major code 335; Transportation Equipment: Major code 336; Fabricated Metal and Machinery: Major codes 332 and 333; Food/Beverage Mfg: Major codes 311 and 312; Other Manufacturing: Major codes 313, 315, 316, 321, 322, 323, 325, 326, 327, 331, 337, 339, and Ind. 325125; Non-Bank Holding Company: Ind. 551112; Bank and Bank Holding Company: Ind. 551111, and Major code 521; Securities/Commodities: Major code 523; Other Financial: Major codes 522, 524, 525, and Sector code 53; Trade: Sector code 41; (N) Information: Sector code 51; Utilities: Sector code 22; Transport/Warehousing: Sector code 48; Mining: Sector code 21; Construction: Sector code 23; and Service/Agriculture/Other: the remainder of the industries not listed above.

(Footnote continued in next column.)

[45]Nonincludable foreign income is shown as negative in Table 2A because it is the foreign income that must be removed from worldwide income in determining book income for the U.S. tax consolidated group.

[46]*See* Sections III.A, III.B, V.A to V.D, and tables 1A, 1B, 4, 5, and 6 for additional data on Schedule UTP filers and nonfilers.

credits, 10 percent of worldwide income, 5 percent of nonincludable foreign income, 16 percent of pretax book income, 6 percent of net negative (tax-income-reducing) temporary book-tax differences, and -87 percent of net negative permanent book-tax differences.

The 976 other non-manufacturing, nonfinancial corporations filing Schedule UTP report 8 percent of the assets for the 12,307 corporations, 13 percent of worldwide income, 29 percent of nonincludable foreign income, 30 percent of pretax book income, 30 percent of tax less credits, 78 percent of net negative temporary book-tax differences, and net positive (tax-income-increasing) permanent book-tax differences equal to 56 percent of the net positive permanent book-tax differences of the 12,307 corporations.

IV. 2010 and 2011 Adjusted Mini M-3

A. Mini M-3: Specified Versus Other Lines

The ''other with difference'' lines on Schedule M-3 with book-tax differences are Part II, line 25 and Part III, line 37. The ''other with no difference'' line is Part II, line 28. In two prior studies in this series, we noted both the large dollar magnitude of the book income, tax income, and book-tax difference amounts reported on the ''other with difference'' lines and the documentation problems found on the lines.[47]

We use a Mini M-3 format to compare the aggregate amounts reported on the Schedule M-3, Parts II and III, ''other with difference'' or ''other with no difference'' lines with the aggregate amounts reported on the Schedule M-3, Parts II and III, ''specified'' lines — that is, the lines with specific captions.[48]

A Schedule M-3 COGS adjustment discussed in the next section is used to remove the cost of securities, commodity contracts, and other financial products reported in COGS by some corporations and to reconcile the COGS amount reported by the SOI corporate data file. The Mini M-3 format also makes related special adjustments to ''other income with difference'' and ''other items with no difference'' lines and separates the ''adjusted other items with no difference'' line into ''other income with no difference'' and ''other expense/deduction with no difference'' lines.

After making the data adjustments, the Mini M-3 format has 10 categories of ''specified'' lines, ''other with difference'' or ''other with no difference'' lines, and subtotals or totals[49]:

- other income with no difference (Part II, line 28 adjusted) (gross receipts);
- COGS (Part II, line 17 adjusted);
- adjusted gross profit;
- specified income (Part II, lines 1-16, 18-24, and 29a-29c);
- other income with difference (Part II, line 25 adjusted);
- adjusted total income;
- specified expense/deduction (Part III, lines 3-36);[50]
- other expense/deduction with difference (Part III, line 37);
- other expense/deduction with no difference (an adjustment to Part II, line 28); and
- pretax book income.

We use the adjusted total book income amount as a common-size scaling factor and compare percentages of adjusted total book income to remove or minimize the impact of differences in the size of corporations from our analysis. Also, in comparing the Schedule M-3 characteristics of Schedule UTP filers and nonfilers for the three financial statement types, total pretax income book-tax difference is expressed as a percentage of total pretax book income.

B. COGS and Other Adjustments

We make a Schedule M-3 COGS adjustment for the Mini M-3. The adjustment reconciles the Schedule M-3 COGS tax income amount with Form 1120, page 1, line 2 COGS reported by SOI for the corporations in our study. SOI removes the cost of securities, commodity contracts, and other financial products reported in Form 1120, page 1, line 2

[47]For discussions of the ''other with difference'' documentation by large taxpayers in 2005 and 2007, see Boynton, DeFilippes, and Legel (2008); and Boynton, DeFilippes, Legel, and Reum (2011).

[48]Amounts reported on the ''other with difference'' lines require attached documentation. The documentation must separately state and adequately disclose the book-tax difference for the line. The ''other items with no difference'' line has no documentation. Reporting on the ''other with difference'' lines is similar to but more detailed than reporting on Schedule M-1. Both allow descriptions determined by the taxpayer. Schedule M-1 requires only a description and a book-tax difference. Schedule M-3 requires a description, a book income amount, a temporary book-tax difference amount, a permanent book-tax difference amount, and a tax income amount.

[49]In tables 4, 5, and 6, we omit the data for ''adjusted other income with no difference'' and adjusted COGS and start the table data with adjusted gross profit to save space. All book-tax differences in adjusted gross profit are from adjusted COGS. The adjustments we make to COGS are made equally to the unadjusted book amount and tax amount and have no effect on the book-tax differences.

[50]We exclude federal income tax expense reported on Schedule M-3, Part III, lines 1 and 2 from our pretax analysis. *See* our discussion of pretax income and book-tax differences in Section II.C.

COGS.[51] We make the equal adjustments to Part II, line 17 COGS book income and tax income, with the result that COGS book-tax differences are unchanged. SOI also makes adjustments to Form 1120, page 1, line 1 gross receipts to match the amounts SOI removes from COGS. We match our COGS adjustments with adjustments to other income with difference and to other items with no difference. We also separate the adjusted other items with no difference into other income with no difference and other expense/deduction with no difference.[52]

SOI has adjusted Form 1120, page 1, line 1 gross receipts and line 2 COGS, Schedule A COGS, and Schedule L inventory amounts since the 1980s to remove the cost of securities and commodities transactions. SOI-adjusted COGS, gross receipts, and inventory amounts are used by the Bureau of Economic Analysis for national income accounts. At the OTA's request, SOI has not adjusted Schedule M-3 data since its introduction in 2004.

We wish to develop a consistent Schedule M-3 measure of total book income before expenses to scale or common-size book income and tax income components and book expense and tax deduction components for different size corporations. Adopting the SOI adjustments to COGS and gross receipts facilitates the development of a consistent measure of total income applicable to different size corporations.[53]

As shown in Table 3, we adjust 2011 Schedule M-3 COGS by approximately $41 trillion to agree with the SOI Form 1120, page 1, line 2 COGS. In doing so, we need to determine where on Schedule M-3 to make the matching gross receipts adjustment. Using 2010 data, we developed a rule to allocate the matching gross receipts reduction between Schedule M-3, Part II, line 25 other income with difference and line 28 other items without difference. We verified our rule on the 2010 data using the top 25 returns which, for 2010, accounted for 99 percent of the aggregate adjustment of approximately $32 trillion.[54] Also, for 2011, we compare the Form 1120, page 1, line 27 total deduction amount with the total Part III deduction amount carried over to Part II as reported on Part II, line 27, column (d) to determine the ''total deductions with no difference'' amount currently included in Part II, line 28 other items with no difference. The amounts of the four adjustments are shown in Table 3.[55]

Of the 41,636 Schedule M-3 returns in our study for 2011, 25,078 reported COGS on Part II, line 17. The total COGS adjustment for 2011 is $41,308,853 million. The details of the adjustment are shown in Table 3 and Figure 3. The adjustments do not affect pretax net income and do not affect book-tax differences. Book-tax differences are unaffected by the COGS and other adjustments described in this section of the report because equal adjustments are made to book income and tax income amounts.

Table 3 shows the aggregate amounts of the three COGS adjustments and the one ''other expense/deduction with no difference'' adjustment for all corporations in our study and by financial statement type. The adjustments are largely to SEC Form 10K/public. The adjustments do not affect pretax net income or book-tax differences.

We use the adjusted book income and tax income amounts in our Mini M-3 analysis in Sections V.B through V.D and scale by adjusted total income book amount the sum of the ''adjusted other income with no difference,'' ''adjusted COGS,'' ''specified income,'' and ''adjusted other income with difference'' amounts.

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[51]Note that changes on the SOI corporate file do not change the amounts on the tax return and do not affect IRS audits (or lack of audits) for corporate tax returns.

[52]We have introduced adjustment lines into our 2010 Schedule M-3 ''First Look'' form tables to show the frequency of adjustment and the amounts needed to reconcile Schedule M-3, Part II, line 17 COGS to the SOI amount reported for Form 1120, page 1, line 2.

[53]Aggregate unadjusted book income and tax income reported on Schedule M-3, Part II, line 26 for all corporations are both negative because the large absolute amount of COGS for all corporations on Part II, line 17 exceeds the income reported on the ''specified income'' lines and the ''other income with difference'' lines combined. A majority of gross receipts are reported on Part II, line 28, ''other items with no difference.''

[54]*See* Boynton, DeFilippes, Legel, and Reum (2014).

[55]Our allocation rule:

ADJ COGS1 and ADJ COGS2: If the absolute value of P2L17 column D COGS is greater than Form 1120, page 1, line 2 COGS, the excess difference is the COGS adjustment and the matching gross receipts adjustment. The adjustments reduce the absolute magnitude of P2L17, P2L25, and P2L28.

ADJ COGS1: The gross receipts adjustment is applied to P2L25 other income with difference if P2L25D other income with difference is greater than P2L28D other income without difference AND P2L25D is greater than 80 percent of the gross receipts adjustment

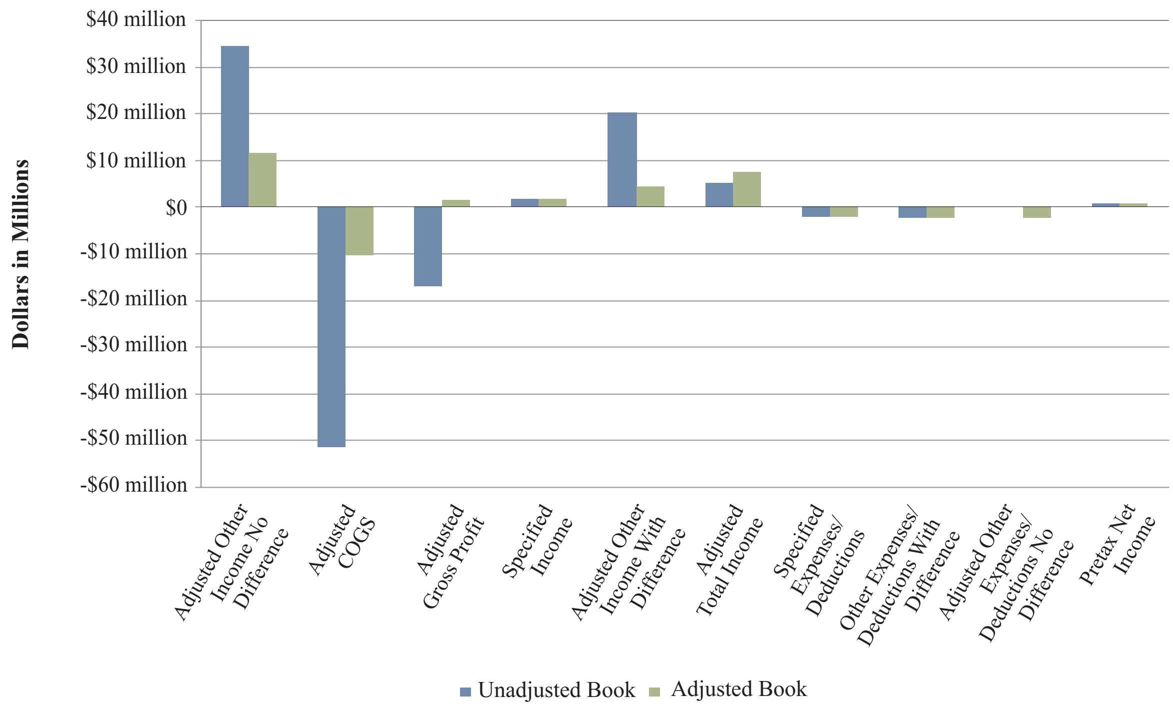
ELSE use

ADJ COGS2: The gross receipts adjustment goes to P2L28 other income without difference.

ADJ COGS3: If the absolute value of P2L17 column (d) COGS is less than 1120, page 1, line 2 COGS, the adjustment is an increase to P2L17 and P2L28 in absolute magnitude.

ADJ EXPDED: We estimate expenses/deduction without differences as the amount if any by which Form 1120, page 1, line 27 total deductions exceed the absolute value of P2L27 column (d). We show it as an additional expense/deduction line and as an increase to P2L28. The adjusted P2L28 amount changes from ''other items without difference'' to ''other income without difference.''

Figure 3. 2011 Unadjusted and Adjusted Book Income Amounts



V. Analysis of Mini M-3

A. Mini M-3 by FS Type by UTP Status

Sections V.B through V.D, tables 4, 5, and 6, and figures 4, 5, and 6 present adjusted 2010 and 2011 data for adjusted gross profit, specified income, adjusted income with difference, adjusted total income, specified expense/deduction, other expense/deduction with difference, other expense deduction with no difference, and pretax book income for book income, tax income, and temporary and permanent book-tax difference amounts by financial statement type (SEC Form 10K/public, audited, and unaudited) further partitioned by the presence or absence of Schedule UTP.[56] The Mini M-3 formats in tables 4 through 6 do not show the ''adjusted income with no difference'' line and the ''adjusted COGS'' line but do show the ''adjusted gross profit'' line resulting from the two omitted lines.[57] All book-tax differences reported on the ''adjusted gross profit'' line are from the ''adjusted COGS'' line and, when relevant, are discussed as COGS book-tax differences.

The analysis of Schedule UTP filing status is limited to corporations in the study reporting total assets of $100 million or more, the total asset threshold in 2011 for Schedule UTP to potentially apply. Schedule UTP asks for relevant code sections and a concise description of issues, without dollar amounts, for the UTPs that affect the financial statement-reported U.S. federal income tax liabilities of specified corporations that issue or are included in audited financial statements.[58]

The first five data columns in tables 4 through 6 are book income, temporary difference, permanent difference, tax income, and total difference in millions of dollars. The next five columns express the first five columns as percentages of the book

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[56]The SAS computer code we use for indicating the presence or absence of UTP filing is as follows:

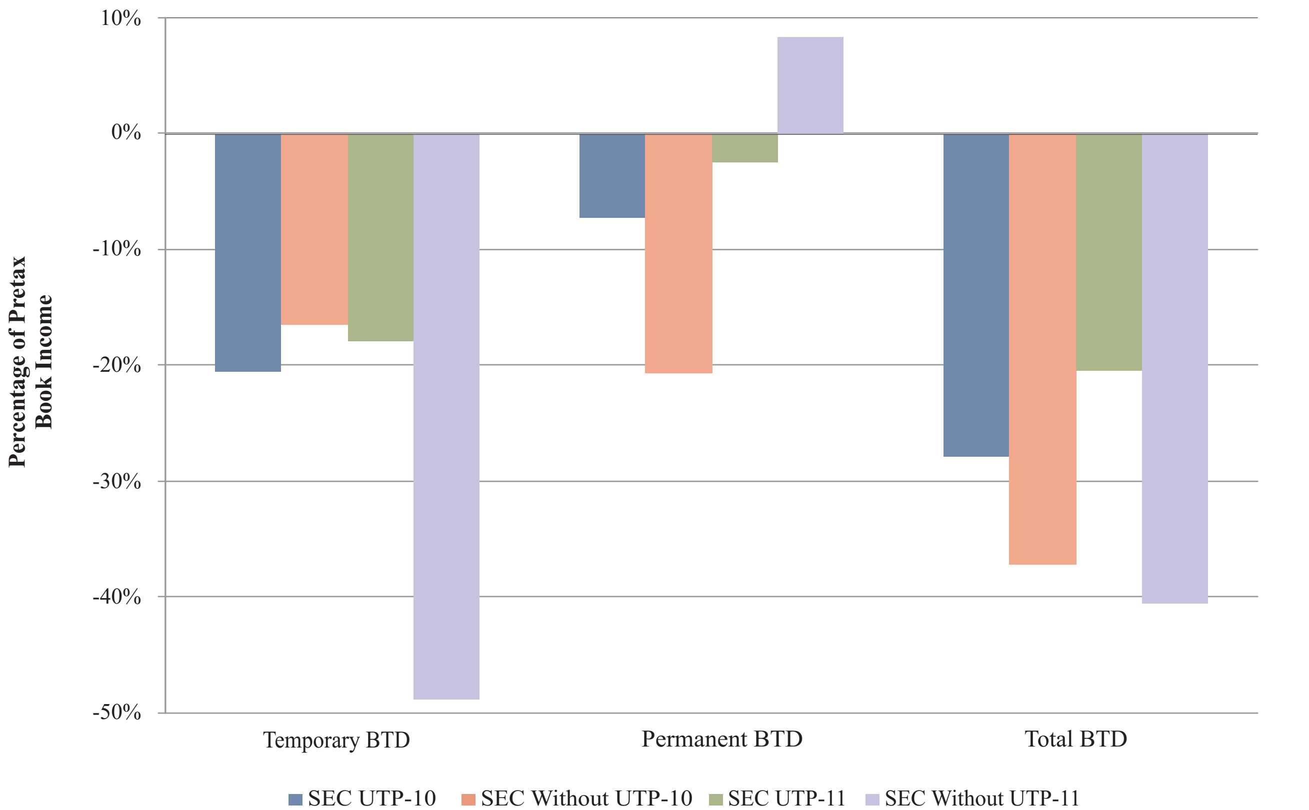
```
/*Flag any indication of UTP */
HAS_UTP = 0;
IF (SCHUTP_REQ_IND = 1) OR (SCHUTP_CD = 1) OR
(NUM_SCHUTP > 0) THEN HAS_UTP=1;
HAS_UTP3 = HAS_UTP;
IF TOT_ASSTS < 100000 THEN HAS_UTP3=0; /* if assets
under 100m */.
```

We are using UTP3, which does not recognize volunteer filings by corporations with total assets of less than $100 million.

[57]The data for the omitted ''adjusted income with no difference'' and ''adjusted COGS'' lines in tables 4, 5, and 6 are available on request.

[58]*See* Section II.B for a discussion of Schedule UTP requirements. *See* Section II.F for a reconciliation of the 2011 Schedule UTP count we present with the PAIR LB&I UTP Registry count. *See* Sections III.A, III.B, V.B to V.D, and tables 1A, 1B, 2A, and 2B for additional data on Schedule UTP filers.

Figure 4. 2010-2011 U.S. Corporation M-3: Book-Tax Difference as Percentage of Pretax Book for SEC Form 10K/Public FS by UTP Filing Status



amount of adjusted total income — our primary scaling factor to correct for the difference in size of the three financial statement types.[59] The final three columns express temporary difference, permanent difference, and total difference as percentages of pretax book income.

Tables 4 through 6 present the 2010-2011 Mini M-3 data for Schedule UTP filers and nonfilers for the three financial statement types: Table 4 for SEC Form 10K/public, Table 5 for audited, and Table 6 for unaudited.

Figures 4, 5, and 6 compare the 2010 and 2011 temporary book-tax differences, permanent book-tax differences, and total book-tax differences as a percentage of pretax book income for Schedule UTP filers and nonfilers: Figure 4 for SEC Form 10K/public, Figure 5 for audited, and Figure 6 for unaudited filers.

B. SEC Form 10K/Public Mini M-3

1. 2010. See the first panel of Table 4. Schedule UTP filers report, in aggregate, a relatively large negative temporary component for specified income book-tax difference (-2.99 percent) and a relatively large negative permanent component for other income with difference book-tax difference (-1.52 percent), contributing to a relatively large total pretax income negative book-tax difference (-4.97 percent) reducing tax income from pretax income book (pretax income book 17.88 percent to tax income 12.91 percent), a reduction of 27.8 percent.

See the second panel of Table 4. Schedule UTP nonfilers report, in aggregate, a relatively large positive temporary component for COGS (1.9 percent), a relatively large negative permanent component for specified-income book-tax difference (-3.46 percent), a relatively large negative temporary component for other income with difference book-tax difference (-2.89 percent), and a relatively large negative temporary component for specified expense/deduction book-tax difference (-1.94 percent), contributing to a relatively large total pretax

[59] As discussed in Sections IV.A and IV.B, we wish to develop a consistent Schedule M-3 measure of total book income before expenses to scale or common size book income and tax income components and book expense and tax deduction components for different size corporations. Adopting the SOI adjustments to COGS and gross receipts facilitates development of a consistent measure of total income applicable to different size corporations.

income negative book-tax difference (-6.23 percent) reducing tax income from pretax income book (pretax income book 16.75 percent to tax income 10.52 percent), a reduction of 37.2 percent.

See the last row of the first and second panels of Table 4, and see Figure 4. Although the pretax income negative book-tax difference of the UTP filers is larger in dollar magnitude than the pretax income negative book-tax difference of the nonfilers (UTP filers, -$190,970 million versus UTP nonfilers, -$84,546 million), the nonfiler negative book-tax difference as a percentage of pretax income book represents a greater tax income reduction (UTP filers 27.8 percent versus UTP nonfilers 37.2 percent).

2. 2011. See the third panel of Table 4. Schedule UTP filers report, in aggregate, a relatively large negative temporary component for specified income book-tax difference (-2.02 percent), contributing to a relatively large total pretax income negative book-tax difference (-3.64 percent) reducing tax income from pretax income book (pretax income book 17.82 percent to tax income 14.18 percent), a reduction of 20.4 percent.

See the fourth panel of Table 4. Schedule UTP nonfilers report, in aggregate, a relatively large negative temporary component for COGS (-1.54 percent) and a relatively large negative temporary component for specified expense/deduction book-tax difference (-3.74 percent), contributing to a relatively large total pretax income negative book-tax difference (-4.87 percent) reducing tax income from pretax income book (pretax income book 12.04 percent to tax income 7.17 percent), a reduction of 40.5 percent.

See the last row of the third and fourth panels of Table 4, and see Figure 4. Although the pretax income negative book-tax difference of the UTP filers is larger in dollar magnitude than the pretax income negative book-tax difference of the nonfilers (UTP filers -$151,180 million versus UTP nonfilers -$58,142 million), the nonfiler negative book-tax difference as a percentage of pretax income book represents a greater tax income reduction (UTP filers 20.4 percent versus UTP nonfilers 40.5 percent).

3. Conclusions: SEC Form 10K/Public. The requirements to file Schedule UTP in 2010 and 2011 identify a minority group of corporations with SEC Form 10K/public financial statements with $100 million or more in assets that have both UTPs and, in aggregate, reduce tax income with book-tax differences reported on Schedule M-3 (a 27.8 percent reduction in pretax book income for 2010 and a 20.4 percent reduction in 2011), but similar corporations in financial statement type and asset size not required to file Schedule UTP (or failing to file) reduce tax income with book-tax differences to a relatively greater extent (a 37.2 percent reduction in pretax income for 2010 and a 40.5 percent reduction in 2011). For 2010 and 2011, 31.7 percent and 36.4 percent, respectively, of the SEC Form 10K/public corporations filed Schedule UTP, while 68.3 percent and 63.6 percent, respectively, did not file a Schedule UTP. The conclusion for corporations with SEC Form 10K/public financial statements with $100 million or more in assets is that filing Schedule UTP does not identify the same tax compliance risks as reporting Schedule M-3 tax-income-decreasing book-tax differences. The further conclusion is that Schedule UTP supplements, but does not replace, Schedule M-3 for transparency and return selection for the minority of large corporations with SEC Form 10K/public financial statements that file Schedule UTP.

C. Audited Mini M-3

1. 2010. See the first panel of Table 5. Schedule UTP filers, in aggregate, report a relatively large positive temporary component for COGS book-tax difference (2.17 percent) reflected in the gross profit subtotal line, both a relatively large positive temporary component and a relatively large negative permanent component for specified income book-tax difference (temporary 1.67 percent and permanent -1.95 percent), a relatively large negative temporary component for other income with difference book-tax difference (-2.72 percent), a relatively large positive permanent component for specified expense/deduction book-tax difference (1.54 percent), and a relatively large positive temporary component for other expense/deduction with difference book-tax difference (3.51 percent), contributing to a relatively large total pretax income positive book-tax difference (3.63 percent) increasing tax income from pretax income book (pretax income book 5.58 percent to tax income 9.21 percent), an increase of 65.1 percent.

See the second panel of Table 5. Schedule UTP nonfilers, in aggregate, report a relatively large negative temporary component for specified expense/deduction book-tax difference (-1.61 percent), contributing to a relatively large total pretax income negative book-tax difference (-2.08 percent) reducing tax income from pretax income book (pretax income book 6.98 percent to tax income 4.9 percent), a reduction of 29.8 percent.

See the last row of the first and second panels of Table 5 and see Figure 5. The pretax income positive book-tax difference of the UTP filers is larger in dollar magnitude than the pretax income negative book-tax difference of the nonfilers (UTP filers, $14,406 million versus UTP nonfilers, -$12,621 million). The filer positive book-tax difference as a percentage of pretax income book represents a tax

Figure 5. 2010-2011 U.S. Corporation M-3: Book-Tax Difference as Percentage of Pretax Book for Audited FS by UTP Filing Status

income increase of 65.1 percent, while the nonfiler negative book-tax difference represents a tax income decrease of 29.8 percent.

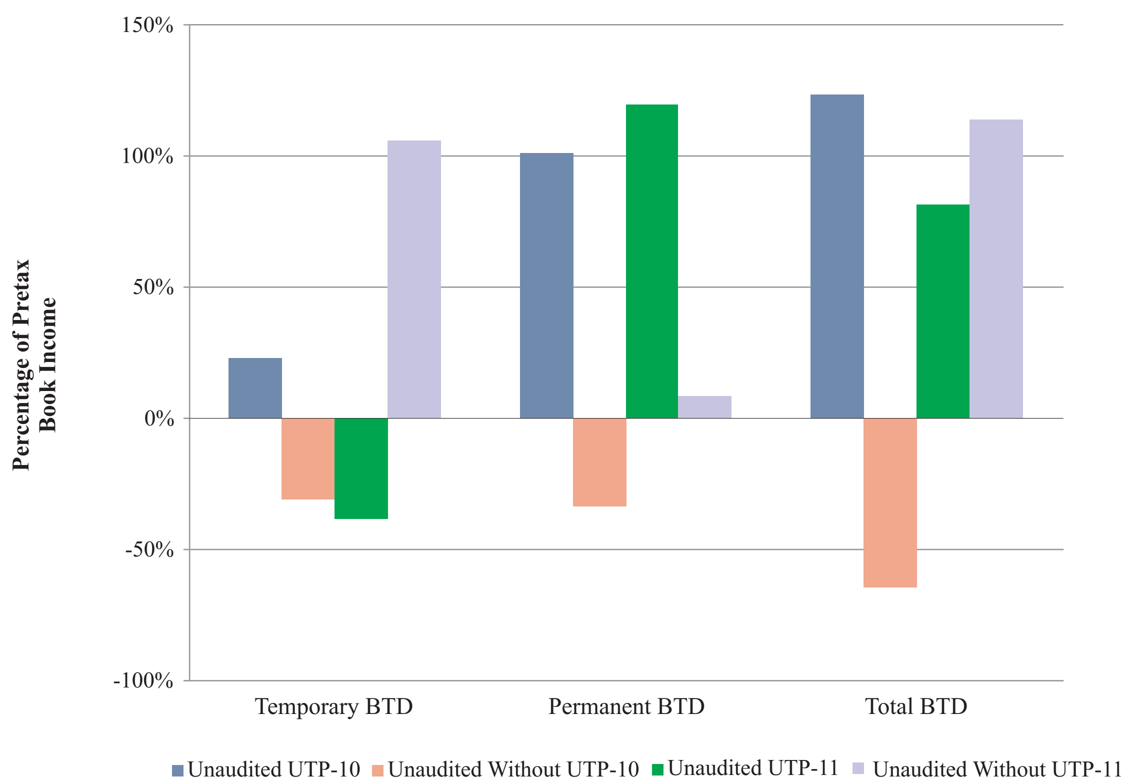
2. 2011. See the third panel of Table 5. Schedule UTP filers, in aggregate, report a relatively large positive temporary component for COGS book-tax difference (2.12 percent) reflected in the gross profit line, both a relatively large positive temporary component and a relatively large negative permanent component for specified income book-tax difference (temporary 1.57 percent and permanent -2.31 percent), a relatively large negative temporary component for other income with difference book-tax difference (-2.35 percent), and both a relatively large negative temporary component and a relatively large positive permanent component for specified expense/deduction book-tax difference (temporary -5.95 percent and permanent 2.3 percent), contributing to a relatively large total pretax income negative book-tax difference (-5.03 percent) decreasing tax income from pretax income book (pretax income book 10.72 percent to tax income 5.7 percent), a decrease of 46.9 percent.

See the fourth panel of Table 5. Schedule UTP nonfilers, in aggregate, report a relatively large negative temporary component for specified expense/deduction book-tax difference (-2.35 percent), contributing to a relatively large total pretax income negative book-tax difference (-3.67 percent) reducing tax income from pretax income book (pretax income book 7.73 percent to tax income 4.05 percent), a reduction of 47.6 percent.

See the last row of the third and fourth panels of Table 5 and see Figure 5. The pretax income negative book-tax difference of the UTP filers is smaller in dollar magnitude than the pretax income negative book-tax difference of the nonfilers (UTP filers -$20,909 million versus UTP nonfilers -$22,290 million). The filer negative book-tax difference as a percentage of pretax income book represents a tax income decrease of 46.9 percent, while the nonfiler negative book-tax difference represents a slightly larger tax income decrease of 47.6 percent.

3. Conclusions: Audited. The requirements to file Schedule UTP in 2010 identify a minority group of corporations with audited financial statements with total assets of $100 million or more that has UTPs and that, in aggregate, increases tax income with book-tax differences reported on Schedule M-3. (This group of taxpayers had a 65.1 percent increase to pretax book income.) For 2011, the requirements to file Schedule UTP identify a minority group of corporations with audited financial statements with total assets of $100 million or more that has UTPs

Figure 6. 2010-2011 U.S. Corporation M-3: Book-Tax Difference as Percentage of Pretax Book for Unaudited FS by UTP Filing Status



and, in aggregate, reduces tax income with book-tax differences reported on Schedule M-3 (a 46.9 percent reduction in pretax book income). Similar corporations in financial statement type and asset size not required to file Schedule UTP (or failing to file) reduce tax income with book-tax differences for both 2010 and 2011, respectively, to a relatively greater or same extent (a 29.8 percent reduction in pretax book income for 2010 and a 47.6 percent reduction in 2011). For 2010 and 2011, 9.4 percent and 9.9 percent, respectively, of the audited corporations filed Schedule UTP, while 90.6 percent and 90.1 percent, respectively, did not file a Schedule UTP. The conclusion for corporations with audited financial statements with $100 million or more in assets is that filing Schedule UTP does not identify the same tax compliance risks as reporting Schedule M-3 tax-income-decreasing book-tax differences. The further conclusion is that Schedule UTP supplements, but does not replace, Schedule M-3 for transparency and return selection for the minority of large corporations with audited financial statements that file Schedule UTP.

D. Unaudited Mini M-3

1. 2010. See the first panel of Table 6. Schedule UTP filers, in aggregate, report both a relatively large positive temporary component and a relatively large positive permanent component for specified income book-tax difference (temporary 1.85 percent and permanent 3.66 percent) and a relatively large positive permanent component for specified expense/deduction book-tax difference (1.7 percent) contributing to a relatively large total pretax income positive book-tax difference (5.98 percent) increasing tax income from pretax income book (pretax income book 4.84 percent to tax income 10.81 percent), an increase of 123.6 percent.

See the second panel of Table 6. Schedule UTP nonfilers, in aggregate, report a relatively large negative permanent component for specified income book-tax difference (-3.74 percent) and a relatively large negative temporary component for specified expense/deduction book-tax difference (-1.86 percent) contributing to a relatively large total pretax income negative book-tax difference (-8.72 percent) reducing tax income from pretax income book (pretax income book 13.53 percent to tax income 4.81 percent), a reduction of 64.5 percent.

See the last row of the first and second panels of Table 6 and see Figure 6. The pretax income positive book-tax difference of the UTP filers is smaller in dollar magnitude than the pretax income negative book-tax difference of the nonfilers (UTP filers $17,939 million versus UTP nonfilers -$44,055 million). The filer positive book-tax difference as a percentage of pretax income book represents a tax income increase of 123.6 percent, while the nonfiler negative book-tax difference represents a tax income decrease of 64.5 percent.

2. 2011. See the third panel of Table 6. Schedule UTP filers, in aggregate, report a relatively large positive permanent component for specified income book-tax difference (4.13 percent), a relatively large negative temporary component for specified expense/deduction book-tax difference (-2.4 percent), and a relatively large positive permanent component for other expense/deduction with book-tax difference (1.58 percent) contributing to a relatively large total pretax income positive book-tax difference (4.57 percent) increasing tax income from pretax income book (pretax income book 5.63 percent to tax income 10.19 percent), an increase of 81.2 percent.

See the fourth panel of Table 6. Schedule UTP nonfilers, in aggregate, report a relatively large negative temporary component for specified expense/deduction book-tax difference (-2.87 percent) and a relatively large positive temporary component for other expense/deduction with book-tax difference (26.5 percent) contributing to a relatively large total pretax income positive book-tax difference (26.33 percent) increasing tax income from pretax income book (pretax income book -23.09 percent to tax income 3.23 percent), an increase of 114 percent of the absolute value of the loss.

See the last row of the third and fourth panels of Table 6 and see Figure 6. The pretax income positive book-tax difference of the UTP filers is smaller in dollar magnitude than the pretax income positive book-tax difference of the nonfilers (UTP filers $14,618 million versus UTP nonfilers $127,298 million). The filer positive book-tax difference as a percentage of pretax income book represents a tax income increase of 81.2 percent, while the nonfiler positive book-tax difference represents a tax income increase of 114 percent.

3. Conclusions: Unaudited. The requirements to file Schedule UTP in 2010 and 2011 identify a minority group of corporations with unaudited financial statements with total assets of $100 million or more that has UTPs and, in aggregate, increase tax income with book-tax differences reported on Schedule M-3 (this group of taxpayers had an increase in pretax book income of 123.6 percent for 2010 and 81.2 percent for 2011). Similar corporations in financial statement type and asset size not required to file Schedule UTP (or failing to file) reduce tax income with book-tax differences in 2010 to a relatively greater extent but not in 2011 (a reduction of pretax income of 64.5 percent for 2010 and an increase of 114 percent for 2011). For 2010 and 2011, 8 percent and 8.8 percent, respectively, of the unaudited corporations filed Schedule UTP, while 92 percent and 91.2 percent, respectively, did not file a Schedule UTP. The conclusion for corporations with unaudited financial statements with $100 million or more in assets is that filing Schedule UTP does not identify the same tax compliance risks as reporting Schedule M-3 tax-income-decreasing book-tax differences. The further conclusion is that Schedule UTP supplements, but does not replace, Schedule M-3 for transparency and return selection for the minority of large corporations with unaudited financial statements that file Schedule UTP.

E. General Conclusions

The study presents and compares 2010 and 2011 Schedule M-3 and Form 1120 tax return data profiles for Schedule UTP filers and nonfilers with $100 million or more in assets. It includes 12,044 corporations in 2010 and 12,307 corporations in 2011. In 2010 Schedule UTP filers decrease tax income using Schedule M-3 book-tax differences less, as a percentage of total pretax book income, than Schedule UTP nonfilers for all financial statement types (SEC Form 10K/public, audited, and unaudited). In 2011 Schedule UTP filers decrease tax income using book-tax differences less than Schedule UTP nonfilers for SEC Form 10K/public financial statements and decrease tax income no more than nonfilers for audited financial statements. The authors conclude that filing Schedule UTP does not identify the same tax compliance risks as reporting Schedule M-3 tax-income-decreasing book-tax differences. They also conclude that Schedules UTP and M-3 are complementary and not duplicative for tax compliance risk analysis. Only a minority of large corporations file Schedule UTP while all file Schedule M-3.

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(Tables appear on the following pages.)

Table 1A. 2011 U.S. Corporations Form 1120 Schedule M-3: Financial Statement Type by Asset Size by UTP Filing Status

D1: Financial Statement Type, Asset Size, Schedule UTP Filing Status (dollars in millions)		Returns			Schedule L Total Assets			Worldwide Income (Part I Ln 4)			Nonincludable Foreign Income			Pretax Book			Tax Net Income		
		Sum	Percentage	Percentage	Sum	Percentage	Percentage	Sum	Percentage	Percentage	Sum	Percentage	Percentage	Sum	Percentage	Percentage	Sum	Percentage	Percentage
All		41,636	100	100	51,095,020	100	100	820,641	100	100	-776,435	100	100	879,279	100	100	715,873	100	100
a SEC Form 10K/Public	_	4,488	11	11	37,697,048	74	74	867,248	106	106	-748,596	96	96	878,771	100	100	637,691	89	89
b Audited	_	17,298	42	42	6,354,953	12	12	63,688	8	8	-22,616	3	3	92,621	11	11	45,882	6	6
c Unaudited	_	19,850	48	48	7,043,018	14	14	-110,295	-13	-13	-5,223	1	1	-92,114	-10	-10	32,300	5	5
a 1120 Consol	_	19,485	47	47	20,243,234	40	40	556,127	68	68	-334,930	43	43	613,912	70	70	242,821	34	34
b 1120 MixGrp	_	420	1	1	23,273,632	46	46	265,442	32	32	-427,122	55	55	269,238	31	31	233,126	33	33
c 1120 UnCons	_	21,732	52	52	7,578,153	15	15	-928	0	0	-14,383	2	2	-3,872	0	0	37,306	5	5
A ≥ $10 million < $50 million		24,012	58	58	524,047	1	1	-2,304	0	0	-7,086	1	1	-5,077	-1	-1	-5,918	-1	-1
A ≥ $50 million < $100 million		5,317	13	13	377,215	1	1	1,845	0	0	-1,271	0	0	2,323	0	0	68	0	0
A ≥ $100 million or more		12,307	30	30	50,193,759	98	98	821,100	100	100	-768,079	99	99	882,032	100	100	721,722	101	101
A ≥ $100 million or more with UTP	All	2,074	5	17	35,883,467	70	71	770,004	94	94	-695,826	90	91	803,216	91	91	611,598	85	85
	a SEC 10K/Public	1,227	3	10	31,349,918	61	62	732,811	89	89	-682,842	88	89	740,593	84	84	558,750	78	77
	b Audited	535	1	4	2,561,995	5	5	27,278	3	3	-11,768	2	2	44,613	5	5	22,246	3	3
	c Unaudited	311	1	3	1,971,553	4	4	9,915	1	1	-1,216	0	0	18,011	2	2	30,603	4	4
A ≥ $100 million or more without UTP	All	10,233	25	83	14,310,292	28	29	51,096	6	6	-72,253	9	9	78,816	9	9	110,124	15	15
	a SEC 10K/Public	2,143	5	17	6,300,624	12	13	138,890	17	17	-63,497	8	8	143,609	16	16	82,959	12	11
	b Audited	4,861	12	39	3,387,115	7	7	34,550	4	4	-9,136	1	1	46,867	5	5	24,116	3	3
	c Unaudited	3,229	8	26	4,622,553	9	9	-122,344	-15	-15	381	0	0	-111,659	-13	-13	3,049	0	0
A ≥ $1 billion or more		2,751	7	100	47,199,385	92	100	782,195	95	100	-753,264	97	100	833,436	95	100	687,664	96	100
A ≥ $1 billion or more with UTP	All	1,072	3	39	35,488,064	69	75	757,394	92	97	-689,080	89	91	791,482	90	95	599,656	84	87
	a SEC 10K/Public	748	2	27	31,148,090	61	66	723,340	88	92	-677,128	87	90	732,578	83	88	551,856	77	80
	b Audited	159	0	6	2,428,108	5	5	24,473	3	3	-10,914	1	1	41,776	5	5	18,277	3	3
	c Unaudited	165	0	6	1,911,866	4	4	9,581	1	1	-1,038	0	0	17,128	2	2	29,524	4	4
A ≥ $1 billion or more without UTP	All	1,679	4	61	11,711,321	23	25	24,801	3	3	-64,184	8	9	41,954	5	5	88,008	12	13
	a SEC 10K/Public	803	2	29	5,761,870	11	12	128,041	16	16	-57,578	7	8	134,187	15	16	78,049	11	11
	b Audited	486	1	18	2,119,574	4	4	23,912	3	3	-7,671	1	1	29,668	3	4	12,925	2	2
	c Unaudited	390	1	14	3,829,877	7	8	-127,153	-15	-16	1,064	0	0	-121,901	-14	-15	-2,967	0	0
A ≥ $100 million but < $1 billion		9,556	23	100	2,994,374	6	100	38,905	5	100	-14,815	2	100	48,598	6	100	34,058	5	100
A ≥ $100 million but < $1 billion with UTP	All	1,002	2	10	395,403	1	13	12,610	2	32	-6,746	1	46	11,735	1	24	11,942	2	35
	a SEC 10K/Public	479	1	5	201,828	0	7	9,471	1	24	-5,714	1	39	8,015	1	16	6,894	1	20
	b Audited	376	1	4	133,887	0	4	2,805	0	7	-853	0	6	2,837	0	6	3,969	1	12
	c Unaudited	146	0	2	59,687	0	2	333	0	1	-179	0	1	883	0	2	1,079	0	3
C ≥ $100 million but < $1 billion without UTP	All	8,554	21	90	2,598,971	5	87	26,295	3	68	-8,069	1	54	36,863	4	76	22,116	3	65
	a SEC 10K/Public	1,340	3	14	538,754	1	18	10,849	1	28	-5,919	1	40	9,422	1	19	4,910	1	14
	b Audited	4,375	11	46	1,267,540	2	42	10,637	1	27	-1,466	0	10	17,199	2	35	11,190	2	33
	c Unaudited	2,839	7	30	792,677	2	26	4,808	1	12	-683	0	5	10,241	1	21	6,016	1	18

Table 1B. 2011 U.S. Corporations Form 1120 Schedule M-3: Financial Statement Type by Asset Size by UTP Filing Status

D1: Financial Statement Type, Asset Size, Schedule UTP Filing Status (dollars in millions)		Pretax Temporary Difference			Pretax Permanent Difference			Positive Tax Net Income			Taxable Income			Foreign Tax Credit			Tax Less Credits		
		Sum	Percentage	Percentage	Sum	Percentage	Percentage	Sum	Percentage	Percentage	Sum	Percentage	Percentage	Sum	Percentage	Percentage	Sum	Percentage	Percentage
All		-150,437	100	100	36,807	100	100	1,007,640	100	100	894,552	100	100	-104,882	100	100	190,756	100	100
a SEC 10K/Public	_	-202,588	135	135	-5,315	-14	-14	776,399	77	77	700,876	78	78	-94,412	90	90	137,090	72	72
b Audited	_	-54,477	36	36	9,707	26	26	117,093	12	12	101,086	11	11	-5,769	6	6	27,160	14	14
c Unaudited	_	106,629	-71	-71	32,416	88	88	114,147	11	11	92,590	10	10	-4,701	4	4	26,506	14	14
a 1120 Consol	_	-181,226	120	120	65,336	178	178	625,863	62	62	572,099	64	64	-74,762	71	71	118,008	62	62
b 1120 MixGrp	_	45,302	-30	-30	-30,037	-82	-82	326,410	32	32	276,774	31	31	-29,042	28	28	58,436	31	31
c 1120 UnCons	_	-14,513	10	10	1,508	4	4	55,367	5	5	45,679	5	5	-1,077	1	1	14,312	8	8
A ≥ $10 million < $50 million		-2,976	2	2	2,193	6	6	24,808	2	2	19,311	2	2	-181	0	0	6,246	3	3
A ≥ $50 million < $100 million		-3,812	3	3	1,571	4	4	14,900	1	1	11,617	1	1	-212	0	0	3,719	2	2
A ≥ $100 million or more		-143,648	95	95	33,043	90	90	967,931	96	96	863,623	97	97	-104,489	100	100	180,791	95	95
A ≥ $100 million or more with UTP	All	-162,003	108	113	4,532	12	14	716,857	71	74	647,420	72	75	-88,912	85	85	125,224	66	69
	a SEC 10K/Public	-132,785	88	92	-18,395	-50	-56	641,765	64	66	580,837	65	67	-83,242	79	80	108,995	57	60
	b Audited	-22,318	15	16	1,409	4	4	36,892	4	4	33,344	4	4	-4,125	4	4	6,914	4	4
	c Unaudited	-6,900	5	5	21,518	58	65	38,200	4	4	33,239	4	4	-1,545	1	1	9,314	5	5
A ≥ $100 million or more without UTP	All	18,355	-12	-13	28,511	77	86	251,074	25	26	216,203	24	25	-15,577	15	15	55,567	29	31
	a SEC 10K/Public	-70,126	47	49	11,984	33	36	132,598	13	14	118,866	13	14	-11,151	11	11	27,715	15	15
	b Audited	-29,565	20	21	7,275	20	22	61,420	6	6	52,610	6	6	-1,431	1	1	15,407	8	9
	c Unaudited	118,045	-78	-82	9,253	25	28	57,056	6	6	44,727	5	5	-2,994	3	3	12,446	7	7
A ≥ $1 billion or more		-122,932	82	100	25,746	70	100	874,480	87	100	785,617	88	100	-101,499	97	100	157,549	83	100
A ≥ $1 billion or more with UTP	All	-161,719	107	132	3,873	11	15	695,357	69	80	629,191	70	80	-87,966	84	87	120,283	63	76
	a SEC 10K/Public	-131,758	88	107	-18,340	-50	-71	629,053	62	72	570,242	64	73	-82,680	79	81	106,198	56	67
	b Audited	-22,631	15	18	585	2	2	30,702	3	4	27,839	3	4	-3,864	4	4	5,363	3	3
	c Unaudited	-7,330	5	6	21,627	59	84	35,602	4	4	31,109	3	4	-1,422	1	1	8,722	5	6
A ≥ $1 billion or more without UTP	All	38,787	-26	-32	21,873	59	85	179,123	18	20	156,426	17	20	-13,533	13	13	37,266	20	24
	a SEC 10K/Public	-64,688	43	53	10,745	29	42	114,920	11	13	104,321	12	13	-10,570	10	10	23,384	12	15
	b Audited	-21,117	14	17	4,612	13	18	30,698	3	4	26,278	3	3	-677	1	1	7,240	4	5
	c Unaudited	124,592	-83	-101	6,516	18	25	33,505	3	4	25,829	3	3	-2,286	2	2	6,643	3	4
A ≥ $100 million but < $1 billion		-20,718	14	100	7,297	20	100	93,452	9	100	78,007	9	100	-2,990	3	100	23,241	12	100
A ≥ $100 million but < $1 billion with UTP	All	-285	0	1	659	2	9	21,500	2	23	18,230	2	23	-946	1	32	4,940	3	21
	a SEC 10K/Public	-1,026	1	5	-56	0	-1	12,712	1	14	10,594	1	14	-563	1	19	2,797	1	12
	b Audited	312	0	-2	824	2	11	6,191	1	7	5,506	1	7	-260	0	9	1,550	1	7
	c Unaudited	430	0	-2	-110	0	-2	2,598	0	3	2,129	0	3	-123	0	4	592	0	3
C ≥ $100 million but < $1 billion without UTP	All	-20,433	14	99	6,638	18	91	71,952	7	77	59,777	7	77	-2,044	2	68	18,301	10	79
	a SEC 10K/Public	-5,438	4	26	1,238	3	17	17,677	2	19	14,545	2	19	-580	1	19	4,331	2	19
	b Audited	-8,447	6	41	2,662	7	36	30,722	3	33	26,332	3	34	-755	1	25	8,167	4	35
	c Unaudited	-6,547	4	32	2,738	7	38	23,551	2	25	18,899	2	24	-709	1	24	5,803	3	25

Table 2A. 2011 U.S. Corporations Form 1120 Schedule M-3: 19 Industries by Asset Size by UTP Filing Status

D24: 19 Key Industries by HAS_UTP3 for Corporation With Total Assets ≥ $100 Million		Returns			Schedule L Total Assets			Worldwide Income (Part I Ln 4)			Nonincludable Foreign Income		
		Sum	Percentage	Percentage	Sum	Percentage	Percentage	Sum	Percentage	Percentage	Sum	Percentage	Percentage
All, assets ≥ $100 million		12,307	100	100	50,193,759	100	100	821,100	100	100	-768,079	100	100
	No Schedule UTP	1,802	15	66	1,785,153	4	17	76,523	9	15	-45,477	6	8
i. Subtotal, manufacturing	Schedule UTP	908	7	34	8,937,084	18	83	445,044	54	85	-533,494	69	92
	No Schedule UTP	4,678	38	96	8,675,006	17	30	-106,974	-13	478	-1,310	0	3
n. Subtotal, financial	Schedule UTP	189	2	4	20,433,731	41	70	84,601	10	-378	-41,964	5	97
	No Schedule UTP	3,753	30	79	3,850,133	8	37	81,547	10	25	-25,466	3	17
y. Subtotal, other	Schedule UTP	976	8	21	6,512,652	13	63	240,359	29	75	-120,368	16	83
	No Schedule UTP	28	0	74	216,424	0	9	14,670	2	14	-5,276	1	7
a. Petroleum refineries	Schedule UTP	10	0	26	2,128,289	4	91	93,198	11	86	-71,301	9	93
	No Schedule UTP	58	0	49	27,936	0	3	569	0	1	5	0	0
b. Pharmaceuticals	Schedule UTP	60	0	51	1,002,631	2	97	52,041	6	99	-173,851	23	100
	No Schedule UTP	139	1	39	143,452	0	13	2,973	0	3	-2,157	0	2
c. Computers/electronics	Schedule UTP	216	2	61	953,745	2	87	95,375	12	97	-131,237	17	98
	No Schedule UTP	80	1	71	53,096	0	5	1,174	0	5	-1,751	0	6
d. Electrical equipment	Schedule UTP	32	0	29	947,861	2	95	20,725	3	95	-29,488	4	94
	No Schedule UTP	207	2	67	128,784	0	11	4,284	1	6	-2,734	0	13
e. Transportation equipment	Schedule UTP	100	1	33	1,079,082	2	89	64,991	8	94	-18,194	2	87
	No Schedule UTP	318	3	71	218,902	0	23	11,984	1	29	-8,881	1	28
f. Fabricated metal/machinery	Schedule UTP	128	1	29	715,079	1	77	29,159	4	71	-23,350	3	72
	No Schedule UTP	204	2	78	329,153	1	30	23,279	3	47	-13,613	2	32
g. Food/beverage manufacturing	Schedule UTP	57	0	22	760,280	2	70	26,637	3	53	-28,541	4	68
	No Schedule UTP	767	6	72	667,407	1	33	17,590	2	22	-11,070	1	16
h. Other manufacturing	Schedule UTP	305	2	28	1,350,116	3	67	62,918	8	78	-57,532	7	84
	No Schedule UTP	367	3	96	274,992	1	66	974	0	9	-1,482	0	12
j. Non-bank holding company	Schedule UTP	17	0	4	140,437	0	34	9,739	1	91	-10,427	1	88
	No Schedule UTP	3,288	27	98	4,907,807	10	32	22,754	3	29	-194	0	1
k. Bank (and bank holding company)	Schedule UTP	55	0	2	10,272,572	20	68	55,146	7	71	-16,088	2	99
	No Schedule UTP	241	2	84	2,651,577	5	42	-146,364	-18	118	5,297	-1	-172
l. Securities/commodities	Schedule UTP	47	0	16	3,628,474	7	58	22,321	3	-18	-8,374	1	272
	No Schedule UTP	782	6	92	840,631	2	12	15,662	2	120	-4,932	1	41
m. Other financial	Schedule UTP	70	1	8	6,392,248	13	88	-2,605	0	-20	-7,075	1	59
	No Schedule UTP	1,185	10	81	993,513	2	32	37,241	5	30	-8,586	1	15
o. Trade	Schedule UTP	283	2	19	2,083,899	4	68	85,452	10	70	-48,941	6	85
	No Schedule UTP	435	4	71	645,107	1	27	2,496	0	4	1,882	0	-5
p. Information	Schedule UTP	174	1	29	1,720,048	3	73	65,298	8	96	-36,984	5	105
	No Schedule UTP	161	1	73	438,640	1	27	7,299	1	21	-13	0	1
q. Utilities	Schedule UTP	59	0	27	1,172,245	2	73	27,427	3	79	-2,492	0	99
	No Schedule UTP	246	2	87	347,366	1	59	234	0	2	480	0	-48
r. Transport/warehousing	Schedule UTP	36	0	13	242,174	0	41	14,470	2	98	-1,490	0	148
	No Schedule UTP	329	3	90	584,648	1	61	25,048	3	48	-16,577	2	59
s. Mining	Schedule UTP	35	0	10	370,655	1	39	27,291	3	52	-11,431	1	41
	No Schedule UTP	182	1	89	112,250	0	70	-1,032	0	-251	-34	0	6
t. Construction	Schedule UTP	22	0	11	48,957	0	30	1,443	0	351	-546	0	94
	No Schedule UTP	1,214	10	77	728,608	1	45	10,262	1	35	-2,617	0	12
x. Services/agriculture/other	Schedule UTP	367	3	23	874,674	2	55	18,979	2	65	-18,484	2	88

Table 2B. 2011 U.S. Corporations Form 1120 Schedule M-3: 19 Industries by Asset Size by UTP Filing Status

D24: 19 Key Industries by HAS_UTP3 for Corporation With Total Assets ≥ $100 Million		Pretax Book			Pretax Temporary Difference			Pretax Permanent Difference			Tax Less Credits		
		Sum	Percentage	Percentage	Sum	Percentage	Percentage	Sum	Percentage	Percentage	Sum	Percentage	Percentage
All, assets ≥ $100 million		882,032	100	100	-143,648	100	100	33,043	100	100	180,791	100	100
i. Subtotal, manufacturing	No Schedule UTP	63,405	7	14	-19,334	13	32	2,475	7	14	13,878	8	22
	Schedule UTP	391,897	44	86	-40,367	28	68	14,658	44	86	50,125	28	78
n. Subtotal, financial	No Schedule UTP	-91,156	-10	-176	103,238	-72	110	4,089	12	-17	15,033	8	41
	Schedule UTP	142,824	16	276	-9,183	6	-10	-28,590	-87	117	21,202	12	59
y. Subtotal, other	No Schedule UTP	106,567	12	28	-65,550	46	37	21,948	66	54	26,656	15	33
	Schedule UTP	268,496	30	72	-112,453	78	63	18,463	56	46	53,896	30	67
a. Petroleum refineries	No Schedule UTP	14,723	2	12	-5,276	4	50	-580	-2	-4	1,488	1	21
	Schedule UTP	112,004	13	88	-5,197	4	50	16,779	51	104	5,759	3	79
b. Pharmaceuticals	No Schedule UTP	671	0	3	496	0	7	-52	0	0	383	0	5
	Schedule UTP	23,681	3	97	6,230	-4	93	14,943	45	100	7,748	4	95
c. Computers/electronics	No Schedule UTP	2,396	0	4	-2,501	2	18	1,248	4	-42	577	0	6
	Schedule UTP	63,091	7	96	-11,480	8	82	-4,218	-13	142	9,510	5	94
d. Electrical equipment	No Schedule UTP	356	0	1	-752	1	20	550	2	-13	323	0	27
	Schedule UTP	26,965	3	99	-2,920	2	80	-4,694	-14	113	884	0	73
e. Transportation equipment	No Schedule UTP	2,250	0	4	-1,968	1	9	439	1	-5	368	0	6
	Schedule UTP	58,572	7	96	-19,724	14	91	-8,586	-26	105	5,310	3	94
f. Fabricated metal/machinery	No Schedule UTP	8,452	1	25	-1,220	1	40	1,410	4	47	2,366	1	32
	Schedule UTP	24,756	3	75	-1,829	1	60	1,577	5	53	4,955	3	68
g. Food/beverage manufacturing	No Schedule UTP	19,653	2	45	-1,158	1	77	-2,521	-8	59	3,944	2	41
	Schedule UTP	23,634	3	55	-352	0	23	-1,724	-5	41	5,566	3	59
h. Other manufacturing	No Schedule UTP	14,904	2	20	-6,955	5	58	1,981	6	77	4,428	2	30
	Schedule UTP	59,194	7	80	-5,096	4	42	581	2	23	10,393	6	70
j. Non-bank holding company	No Schedule UTP	2,327	0	20	-3,503	2	46	5,244	16	32	2,195	1	54
	Schedule UTP	9,468	1	80	-4,038	3	54	11,051	33	68	1,895	1	46
k. Bank (and bank holding company)	No Schedule UTP	31,696	4	22	-10,897	8	158	-1,532	-5	3	7,453	4	47
	Schedule UTP	112,284	13	78	3,997	-3	-58	-44,778	-136	97	8,358	5	53
l. Securities/commodities	No Schedule UTP	-141,181	-16	115	131,491	-92	103	1,512	5	36	2,117	1	30
	Schedule UTP	18,829	2	-15	-3,597	3	-3	2,729	8	64	5,056	3	70
m. Other financial	No Schedule UTP	16,002	2	88	-13,853	10	71	-1,135	-3	-89	3,267	2	36
	Schedule UTP	2,242	0	12	-5,544	4	29	2,409	7	189	5,893	3	64
o. Trade	No Schedule UTP	49,379	6	32	-15,913	11	59	2,817	9	33	13,052	7	31
	Schedule UTP	105,265	12	68	-10,909	8	41	5,655	17	67	28,614	16	69
p. Information	No Schedule UTP	6,048	1	9	6,930	-5	-47	2,416	7	25	2,758	2	18
	Schedule UTP	62,704	7	91	-21,627	15	147	7,130	22	75	12,208	7	82
q. Utilities	No Schedule UTP	8,058	1	16	-15,636	11	23	-1,818	-6	19	330	0	34
	Schedule UTP	41,766	5	84	-53,348	37	77	-7,996	-24	81	652	0	66
r. Transport/warehousing	No Schedule UTP	2,075	0	9	-7,308	5	37	1,940	6	104	954	1	25
	Schedule UTP	20,337	2	91	-12,415	9	63	-83	0	-4	2,871	2	75
s. Mining	No Schedule UTP	28,581	3	54	-28,992	20	69	11,025	33	108	2,758	2	51
	Schedule UTP	24,749	3	46	-12,764	9	31	-818	-2	-8	2,630	1	49
t. Construction	No Schedule UTP	-833	0	-386	-1,561	1	98	176	1	29	464	0	52
	Schedule UTP	1,049	0	486	-29	0	2	423	1	71	427	0	48
x. Services/agriculture/other	No Schedule UTP	13,259	2	51	-3,069	2	69	5,391	16	28	6,339	4	49
	Schedule UTP	12,625	1	49	-1,360	1	31	14,152	43	72	6,494	4	51

Table 3. 2011 U.S. Corporation Form 1120 Schedule M-3: Cost of Goods Sold (COGS) Related Adjustments

$ Millions	Adjustments						
2011 All	**Unadjusted Book**	**Adjusted COGS1**	**Adjusted COGS2**	**Adjusted COGS3**	**Adjusted Expenses/ Deductions**	**Total Adjusted**	**Adjusted Book**
Other income no difference	34,488,365		-25,733,871	446,385	2,387,246	-22,900,240	11,588,124
COGS	-51,429,810	16,021,367	25,733,871	-446,385		41,308,853	-10,120,956
Gross profit	-16,941,445	16,021,367	0	0	2,387,246	18,408,613	1,467,168
Specified income	1,804,671					0	1,804,671
Other income with difference	20,340,377	-16,021,367				-16,021,367	4,319,010
Total income	5,203,603	0	0	0	2,387,246	2,387,246	7,590,849
Specified expenses/deductions	-2,098,946					0	-2,098,946
Other expenses/deductions with difference	-2,225,382					0	-2,225,382
Other expenses/deductions no difference	0				-2,387,246	-2,387,246	-2,387,246
Pretax net income	879,279	0	0	0	0	0	879,279
2011 SEC Form 10K/Public	**Unadjusted Book**	**Adjusted COGS1**	**Adjusted COGS2**	**Adjusted COGS3**	**Adjusted Expenses/ Deductions**	**Total Adjusted**	**Adjusted Book**
Other income no difference	29,167,653		-24,324,224	352,206	1,451,683	-22,520,335	6,647,319
COGS	-45,958,356	15,993,158	24,324,224	-352,206		39,965,176	-5,993,181
Gross profit	-16,790,703	15,993,158	0	0	1,451,683	17,444,841	654,138
Specified income	1,470,206					0	1,470,206
Other income with difference	19,240,058	-15,993,158				-15,993,158	3,246,900
Total income	3,919,561	0	0	0	1,451,683	1,451,683	5,371,244
Specified expenses/deductions	-1,564,368					0	-1,564,368
Other expenses/deductions with difference	-1,476,426					0	-1,476,426
Other expenses/deductions no difference	0				-1,451,683	-1,451,683	-1,451,683
Pretax net income	878,771	0	0	0	0	0	878,771
2011 Audited	**Unadjusted Book**	**Adjusted COGS1**	**Adjusted COGS2**	**Adjusted COGS3**	**Adjusted Expenses/ Deductions**	**Total Adjusted**	**Adjusted Book**
Other income no difference	2,823,328		-357,790	44,962	522,623	209,795	3,033,123
COGS	-2,999,792	10,505	357,790	-44,962		323,333	-2,676,459
Gross profit	-176,464	10,505	0	0	522,623	533,128	356,664
Specified income	185,016					0	185,016
Other income with difference	706,232	-10,505				-10,505	695,727
Total income	714,784	0	0	0	522,623	522,623	1,237,408
Specified expenses/deductions	-286,067					0	-286,067
Other expenses/deductions with difference	-336,096					0	-336,096
Other expenses/deductions no difference	0				-522,623	-522,623	-522,623
Pretax net income	92,621	0	0	0	0	0	92,621
2011 Unaudited	**Unadjusted Book**	**Adjusted COGS1**	**Adjusted COGS2**	**Adjusted COGS3**	**Adjusted Expenses/ Deductions**	**Total Adjusted**	**Adjusted Book**
Other income no difference	2,497,383		-1,051,857	49,216	412,940	-589,701	1,907,682
COGS	-2,471,661	17,704	1,051,857	-49,216		1,020,345	-1,451,317
Gross profit	25,722	17,704	0	0	412,940	430,644	456,365
Specified income	149,449					0	149,449
Other income with difference	394,086	-17,704				-17,704	376,383
Total income	569,257	0	0	0	412,940	412,940	982,197
Specified expenses/deductions	-248,510					0	-248,510
Other expenses/deductions with difference	-412,860					0	-412,860
Other expenses/deductions no difference	0				-412,940	-412,940	-412,940
Pretax net income	-92,114	0	0	0	0	0	-92,114

Table 4. 2010-2011: U.S. Corporation Form 1120 Schedule M-3: Mini M-3 by UTP Status: SEC Form 10K/Public FS: Assets $100 Million or More

Specified vs. Other by FS & UTP	$ in Millions					Percentage of Adjusted Total Income Book					Percentage of Pretax Book		
2010 SEC Form 10K/Public With UTP Filing	**Column A Book**	**Column B Temporary**	**Column C Permanent**	**Column D Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**	**Temporary**	**Permanent**	**Total Difference**
Adjusted gross profit	1,287,530	-24,531	3,891	1,266,891	-20,640	33.51	-0.64	0.10	32.98	-0.54	-3.6	0.6	-3.0
Specified income	1,289,815	-114,719	-13,349	1,161,754	-128,067	33.57	-2.99	-0.35	30.24	-3.33	-16.7	-1.9	-18.6
Adjusted other income with difference	1,264,432	3,583	-58,287	1,209,747	-54,704	32.91	0.09	-1.52	31.49	-1.42	0.5	-8.5	-8.0
Adjusted total income	3,841,778	-135,667	-67,745	3,638,392	-203,412	100.00	-3.53	-1.76	94.71	-5.29	-19.8	-9.9	-29.6
Specified expenses/deductions	-1,230,384	28,994	22,723	-1,178,676	51,718	-32.03	0.75	0.59	-30.68	1.35	4.2	3.3	7.5
Other expenses/deductions with difference	-978,950	-34,794	-4,483	-1,018,242	-39,276	-25.48	-0.91	-0.12	-26.50	-1.02	-5.1	-0.7	-5.7
Adjusted other expenses/deductions no difference	-945,641	0	0	-945,641	0	-24.61	0.00	0.00	-24.61	0.00	0.0	0.0	0.0
Pretax net income	686,803	-141,466	-49,504	495,833	-190,970	17.88	-3.68	-1.29	12.91	-4.97	-20.6	-7.2	-27.8
2010 SEC Form 10K/Public Without UTP Filing	**Column A Book**	**Column B Temporary**	**Column C Permanent**	**Column D Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**	**Temporary**	**Permanent**	**Total Difference**
Adjusted gross profit	624,083	25,810	-140	649,762	25,669	45.99	1.90	-0.01	47.88	1.89	11.4	-0.1	11.3
Specified income	147,010	15,562	-47,012	115,566	-31,450	10.83	1.15	-3.46	8.52	-2.32	6.8	-20.7	-13.8
Adjusted other income with difference	586,029	-39,252	-17,031	529,745	-56,283	43.18	-2.89	-1.25	39.03	-4.15	-17.3	-7.5	-24.8
Adjusted total income	1,357,122	2,120	-64,184	1,295,074	-62,065	100.00	0.16	-4.73	95.43	-4.57	0.9	-28.2	-27.3
Specified expenses/deductions	-338,353	-26,289	-140	-364,799	-26,429	-24.93	-1.94	-0.01	-26.88	-1.95	-11.6	-0.1	-11.6
Other expenses/deductions with difference	-377,011	-13,388	17,336	-373,063	3,948	-27.78	-0.99	1.28	-27.49	0.29	-5.9	7.6	1.7
Adjusted other expenses/deductions no difference	-414,425	0	0	-414,425	0	-30.54	0.00	0.00	-30.54	0.00	0.0	0.0	0.0
Pretax net income	227,332	-37,557	-46,989	142,786	-84,546	16.75	-2.77	-3.46	10.52	-6.23	-16.5	-20.7	-37.2
2011 SEC Form 10K/Public With UTP Filing	**Column A Book**	**Column B Temporary**	**Column C Permanent**	**Column D Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**	**Temporary**	**Permanent**	**Total Difference**
Adjusted gross profit	245,221	13,563	-2,748	256,037	10,816	5.90	0.33	-0.07	6.16	0.26	1.8	-0.4	1.5
Specified income	1,252,745	-83,872	-15,125	1,153,790	-98,996	30.14	-2.02	-0.36	27.76	-2.38	-11.3	-2.0	-13.4
Adjusted other income with difference	2,658,720	-7,895	-33,595	2,617,230	-41,490	63.96	-0.19	-0.81	62.96	-1.00	-1.1	-4.5	-5.6
Adjusted total income	4,156,686	-78,204	-51,467	4,027,056	-129,671	100.00	-1.88	-1.24	96.88	-3.12	-10.6	-6.9	-17.5
Specified expenses/deductions	-1,280,402	-19,186	29,058	-1,270,570	9,872	-30.80	-0.46	0.70	-30.57	0.24	-2.6	3.9	1.3
Other expenses/deductions with difference	-1,090,956	-35,395	4,019	-1,122,333	-31,377	-26.25	-0.85	0.10	-27.00	-0.75	-4.8	0.5	-4.2
Adjusted other expenses/deductions no difference	-1,044,741	0	0	-1,044,741	0	-25.13	0.00	0.00	-25.13	0.00	0.0	0.0	0.0
Pretax net income	740,593	-132,785	-18,395	589,413	-151,180	17.82	-3.19	-0.44	14.18	-3.64	-17.9	-2.5	-20.4
2011 SEC Form 10K/Public Without UTP Filing	**Column A Book**	**Column B Temporary**	**Column C Permanent**	**Column D Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**	**Temporary**	**Permanent**	**Total Difference**
Adjusted gross profit	397,317	-18,377	1,744	380,669	-16,634	33.31	-1.54	0.15	31.92	-1.39	-12.8	1.2	-11.6
Specified income	214,691	2,827	12,700	230,274	15,526	18.00	0.24	1.06	19.31	1.30	2.0	8.8	10.8
Adjusted other income with difference	580,656	2,216	-3,628	579,244	-1,412	48.69	0.19	-0.30	48.57	-0.12	1.5	-2.5	-1.0
Adjusted total income	1,192,664	-13,334	10,816	1,190,188	-2,519	100.00	-1.12	0.91	99.79	-0.21	-9.3	7.5	-1.8
Specified expenses/deductions	-278,518	-44,642	178	-323,024	-44,464	-23.35	-3.74	0.01	-27.08	-3.73	-31.1	0.1	-31.0
Other expenses/deductions with difference	-377,189	-12,150	990	-388,349	-11,160	-31.63	-1.02	0.08	-32.56	-0.94	-8.5	0.7	-7.8
Adjusted other expenses/deductions no difference	-393,348	0	0	-393,348	0	-32.98	0.00	0.00	-32.98	0.00	0.0	0.0	0.0
Pretax net income	143,609	-70,126	11,984	85,466	-58,142	12.04	-5.88	1.00	7.17	-4.87	-48.8	8.3	-40.5

Table 5. 2010-2011: U.S. Corporation Form 1120 Schedule M-3: Mini M-3 by UTP Status: Audited FS: Assets $100 Million or More

Specified vs. Other by FS & UTP	$ in Millions					Percentage of Adjusted Total Income Book					Percentage of Pretax Book		
2010 Audited With UTP Filing	**Column A Book**	**Column B Temporary**	**Column C Permanent**	**Column D Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**	**Temporary**	**Permanent**	**Total Difference**
Adjusted gross profit	16,809	8,599	-44	25,372	8,555	4.24	2.17	-0.01	6.39	2.16	38.8	-0.2	38.6
Specified income	53,526	6,630	-7,756	52,399	-1,125	13.49	1.67	-1.95	13.20	-0.28	29.9	-35.0	-5.1
Adjusted other income with difference	326,536	-10,781	-1,716	314,039	-12,497	82.28	-2.72	-0.43	79.13	-3.15	-48.7	-7.8	-56.4
Adjusted total income	396,871	4,449	-9,516	391,810	-5,067	100.00	1.12	-2.40	98.72	-1.28	20.1	-43.0	-22.9
Specified expenses/deductions	-115,032	-818	6,103	-109,754	5,285	-28.98	-0.21	1.54	-27.65	1.33	-3.7	27.6	23.9
Other expenses/deductions with difference	-143,167	13,925	257	-128,985	14,182	-36.07	3.51	0.06	-32.50	3.57	62.9	1.2	64.1
Adjusted other expenses/deductions no difference	-116,531	0	0	-116,531	0	-29.36	0.00	0.00	-29.36	0.00	0.0	0.0	0.0
Pretax net income	22,139	17,561	-3,155	36,545	14,406	5.58	4.42	-0.79	9.21	3.63	79.3	-14.3	65.1
2010 Audited Without UTP Filing	**Column A Book**	**Column B Temporary**	**Column C Permanent**	**Column D Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**	**Temporary**	**Permanent**	**Total Difference**
Adjusted gross profit	210,209	-4,403	353	206,199	-4,051	34.65	-0.73	0.06	33.99	-0.67	-10.4	0.8	-9.6
Specified income	114,477	-1,266	2,870	116,061	1,603	18.87	-0.21	0.47	19.13	0.26	-3.0	6.8	3.8
Adjusted other income with difference	281,990	-341	-6,459	275,191	-6,800	46.48	-0.06	-1.06	45.36	-1.12	-0.8	-15.2	-16.1
Adjusted total income	606,676	-6,011	-3,237	597,452	-9,248	100.00	-0.99	-0.53	98.48	-1.52	-14.2	-7.6	-21.8
Specified expenses/deductions	-146,571	-9,770	5,911	-150,453	-3,859	-24.16	-1.61	0.97	-24.80	-0.64	-23.1	14.0	-9.1
Other expenses/deductions with difference	-159,195	108	377	-158,710	485	-26.24	0.02	0.06	-26.16	0.08	0.3	0.9	1.1
Adjusted other expenses/deductions no difference	-258,551	0	0	-258,551	0	-42.62	0.00	0.00	-42.62	0.00	0.0	0.0	0.0
Pretax net income	42,359	-15,672	3,051	29,738	-12,621	6.98	-2.58	0.50	4.90	-2.08	-37.0	7.2	-29.8
2011 Audited With UTP Filing	**Column A Book**	**Column B Temporary**	**Column C Permanent**	**Column D Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**	**Temporary**	**Permanent**	**Total Difference**
Adjusted gross profit	-1,516	8,837	62	7,383	8,899	-0.36	2.12	0.01	1.77	2.14	19.8	0.1	19.9
Specified income	52,223	6,549	-9,591	49,183	-3,042	12.55	1.57	-2.31	11.82	-0.73	14.7	-21.5	-6.8
Adjusted other income with difference	365,275	-9,796	-505	354,974	-10,301	87.81	-2.35	-0.12	85.33	-2.48	-22.0	-1.1	-23.1
Adjusted total income	415,982	5,590	-10,034	411,539	-4,444	100.00	1.34	-2.41	98.93	-1.07	12.5	-22.5	-10.0
Specified expenses/deductions	-113,737	-24,735	9,572	-128,900	-15,163	-27.34	-5.95	2.30	-30.99	-3.65	-55.4	21.5	-34.0
Other expenses/deductions with difference	-122,802	-3,174	1,871	-124,104	-1,303	-29.52	-0.76	0.45	-29.83	-0.31	-7.1	4.2	-2.9
Adjusted other expenses/deductions no difference	-134,830	0	0	-134,830	0	-32.41	0.00	0.00	-32.41	0.00	0.0	0.0	0.0
Pretax net income	44,613	-22,318	1,409	23,704	-20,909	10.72	-5.37	0.34	5.70	-5.03	-50.0	3.2	-46.9
2011 Audited Without UTP Filing	**Column A Book**	**Column B Temporary**	**Column C Permanent**	**Column D Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**	**Temporary**	**Permanent**	**Total Difference**
Adjusted gross profit	215,912	-6,756	490	214,503	-6,266	35.60	-1.11	0.08	35.36	-1.03	-14.4	1.0	-13.4
Specified income	114,346	-7,134	1	102,304	-7,132	18.85	-1.18	0.00	16.87	-1.18	-15.2	0.0	-15.2
Adjusted other income with difference	276,287	-1,302	-772	274,321	-2,075	45.55	-0.21	-0.13	45.23	-0.34	-2.8	-1.6	-4.4
Adjusted total income	606,546	-15,192	-281	591,128	-15,473	100.00	-2.50	-0.05	97.46	-2.55	-32.4	-0.6	-33.0
Specified expenses/deductions	-141,545	-14,229	6,334	-149,491	-7,895	-23.34	-2.35	1.04	-24.65	-1.30	-30.4	13.5	-16.8
Other expenses/deductions with difference	-158,200	-145	1,222	-157,126	1,077	-26.08	-0.02	0.20	-25.91	0.18	-0.3	2.6	2.3
Adjusted other expenses/deductions no difference	-259,935	0	0	-259,935	0	-42.85	0.00	0.00	-42.85	0.00	0.0	0.0	0.0
Pretax net income	46,867	-29,565	7,275	24,577	-22,290	7.73	-4.87	1.20	4.05	-3.67	-63.1	15.5	-47.6

Table 6. 2010-2011: U.S. Corporation Form 1120 Schedule M-3: Mini M-3 by UTP Status: Unaudited FS: Assets $100 Million or More

Specified vs. Other by FS & UTP	$ in Millions					Percentage of Adjusted Total Income Book					Percentage of Pretax Book		
2010 Unaudited With UTP Filing	**Column A Book**	**Column B Temporary**	**Column C Permanent**	**Column D Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**	**Temporary**	**Permanent**	**Total Difference**
Adjusted gross profit	29,257	484	127	29,868	611	9.75	0.16	0.04	9.95	0.20	3.3	0.9	4.2
Specified income	44,925	5,540	10,995	61,412	16,534	14.97	1.85	3.66	20.46	5.51	38.2	75.8	113.9
Adjusted other income with difference	225,919	-3,963	-2,650	219,306	-6,613	75.28	-1.32	-0.88	73.08	-2.20	-27.3	-18.3	-45.6
Adjusted total income	300,101	2,060	8,472	310,586	10,532	100.00	0.69	2.82	103.49	3.51	14.2	58.4	72.6
Specified expenses/deductions	-95,618	-1,549	5,108	-92,012	3,558	-31.86	-0.52	1.70	-30.66	1.19	-10.7	35.2	24.5
Other expenses/deductions with difference	-103,545	2,778	1,070	-99,697	3,849	-34.50	0.93	0.36	-33.22	1.28	19.1	7.4	26.5
Adjusted other expenses/deductions no difference	-86,425	0	0	-86,425	0	-28.80	0.00	0.00	-28.80	0.00	0.0	0.0	0.0
Pretax net income	14,514	3,289	14,650	32,453	17,939	4.84	1.10	4.88	10.81	5.98	22.7	100.9	123.6
2010 Unaudited Without UTP Filing	**Column A Book**	**Column B Temporary**	**Column C Permanent**	**Column D Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**	**Temporary**	**Permanent**	**Total Difference**
Adjusted gross profit	203,190	-2,239	87	201,037	-2,153	40.23	-0.44	0.02	39.81	-0.43	-3.3	0.1	-3.2
Specified income	121,951	-2,129	-18,910	100,896	-21,039	24.15	-0.42	-3.74	19.98	-4.17	-3.1	-27.7	-30.8
Adjusted other income with difference	179,907	-5,082	1,295	176,127	-3,787	35.62	-1.01	0.26	34.87	-0.75	-7.4	1.9	-5.5
Adjusted total income	505,049	-9,450	-17,529	478,060	-26,979	100.00	-1.87	-3.47	94.66	-5.34	-13.8	-25.7	-39.5
Specified expenses/deductions	-135,631	-9,390	-2,939	-147,955	-12,329	-26.86	-1.86	-0.58	-29.30	-2.44	-13.7	-4.3	-18.0
Other expenses/deductions with difference	-127,336	-2,225	-2,522	-132,084	-4,747	-25.21	-0.44	-0.50	-26.15	-0.94	-3.3	-3.7	-6.9
Adjusted other expenses/deductions no difference	-173,753	0	0	-173,753	0	-34.40	0.00	0.00	-34.40	0.00	0.0	0.0	0.0
Pretax net income	68,328	-21,065	-22,990	24,274	-44,055	13.53	-4.17	-4.55	4.81	-8.72	-30.8	-33.6	-64.5
2011 Unaudited With UTP Filing	**Column A Book**	**Column B Temporary**	**Column C Permanent**	**Column D Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**	**Temporary**	**Permanent**	**Total Difference**
Adjusted gross profit	105,497	2,609	342	108,449	2,952	32.95	0.81	0.11	33.88	0.92	14.5	1.9	16.4
Specified income	48,833	278	13,225	62,332	13,502	15.25	0.09	4.13	19.47	4.22	1.5	73.4	75.0
Adjusted other income with difference	165,800	517	-827	165,489	-311	51.79	0.16	-0.26	51.69	-0.10	2.9	-4.6	-1.7
Adjusted total income	320,130	3,403	12,740	336,270	16,143	100.00	1.06	3.98	105.04	5.04	18.9	70.7	89.6
Specified expenses/deductions	-90,564	-7,682	3,704	-94,538	-3,978	-28.29	-2.40	1.16	-29.53	-1.24	-42.7	20.6	-22.1
Other expenses/deductions with difference	-115,525	-2,622	5,074	-113,073	2,452	-36.09	-0.82	1.58	-35.32	0.77	-14.6	28.2	13.6
Adjusted other expenses/deductions no difference	-96,030	0	0	-96,030	0	-30.00	0.00	0.00	-30.00	0.00	0.0	0.0	0.0
Pretax net income	18,011	-6,900	21,518	32,628	14,618	5.63	-2.16	6.72	10.19	4.57	-38.3	119.5	81.2
2011 Unaudited Without UTP Filing	**Column A Book**	**Column B Temporary**	**Column C Permanent**	**Column D Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**	**Temporary**	**Permanent**	**Total Difference**
Adjusted gross profit	218,469	-2,970	1	215,464	-2,969	45.18	-0.61	0.00	44.56	-0.61	-2.7	0.0	-2.7
Specified income	85,079	6,692	4,367	96,140	11,059	17.60	1.38	0.90	19.88	2.29	6.0	3.9	9.9
Adjusted other income with difference	179,951	70	1,513	181,535	1,584	37.22	0.01	0.31	37.55	0.33	0.1	1.4	1.4
Adjusted total income	483,499	3,792	5,882	493,139	9,674	100.00	0.78	1.22	101.99	2.00	3.4	5.3	8.7
Specified expenses/deductions	-134,130	-13,877	94	-147,883	-13,783	-27.74	-2.87	0.02	-30.59	-2.85	-12.4	0.1	-12.3
Other expenses/deductions with difference	-263,145	128,131	3,277	-131,734	131,407	-54.43	26.50	0.68	-27.25	27.18	114.8	2.9	117.7
Adjusted other expenses/deductions no difference	-197,883	0	0	-197,883	0	-40.93	0.00	0.00	-40.93	0.00	0.0	0.0	0.0
Pretax net income	-111,659	118,045	9,253	15,639	127,298	-23.09	24.41	1.91	3.23	26.33	105.7	8.3	114.0