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A First Look at 2010 Schedule M-3 Reporting and Schedule UTP

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The authors thank SOI for making its final corporate files available to create the 2006 through 2010 Schedule M-3 "First Look" data sets. Those data sets are available as three zip files (2006 and 2007, 2008 and 2009, and 2010) in an Excel format by e-mail request to charles.e.boynton@irs.gov. The authors thank PAIR, OTA, and SOI for their support of this research. They also thank Pasquale Angelillo, Richard Bartlett, Thomas Brandt, Amy Dunbar, Andrew Duxbury, Paul Feinberg, James Haker, Martha Harris, Erin Henry, Catherine Leonard, Petro Lisowsky, Dave Macias, John Miller, Lillian Mills, Stephen Moore, George Plesko, Walter Robinson, Lisa Rupert, Jeri Seidman, David Stanley, Thomas Stuckmeyer, Kenneth Szeflinski, Erin Towery, Patrice Treubert, David Wagner, and Kimmy Wang for assistance and comments. Any errors and omissions are the authors'. The opinions expressed are those of the authors and do not necessarily represent positions of Treasury or the IRS.

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. The study reports Schedule M-3 and Form 1120 tax return data for 40,740 large U.S. corporations for 2010 with comparisons to 2006-2009 and to 2010 Schedule UTP (Uncertain Tax Position statement) filing status.

Table of Contents

I. Executive Summary and Conclusions

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 amounts in preparing the tax return and to assist the IRS in selecting returns and issues for audit only when tax compliance risk exists.

Our study reports Schedule M-3 and Form 1120 tax return data for 40,740 large U.S. corporations for 2010, with comparisons to 2006-2009 and to 2010 Schedule UTP (uncertain tax position) filing status for 2006 through 2009 and 2010. The data highlight the relative importance to the U.S. corporate tax system of very large corporations and of corporations that are publicly held and file with the SEC, as well as the importance of Form 1120 "mixed groups" (tax consolidated groups with a non-insurance parent and one or more insurance subsidiaries). Mixed group reporting practices are reviewed. New data fields discussed are financial statement standard (generally accepted accounting principles, international financial reporting standards, tax basis, and other), financial statement total assets, financial statement total assets of foreign non-includible entities, and research and development book income book-tax difference amounts. Distribution of key tax and Schedule M-3 items are presented by Schedule L total assets, by financial statement type (SEC 10-K/public, audited, unaudited), by the presence or absence of Schedule UTP, by 19 key industries, by financial statement standard, by the comparative size of Schedule L and financial statement total assets, and by the presence or absence of R&D.

The study develops a "Mini M-3" format to summarize the data in Parts II and III of Schedule M-3. The aggregate amounts reported on the "other with difference" lines in those parts are compared with the aggregate amounts reported on the "specified" lines therein. A Schedule M-3 cost of goods sold (COGS) adjustment of $32 trillion is introduced to remove the cost of securities, commodity contracts, and other financial products reported in COGS by some corporations and to reconcile to the COGS amount reported by the IRS Statistics of Income (SOI) division corporate data file. The study also makes special adjustments to the "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. The low frequency of response to various lines on Schedule M-3 for corporations with $10 million but less than $50 million in assets is compared with the frequency for corporations with $50 million or more in assets to explain the change in reporting requirements in 2014 for the smaller corporations.

This study includes 2010 tax return and Schedule M-3 data for 40,740 corporations. The 2,692 corporations with $1 billion or more in assets report 92 percent of the assets, 83 percent of the tax less credits, and 97 percent of the worldwide income of the 40,740 corporations in the study. The 4,635 corporations with SEC 10-K/public financial statements report 75 percent of the assets, 72 percent of the tax less credits, and 88 percent of the worldwide income.

A mixed group Schedule M-3 with subconsolidation and Form 8916 is required if the tax consolidation contains (1) both insurance and non-insurance corporations, or (2) both life and property and casualty (PC) insurance companies. This study includes 407 mixed group returns. Those returns report 46 percent of the assets, 30 percent of the tax less credits, and 46 percent of the worldwide income of the 40,740 returns in the study.

By 2010, aggregate worldwide financial statement income and pretax book income for all corporations in this study are close to 2006-2007 levels after sharp drops to negative levels in 2008. Non-includible financial statement foreign income in 2010 is double that of 2006-2007 levels, while aggregate financial statement federal tax expense and U.S. corporate tax less credits in 2010 remain substantially below 2006-2007 levels.

For 2010, on Part II lines 1 through 25 (a total of 31 lines because of 23b through 23g), the average percentage response rate per line for corporations with total assets of $10 million but less than $50 million is 10.7 percent. For corporations with $50 million or more in assets, the comparable Part II percentage response is 18.2 percent. The smaller corporations respond at 59 percent of the rate of the larger corporations on the 31 lines. The smaller corporations report book-tax differences that are approximately 2 percent of those of the larger corporations on the 31 lines.

For 2010, on Part III lines 1 through 37 (a total of 37 lines), the average percentage response rate per line for corporations with total assets of $10 million but less than $50 million is 21.2 percent. For corporations with $50 million or more in assets, the comparable Part III percentage response is 31.3 percent. The smaller corporations respond at 68 percent of the rate of the larger corporations on the 37 lines. The smaller corporations report book-tax differences that are approximately 4 percent of those of the larger corporations on the 37 lines.

The SOI corporate data file removes the cost of securities, commodity contracts, and other financial products reported in Form 1120, page 1, line 2 COGS, but does not make the adjustment for Schedule M-3 data. SOI also makes adjustments to Form 1120, page 1, line 1 gross receipts to match the amounts removed from COGS.

This study adjusts 2010 Schedule M-3 COGS to agree with the SOI Form 1120, page 1, line 2 COGS, an adjustment of $32 trillion to COGS. It makes matching adjustments to gross proceeds or gross receipt lines on Schedule M-3 Part II "other income with differences" and "other items with no differences." The "other items with no differences" line is further adjusted to remove "expense/deduction with no differences," converting the line to "other income with no differences."

After making the data adjustments, the report develops a Mini M-3 with seven categories of specified lines or other "with difference" or "no difference" lines:

- other income with no difference (Part II, line 28 adjusted) (gross receipts);
- COGS (Part II, line 17 adjusted);
- specified income (Part II, lines 1-16, 18-24, and 29a-29c);
- other income with difference (Part II, line 25 adjusted);
- specified expense/deductions (Part III, lines 3-36 in 2010);
- other expense/deduction with difference (Part III, line 37 in 2010); and
- other expense/deduction with no difference (an adjustment to Part II, line 28).

The report also adds a subtotal for adjusted gross profit for the first two items, adjusted total income for the first four items, and a total of all items for pretax book income. The report tables and text state all Mini M-3 category data as a percentage of adjusted total income to aid comparisons between groups with corporations that differ in size.

"Pretax net income book" as a percentage of "adjusted total income book" is a financial statements pretax profitability measure. In 2010 corporations with SEC 10-K/public financial statements report relatively more financial statement pretax profitability (17.41 percent) than those with audited (5.41 percent) or unaudited financial statements (8.5 percent). Tax income as a percentage of adjusted total income book is lower than the pretax net income book percentage for SEC 10-K/public (12.14 percent versus 17.41 percent, 5.27 percentage points lower because of book-tax differences, a reduction of 30.3 percent) and unaudited (5.45 percent versus 8.5 percent, 3.05 percentage points lower because of book-tax differences, a reduction of 35.8 percent), but higher for audited (5.77 percent versus 5.41 percent, 0.37 percentage points higher because of book-tax differences, an increase of 6.8 percent).

In 2010, 12,044 corporations (30 percent) with assets of $100 million or more are potentially required to file Schedule UTP.

The 1,856 (5 percent) with assets of $100 million or more that in fact filed Schedule UTP report 69 percent of assets, 58 percent of tax less credits, 71 percent of worldwide income, 47 percent of the non-includible foreign income, 68 percent of pretax income, 62 percent of the net negative temporary book-tax differences, and 36 percent of the net negative permanent book-tax differences.

In contrast, the 10,188 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 29 percent of assets, 37 percent of tax less credit, and 30 percent of worldwide income, but a disproportionate 52 percent of non-includible foreign income and 64 percent of the net negative permanent book-tax differences.

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 made to financial statements or books and records amounts in preparing the tax return and to assist the IRS in selecting returns and issues for audit where tax compliance risk exists and in not selecting returns and issues where there is no such risk.

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 those corporations for the required reconciliation of financial statements income to tax income.

In 2006 Schedule M-3 replaced Schedule M-1 for most corporations and partnerships with total assets of $10 million or more and for specific partnerships with less than $10 million in assets. On May 10, 2013, the IRS announced that 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 could file

Schedule M-3, Part I and could file Schedule M-1 in place of Schedule M-3, Parts II and III if they chose.[1]

This is the sixth report in a series by the authors researching the differences between financial statements income (often called book income) and tax income as reported on U.S. corporate income tax returns.[2] This sixth report analyzes final data for 2010 corporate Form 1120 Schedule M-3 with comparisons with 2006 to 2009 and with 2010 Schedule UTP filing status.

B. Schedule M-3 and Accounting Research

A 1999 Treasury report and Treasury testimony in 2000 by then-Treasury Assistant Secretary for Tax Policy Jonathan Talisman viewed the widening difference in the 1990s between the sum of corporate financial statements 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.[3] Mills and Plesko (2003) proposed a redesign of Schedule M-1 to increase the transparency of the corporate book-tax reconciliation and make data more interpretable.[4] The Mills and Plesko (2003) Schedule M-1 redesign recommendations are largely reflected in Schedule M-3, particularly in Part I.[5]

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[1]This report repeats some material from Boynton, DeFilippes, and Legel (2005, 2006a, 2006b, and 2008); Boynton, DeFilippes, Legel, and Reum (2011); Boynton and Wilson (2006); and Boynton and Livingston (2010); all used with permission. Our tax return table values may not add because 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 after December 30, 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 1120-S for S corporations, to Form 1120-C for cooperative associations, to Form 1120-L for life insurance companies, and to Form 1120-PC for PC insurance companies. Effective for tax years ending on or after December 31, 2006, Schedule M-3 also applies to Form 1065 and Form 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 those 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 chose.

[2]*See* Boynton, DeFilippes, and Legel (2005, 2006a, 2006b, and 2008); and Boynton, DeFilippes, Legel, and Reum (2011). The first two articles analyze corporate Form 1120 Schedule M-1 reporting for tax years 1990 through 2003. The third paper in this series analyzes advance file data for the 2004 corporate Form 1120 Schedule M-3. The fourth paper analyzes final data for the 2005 corporate Form 1120 Schedule M-3 and updates the prior 2004 report using final 2004 data. The fifth paper analyzes final data for the 2006 and 2007 corporate Form 1120 Schedule M-3 as well as earlier Schedule M-1 data from 1994 through 2005 and Schedule M-3 data from 2004-2005.

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

[4]*See* Mills and Plesko (2003) for the proposed redesign of Schedule M-1. For discussions of problems in interpreting Schedule M-1 book-tax reconciliation data and problems with the related Schedule L book balance sheet data, see Boynton, Dobbins, DeFilippes, and Cooper (2002); Mills, Newberry, and Trautman (2002); Boynton, DeFilippes, Lisowsky, and Mills (2004); Boynton, DeFilippes, and Legel (2005, 2006a, 2006b, and 2008); and Boynton and Wilson (2006). For discussions of the problems in reconciling financial accounting income and tax income, see McGill and Outslay (2002); Hanlon (2003); Plesko (2003); McGill and Outslay (2004); Plesko (2004); Hanlon and Shevlin (2005); and Lisowsky and Trautman (2007). For a summary of the research through May 2007 on book-tax differences and on Schedule M-1 and Schedule M-3, see Weiner (2007). For early discussions of book-tax differences, see Boynton, Dobbins, and Plesko (1992); Mills (1998); Plesko (2002); and Plesko and Shumofsky (2005). For a discussion of the relationship between financial accounting current federal income tax expense and Form 1120 tax liability, see Lisowsky (2009). For a discussion of tax shelters and financial accounting, see Lisowsky (2010). For a discussion of Financial Accounting Standards Board Interpretation No. 48 uncertain tax positions and Schedule M-3 data, see Dunbar, Philips, and Plesko (2009); Blouin, DeBacker, and Sikes (2010); and Lisowsky, Robinson, and Schmidt (2013). For a discussion of deferred taxes and the Financial Accounting Standard No. 109 tax footnote, see Poterba, Rao, and Seidman (2011); and Raedy, Seidman, and Shackelford (2012). For a discussion of corporate reporting and market reactions to the greater IRS transparency required under Schedule M-3, see Donohoe and McGill (2011). For a comparison of the financial statement income of a corporation's consolidated financial statement entities to the financial statement income of a corporation's tax return entities on a worldwide, domestic, and foreign income basis, see Bokulic, Henry, and Plesko (2012a). For a discussion of the distribution of corporate income from 2004 through 2008, see Bokulic, Henry, and Plesko (2012b). For implications for tax reform, see Henry and Plesko (2012). For a discussion of effective tax rates using Schedule M-3 data, see Government Accountability Office (2013); for a critique, see Sullivan (2013); for an extension treating the section 78 gross-up of foreign tax credit on foreign dividends reported on Schedule M-3, Part II line 4 as additional foreign tax expense, see Lyon (2013); for a critique, see Citizens for Tax Justice (2013). For Schedule M-3 profiles of Schedule UTP filers and nonfilers for 2010-2011, see Boynton, DeFilippes, Legel, and Rupert (2014). 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 (2014).

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

C. Book-Tax Differences and Signs

Taxpayers prepare corporate and partnership tax returns by adjusting amounts from their financial statements or books and records. Book income is the financial statements income of the entity filing a corporation or partnership income tax return. For consolidated corporations filing U.S. Form 1120, book income is the consolidated financial statements income of the includible corporations joining in the consolidated tax return and will often differ from the worldwide consolidated income reported on the parent corporation's worldwide consolidated financial statements. Schedule M-3, Part I, reconciles worldwide consolidated financial statements 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 differences literature since Talisman (2000).[6]

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. Schedule M-3 reverses this prior convention to "tax minus book" by its reconciliation rules.

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 in 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.[7]

D. Source of the 2006-2010 Data

A weighted statistical sample of tax return data is electronically encoded annually by SOI for use by the Treasury Office of Tax Analysis (OTA) and the Joint Committee on Taxation.[8] The Office of Planning, Analysis, Inventory, and Research (PAIR) within the IRS Large Business and International Division also receives a copy of the file.[9] These data include Schedule M-1 data and, beginning with the 2004 SOI corporate file, Schedule M-3 data. The 2010 SOI corporate file was issued to OTA, the JCT, and LB&I in October 2012.[10]

Beginning in May 2011, researchers using SOI data must report tax data as an aggregate for a minimum of five taxpayers to protect taxpayer confidentiality.[11] For statistical reasons, SOI prefers that reported aggregate data be for 10 or more taxpayers when possible.[12]

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[6] 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. Specific temporary and permanent book-tax differences are reported in Schedule M-3, Parts II and III, and are discussed in Part III.B and presented in tables 2A and 2B.

[7] 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 IV 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).

[8] 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.

[9] Use of the SOI file by PAIR and LB&I is limited under a formal memorandum of understanding between SOI and LB&I to research studies. SOI file data is not used for IRS audit case building.

[10] The final SOI corporate file may contain placeholder records representing returns that for some reason are unavailable when the SOI file is issued but are needed by SOI for statistical purposes. Placeholder data is commonly the edited return data from the prior tax year, but it 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.

[11] 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 a subtraction that would violate the minimum aggregations requirement. For a discussion of the older requirement of three or more taxpayers or individuals for aggregate data, see OMB Working Paper 22 (2005) and IRS Publication 1075 (rev. 2007).

[12] Our tax return table values may not add and may differ from official 2010 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)

(Footnote continued on next page.)

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 the Schedule M-3, Parts II and III:

- are limited to the tax information and pretax book income information of the includible corporations in the tax consolidated return; and
- do not include the tax information or pretax book income information of the non-includible 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 statement for consolidated book purposes).

The after-tax income of the non-includible corporations and partnerships is 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 includible 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 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. Mixed Group Reporting

A mixed group Schedule M-3 with subconsolidation and Form 8916 is required if the tax consolidation contains (1) both insurance and non-insurance corporations or (2) both life and PC insurance companies.[13] This study includes 2010 tax return and Schedule M-3 data for 40,740 corporations, of which 407 are mixed group returns. The 407 mixed group returns report 46 percent of the assets, 30 percent of the tax less credits, 32 percent of the taxable income, and 46 percent of the worldwide income of the 40,740 returns in the study. See Table 6 in this report for the dollar magnitude of the key tax variables reported by Form 1120 mixed group corporations.[14]

SOI classifies a consolidated return with an insurance company subsidiary as a life or PC return if more than 50 percent of the consolidated total receipts are life or PC, even if the parent corporation files Form 1120 at the top of the consolidation. Conversely, SOI classifies the consolidated return as Form 1120 non-insurance even if the parent corporation files Form 1120-PC if the non-insurance total receipts are more than 50 percent of the total consolidated total receipts.[15]

Mixed groups require Schedule M-3 subconsolidation and need an elimination return and elimination Schedule M-3 to accurately separate the assets, liabilities, equities, and income without double counting. SOI editors often must make adjustments to make the eliminations reconcile the subconsolidations with the consolidated totals.[16]

The mixed group Schedule M-3, Part I reconciles in approximately 95 percent of returns.[17] The mixed group Schedule M-3, Part II, lines 29a-29c reconcile

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(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 2006-2010 Schedule M-3 study with the full 2006 through 2010 SOI corporate files are presented in Distribution Table D3 of the full M-3 ''First Look'' data set for each year, 2006-2010, 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 (line 36 before 2010) and Part II, line 27 agree within 1 percent of the maximum absolute value of the amounts on Part II, line 30.

[13]Mixed group Schedule M-3 returns are referred to as 1504(c) returns in SOI reports. Section 1504(c) permits tax consolidation of insurance and non-insurance corporations.

[14]Except as otherwise indicated, all percentages discussed in this section are approximate percentages of mixed group returns and not percentages of dollar amounts of any tax variable. For example, a reference to a problem in 5 percent of the mixed group returns might involve 25 percent of the dollars reported on mixed group returns for various tax variables.

[15]Total receipts as used by SOI for section 1504(c) return classification are the sum of gross receipts less returns, dividends, interest, rents, royalties, and other taxable income, excluding gains from the sale or exchange of assets. The SOI conversions for 2010 reflect an approximately 30 percent change from Form 1120 to Form 1120PC, 10 percent change from Form 1120 to Form 1120L, and less than 1 percent change from Form 1120PC to Form 1120. In response to the large amount of conversions and later mismatch of Schedule M-3 data by return type, SOI collection of all the subgroups data commenced in tax year 2010. Note that all SOI editing changes apply only to the data in the SOI corporate file and do not affect the actual tax return subject to review by revenue agents.

[16]Approximately 80 percent of the section 1504(c) returns have attached eliminations, but only about 4 percent have Schedule M-3 eliminations. These are captured by the SOI editing system. Most of the Schedule M-3 eliminations focus on issues concerning dual consolidated losses, losses of nonlife affiliates under section 801, and the adjustment of basis and limitation of group losses under section 1503. In most cases, the SOI editors can use the elimination to net against amounts on the subgroup that it matches to help reconcile the return. In the remaining cases, a data field captures the amount as an adjustment for future analysis. The Schedule M-3 eliminations are captured on the system as a separate subgroup for assisting researchers on reconciliation issues.

[17]Most errors can be attributed to paper filers and a few electronic filers that provided no amounts or a single entry for the Schedule M-3, Part I. The SOI editors and analysts can usually reconstruct Part I based on other parts of the return or by using basic arithmetic.

to Form 8916 in approximately 80 percent of returns.[18] The mixed group Schedule M-3, Part II, lines 29a-29c reconcile to Part II, line 30 in approximately 95 percent of the returns.[19]

G. Schedule M-3 Versus Schedule UTP

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 purpose was to share with the IRS some of the taxpayer information collected as part of preparing the financial statement income tax footnote.[20] The goal was to increase taxpayer transparency for 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 specified 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 December 31, 2014, or later.[21]

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 with 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 financial statements to prepare the tax return. Many of the items that must be listed on Form 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.

In summary:

- Schedule M-3:
  - Schedule M-3 is a crosswalk from the taxpayer's financial statement to its tax return.
  - Part I removes the income (loss) of all entities included in the financial statement but not included in the consolidated tax return and adds the income (loss) of all entities not included in the financial statement 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 their tax return from their financial statement 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 involve items not reported on Schedule M-3 (for example, tax credit items).

Schedule M-3 and Schedule UTP are complementary sources of taxpayer transparency that do not overlap and do not contain duplicative information. Moreover, Schedule UTP and Schedule M-3 differ greatly in the number of corporations required to file each, even among corporations with $100 million or more in assets. Schedule UTP is required for only a minority of the corporations required to file Schedule M-3.

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[18]The 20 percent of returns that cause a test error are corrected by the SOI editor in 40 percent of the error cases. The remaining 60 percent of error cases that are not corrected are generally the result of intercompany dividends: the nonlife dividends received deduction found on Form 8916.

[19]The SOI editors look for data-rich subconsolidated returns that will match the consolidated Part II, lines 29(a-c). Generally, the matching subconsolidated Schedules M-3 are found. When matches are not found, the editors use the subconsolidated Schedule M-3 that is available. When this occurs, the reconciliation amounts from that subconsolidated return will be reflected in lines 29(a-c). This, along with the fact that line 30 does not change, will cause the discrepancy.

[20]Footnote reporting of UTPs is required by GAAP under FAS 109 (ASC 740) and FIN 48.

[21]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 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.
> 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 it.

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 GAAP, IFRS, or other country-specific accounting standards, including a modified version of any of the above (for example, modified GAAP).

Tables 6 and 7 of this report present Schedule M-3 and tax return data on Schedule UTP filers and nonfilers.

H. Reconciling Counts of Schedule UTP

Table 8 of this report shows a total of 1,856 Form 1120 2010 Schedule UTPs compared with 2,167 reported by the PAIR LB&I UTP registry for the 2010 form year. The difference is a result of 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); including or excluding returns based on different tax year-ends (June 2011 for SOI data versus November 2011 for PAIR); different standards for the presence or absence of Schedule UTP (SOI data counts blank Schedule UTP as present, and PAIR does not); and different minimum asset recognition thresholds (PAIR includes voluntary filing by a corporation with assets below $100 million, and this report does not).

Specifically: (1) 2010 SOI Schedule UTP data is for Form 1120 tax returns with year-ends no later than June 2011 (the end of SOI year 2010); (2) SOI recognizes the indication on Form 1120 Schedule K that Schedule UTP is required and the presence of a Schedule UTP even if incomplete; (3) we exclude Form 1120 returns if SOI indicates that it is the parent of an insurance company and should be classified as Form 1120-L or Form 1120-PC under the SOI test of 50 percent or more total receipts from life or PC insurance; and (4) we exclude voluntary 2010 Schedule UTPs filed by corporations with total Schedule L assets of less than $100 million.

Table 1. Reconciling Counts of Schedule UTP

UTP registry for Dec. 2010-Nov. 2011	2,167
Remove 1120-F	- 26
Subtotal 1120, 1120-L, 1120-PC for Dec. 2010-Nov. 2011	2,141
Remove 1120 for July 2011-Nov. 2011	- 245
Subtotal 1120, 1120-L, 1120-PC for Dec. 2010-June 2011	1,896
ADD 1120 identified by SOI UTP Flag	
NOT in UTP Registry	+ 113
1120+1120-L+1120-PC UTP identified by SOI UTP flag	2,009
For Dec. 2010-June 2011	
Remove deemed 1120-L and 1120-PC	
Identified by SOI	- 108
1120 UTP identified by SOI UTP flag	1,901
For Dec. 2010-June 2011	
Remove 1120 for Dec. 2011-June 2011	
With assets below $100 million	- 45
Total 1120 for Dec. 2011-June 2011	1,856
Identified by SOI UTP flag with assets of $100 million or more	

I. Mini M-3 Format

The ''other with difference'' lines on Schedule M-3 with book-tax differences are Part II, line 25 and Part III, line 37 (line 35 before 2010 when current lines 35 and 36 were added). In the prior two studies in this series, we noted the important dollar magnitude of the book income, tax income, and book-tax difference amounts reported on these other with difference lines and the documentation problems found on them.[22]

In this study, we develop a Mini M-3 format and 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.[23]

After making some adjustments, we present data for and analysis of the book income, tax income, and book-tax difference amounts found on the following lines or categories of lines for all corporations, corporations by financial statement type, and other groupings:

- other income with no difference (Part II, line 28 adjusted) (gross receipts);
- COGS (Part II, line 17 adjusted);
- specified income (Part II, lines 1-16, 18-24, and 29a-29c);
- other income with difference (Part II, line 25 adjusted);
- specified expense/deductions (Part III, lines 3-36 in 2010);[24]
- other expense/deduction with difference (Part III, line 37 in 2010); and
- other expense/deduction with no difference (an adjustment to Part II, line 28).

We also show a subtotal for adjusted gross profit for the first two items, adjusted total income for the first four items, and a total of all items for pretax

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[22]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).

[23]Amounts reported on the other with difference lines require attached documentation. The documentation must separately state and adequately disclose the book-tax difference adjustments 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.

[24]We exclude federal income tax expenses 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 Part II.C.

book income. We use the adjusted-total-income book amount as a common-size scaling factor and compare percentages of adjusted-total-income book income to remove or minimize the effect of differences in the size of corporations from our analysis.

III. 2006-2010 Schedule M-3 Data

A. Worldwide Income to Tax Less Credits

In this section we present 2006-2010 Schedule M-3, Part I data and other tax data in Tables 1A to 1D for all corporations meeting our study requirements filing Form 1120 and for three financial statement types (SEC 10-K/public, audited, unaudited).[25]

Schedule M-3, Part I is important and unique in tax reporting because it lists the adjustments made to worldwide consolidated income in the parent corporation's financial statements to determine the book income of the includible corporations in the tax return.[26]

Table 1A presents summary data for all Form 1120 Schedule M-3 corporations in our study in the 2006-2010 period. Table 1B is restricted to corporations indicating that they either have publicly traded stock or that they file Form 10-K with the SEC (SEC 10-K/public). Table 1C is restricted to corporations with certified audited financial statements not filed with the SEC (audited). Table 1D is restricted to corporations with unaudited financial statements or with only books and records (unaudited).[27]

Tables 1A to 1D indicate 2006-2010 Schedule M-3, Part I data and other tax data in millions of dollars. The first data row indicates the number of Schedule M-3 returns for that year. The first data column indicates the nonzero frequency for each data item for 2010. The next column indicates the percentage frequency of response. The third column indicates the percentage of total assets reported by the responders.

At the right of the table are two five-column sets of percentages for 2006-2010. The first set of percentages highlights trends and is each dollar item amount or return count for each year expressed as a percentage of the 2006-2007 average, the first two years of our five-year study period. The second set of percentages highlights relative magnitudes and is each dollar item amount for 2006, 2007, 2009, and 2010 as a percentage of the pretax book income for that year. The second set of percentages indicates "n/a" for 2008 because pretax book income is negative or very small in 2008.

For example, in Table 1A for all corporations in our study, aggregate worldwide financial statement income in 2006 is 111 percent of the 2006-2007 average, while aggregate financial statement non-includible foreign income is 77 percent of the 2006-2007 average. In 2008 aggregate worldwide financial statement income is negative while aggregate financial statement foreign non-includible income is 133 percent of the 2006-2007 average. In 2010 aggregate worldwide financial statement income is 98 percent of the 2006-2007 average while aggregate financial statement foreign non-includible income is 203 percent of the 2006-2007 average. Aggregate pretax book income in 2006 is 116 percent of the 2006-2007 average while aggregate financial statement federal tax expense is 107 percent. In 2008 pretax book income is negative while aggregate financial statement federal tax expense is 50 percent of the 2006-2007 average. In 2010 pretax book income is 105 percent of the 2006-2007 average while financial statement federal tax expense is 76 percent. U.S. corporate tax less credits for all corporations in our study in 2006 is 102 percent of the 2006-2007 average; in 2008 it is 71 percent of that average; and in 2010 it is 69 percent

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[25]Some companies with assets 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 year-by-year reconciliations of the subset of corporations meeting our minimum data and reconciliation tests for this 2006-2010 Schedule M-3 study with the full 2006 through 2010 SOI corporate files are presented in Distribution Table D3 of the full M-3 "First Look" data set for each year, 2006-2010, available on request.

[26]A major problem with interpreting Schedule M-1 data in the past was that the taxpayer was allowed to report a starting Schedule M-1, line 1, book income amount without reconciling the reported book income amount with financial accounting income on the taxpayer's financial statement. Schedule M-3, Part I, line 11 defines the starting book income for the book-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 the use of Schedule M-3, Part I and requires that Schedule M-1, line 1, book income equal Schedule M-3, line 11.

[27]We define the term "SEC 10-K/public" to include any tax return on which (1) Schedule M-3, Part I, line 1a, indicated that an SEC 10-K was filed; or (2) Part I, line 3a, indicated that the

(Footnote continued in next column.)

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 the term "audited" to include any tax return on which Schedule M-3, Part I, line 1b indicates that a certified audited financial statement was prepared and our requirements for SEC 10-K/public are unmet. We defined the term "unaudited" to include all other returns.

of that average. To summarize the trends, by 2010, aggregate worldwide financial statement income and pretax book income for all corporations in our study are close to 2006-2007 levels after sharp drops to negative levels in 2008, non-includible financial statement foreign income in 2010 is double that of 2006-2007 levels, while aggregate financial statement federal tax expense and U.S. corporate tax less credits in 2010 remain substantially below 2006-2007 levels.

In the second set of percentages in Table 1A for all corporations in our study, 2006 aggregate financial statement federal tax expense is 27 percent of aggregate pretax book income. In 2010, financial statement federal tax expense is 21 percent of pretax book income. In 2006, U.S. corporate tax less credits is 24 percent of pretax book income, and in 2010 it is 18 percent. Because tax payments due by corporations with positive tax income are not reduced by negative tax income experienced by other corporations, aggregate tax less credits as a percentage of aggregate pretax book income may rise when aggregate pretax book income falls dramatically as it did in 2007-2009; tax less credits is 31 percent of pretax book income in 2007 and 32 percent in 2009.

Taxpayers prepare corporate and partnership tax returns by adjusting amounts from their financial statements or books and records. All but the very smallest corporations and partnerships use computerized systems to prepare their financial statements and also to adjust those financial statement amounts to prepare their U.S. and other income tax returns. Corporations that prepare consolidated financial statements in accordance with financial statement standards adjust the consolidated financial statement income amounts first to determine the consolidated book income of the includible corporations included in the tax return and second to adjust the book income amounts according to tax rules to determine tax income.

Figures 1A and 1B highlight the relative magnitude of 2010 Schedule M-3, Part I and Form 1120 tax return income and adjustment amounts moving from worldwide consolidated financial statement income to tax less credits. Data are presented for all corporations in our study and for three financial statement types: SEC 10-K/public, audited, and unaudited.

In Figure 1A, for 2010, total worldwide consolidated financial statement income (reported on Schedule M-3, Part I, line 4) is $890,621 million for all corporations, $779,464 million for SEC 10-K/public, $53,335 million for audited, and $57,822 million for unaudited.

Next shown in Figure 1A is the adjustment to remove non-includible foreign net income (reported on Schedule M-3, Part I, line 5). The adjustment is -$801,228 million for all corporations, -$772,115 million for SEC 10-K/public, -$23,202 million for audited, and -$5,912 million for unaudited.[28]

Next shown is the adjustment to remove non-includible U.S. net income (reported on Schedule M-3, Part I, line 6). The adjustment is -$71,951 million for all corporations, -$55,885 million for SEC 10-K/public, -$12,656 million for audited, and -$3,410 million for unaudited.[29]

Missing from Figure 1A because of its relatively small size is the adjustment to include the net income of other includible entities (reported on Schedule M-3, Part I, line 7) totaling $3,000 million for all corporations.[30]

Next shown is 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. non-includible corporations and partnerships and the inclusion of the net income of other includible entities. The total adjustment for all corporations is $741,687 million, $726,920 million for SEC 10-K/public, $10,846 million for audited, and $3,921 million for unaudited. Those adjustments include the restoration of some dividends, minority interests, and equity method income eliminated in the consolidation for worldwide consolidated financial statement income.

Missing from Figure 1A is the adjustment to income because of differences in financial statement year and tax year (reported on Schedule M-3, Part I, line 9) totaling $2,432 million for all corporations.

Next shown are other adjustments (reported on Schedule M-3, Part I, line 10) required to determine the net income of includible corporations (book

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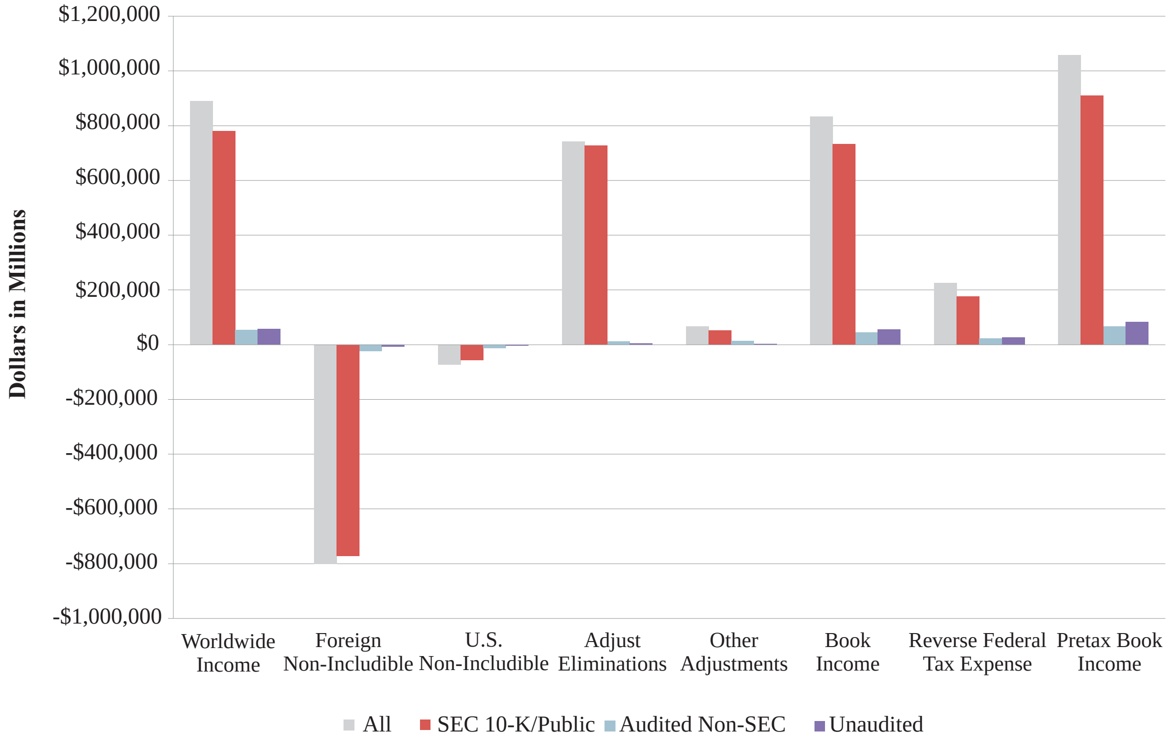
[28]The adjustment to remove positive non-includible foreign net income from worldwide financial statement income is shown as a negative amount on Schedule M-3, Part I in the calculation of the book income of includible corporations. The income must be removed from worldwide financial statement income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

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

[30]Other includible entities are U.S. subsidiaries owned 80 percent or more and some disregarded entities (if owned by any of the includible corporations) for some reason not included in the worldwide consolidated financial statements and therefore not included on Schedule M-3, Part I, line 4.

Figure 1A. 2010: Worldwide Income to Pretax Book Income



income) totaling $66,065 million for all corporations, $51,406 million for SEC 10-K/public, $13,027 million for audited, and $1,632 million for unaudited. Included are adjustments required between GAAP and statutory accounting when some subsidiaries are insurance companies.

The sixth item shown in Figure 1A is the net income of includible corporations (book income) (reported on Schedule M-3, Part I, line 11) totaling $832,912 million for all corporations, $732,636 million for SEC 10-K/public, $43,810 million for audited, and $56,467 million for unaudited.

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

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, and we calculate book-tax differences as pretax differences. The adjustment of book income to pretax book income permits a consistent comparison with tax return income.[31]

The penultimate item in Figure 1A is the adjustment reversing federal income tax expense (reported on Schedule M-3, Part III, lines 1 and 2). Total federal income tax expense for all corporations is $224,838 million, $176,748 million for SEC 10-K/public, $22,009 million for audited, and $26,081 million for unaudited.[32]

Shown last in Figure 1A is pretax book income. Pretax book income for all corporations is $1,057,797 million, $909,418 million for SEC 10-K/public, $65,820 million for audited, and $82,559 million for unaudited.

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

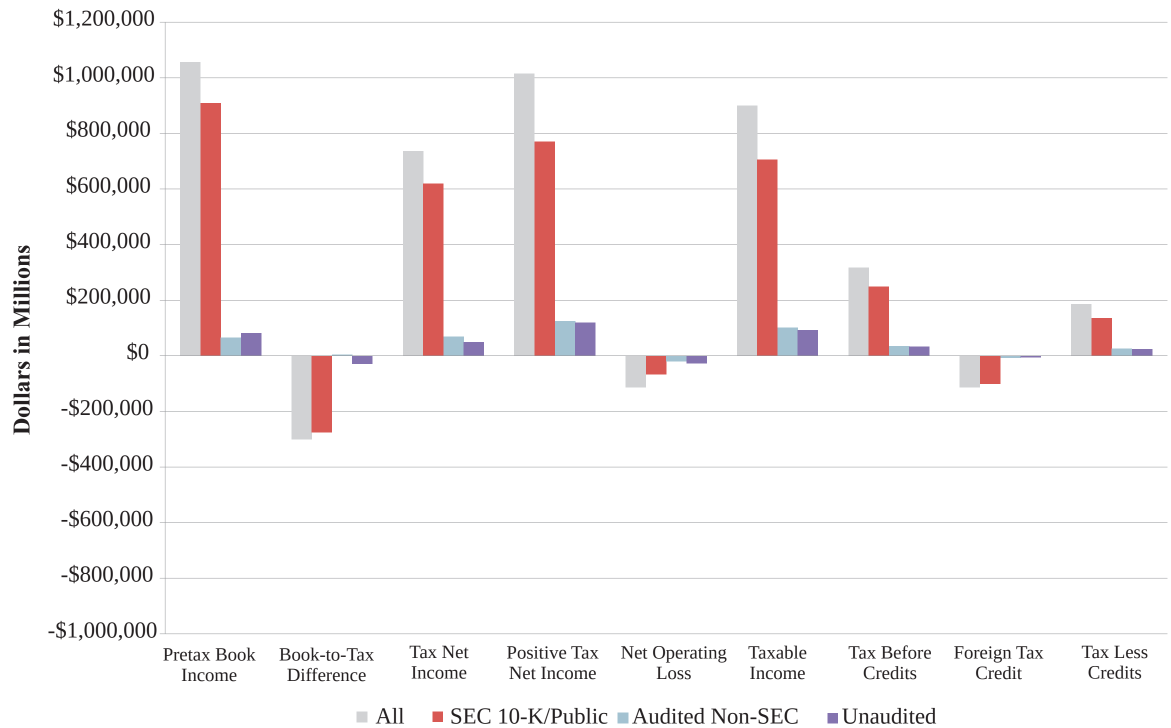
Next shown in Figure 1B is the adjustment for total book-tax difference. Total book-tax difference for all corporations is -$300,555 million, -$275,419 million for SEC 10-K/public, $4,458 million for audited, and -$29,594 million for unaudited.

A negative book-tax difference reduces pretax book income in determining tax net income. A

[31]*See* our discussion of pretax income, book-tax differences, and signs in Part II.C.

[32]The adjustment is shown as a positive amount because the reversal of expense increases book income to pretax book income.

Figure 1B. 2010: Pretax Book Income to Tax Less Income



positive book-tax difference increases pretax book income in determining tax net income.

Missing from Figure 1B are SOI's adjustments to Form 1120, page 1, line 4 dividend income and line 28 tax net income of -$33,244 million for all corporations to remove intercompany dividends, and the adjustment of $13,065 million for all corporations to correct other Form 1120, page 1 reporting errors affecting line 28 tax net income — a net adjustment to line 28 tax net income of $20,179 million for all corporations.[33]

Next shown is tax net income of $737,062 million for all corporations, $619,091 million for SEC 10-K/public, $70,277 million for audited, and $49,539 million for unaudited.

The fourth item shown in Figure 1B 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. Loss corporations report tax net income of -$278,559 million. Positive tax net income is $1,015,621 million for all corporations with non-negative tax net income, $771,510 million for SEC 10-K/public, $124,994 million for audited, and $119,117 million for unaudited.

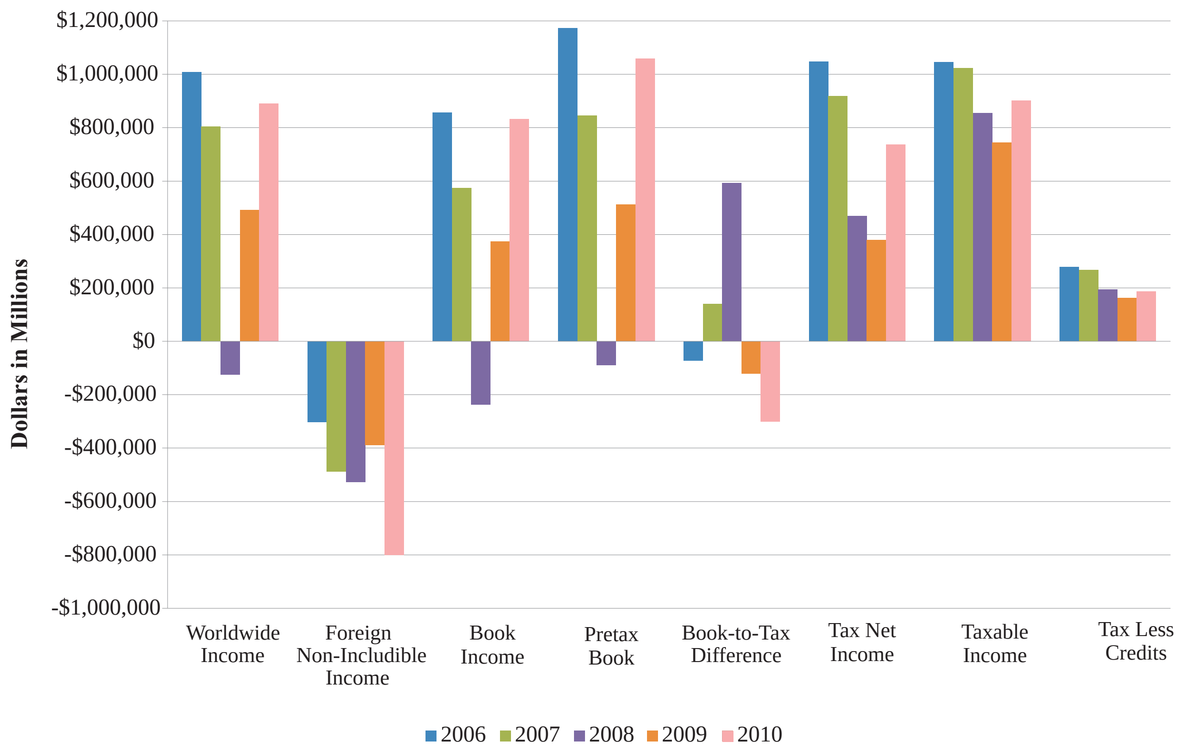
The fifth item shown is the Form 1120, page 1, line 29a net operating loss deduction using prior-year losses to reduce current taxable income. The NOL deduction for all corporations is -$114,838 million, -$67,007 million for SEC 10-K/public, -$20,749 million for audited, and -$27,083 million for unaudited.[34]

Missing from Figure 1B is the adjustment for special deductions (dividend received deductions), on Form 1120, page 1, line 29b of -$20,128 million

[33]Some taxpayers improperly include U.S. intercompany dividends in tax net income on Form 1120, page 1, line 28, the reconciliation target for Schedule M-3. The taxpayer then removes the same intercompany dividend 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 intercompany dividends 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 intercompany dividend editing by SOI for tax years 1990-2003 in Boynton, DeFilippes, and Legel (2005 and 2006a) and Boynton, DeFilippes, Legel, and Reum (2011). 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.

[34]The adjustment for the NOL deduction is shown as negative because it reduces taxable income.

Figure 1C. 2006-2010: Worldwide Income to Tax Less Credits



for all corporations (after an offset of $33,244 million by SOI to balance the SOI intercompany dividend adjustment of -$33,244 million to Form 1120, page 1, line 28 tax net income). The adjustment for special deductions reduces taxable income.

The sixth item shown is Form 1120, page 1, line 30 taxable income of $901,239 million for all corporations, $706,676 million for SEC 10-K/public, $101,719 million for audited, and $92,844 million for unaudited.

In Figure 1B, the seventh item shown is U.S. federal corporate income tax before credits of $316,879 million for all corporations, $248,346 million for SEC 10-K/public, $35,834 million for audited, and $32,700 for unaudited.

The penultimate item shown is FTCs of -$114,467 million for all corporations, -$101,031 million for SEC 10-K/public, $7,018 million for audited, and -$6,418 million for unaudited.[35]

Missing from Figure 1B are adjustments for the general business credit of -$14,075 million and other credits of -$1,519 million for all corporations reducing taxes due.

In Figure 1B, the last item is tax less credits of $186,818 million for all corporations, $135,150 million for SEC 10-K/public, $26,956 million for audited, and $24,712 million for unaudited.

Figure 1C indicates the relative magnitude of eight items for tax years 2006 through 2010 for all corporations with reconcilable Form 1120 Schedule M-3: worldwide income, foreign non-includible income removed, book income, pretax book income, book-tax differences, tax net income, taxable income, and tax less credits.

In Figure 1C, worldwide income for all corporations in our Schedule M-3 study is $1,008,973 million in 2006, falling to $804,393 million in 2007, falling sharply and becoming negative at -$123,891 million in 2008, recovering to $490,939 million in 2009, and recovering further to $890,621 million in 2010, still below the 2006 level.

Foreign non-includible income increases in absolute amount from $302,431 million in 2006 to $527,179 million in 2008, falls slightly to $389,063 million in 2009, and increases again in absolute amount to $801,228 million in 2010. The trend for foreign non-includible income is a major increase from 2006 to 2010 in absolute terms.

Book income for all corporations in our Schedule M-3 study follows a path similar to, but lower than, worldwide income: $856,450 million in 2006, a fall to -$236,945 million in 2008, and recovery to $832,912 million in 2010, almost the 2006 level.

[35]The adjustment for FTC is shown as negative because it reduces the U.S. income tax owed. The FTC reduces U.S. income taxes within limits for income taxes paid to foreign countries on income earned outside the United States.

Pretax book income (book income after reversing federal income tax expense) follows a path similar to, but higher than, book income and slightly higher than worldwide income for 2006-2010.

Tax net income in Figure 1C is less than pretax book income in 2006, 2009, and 2010. For those years, book-tax differences are negative. In 2007 and 2008, tax net income is higher than pretax book income. For those years, book-tax differences are positive. In 2008 in particular, tax net income is much greater than pretax book income, reflecting that the tax law often does not allow for the immediate recognition of many losses, impairments, and write-offs required by financial accounting. In 2008 large positive book-tax difference adjustments are added to pretax book income to determine tax net income.

Figure 1C indicates that taxable income fell in 2007, 2008, and 2009, but the fall is not as great as the fall in tax net income. Taxable income is based on positive tax net income less NOL deductions and special deductions. Tax net income for many corporations in each tax year is negative, resulting in a zero taxable income amount. For example, in 2010, as discussed in Figure 1B, tax net income is $737,062 million for all corporations in our study, but positive tax net income is $1,015,621 million for corporations with non-negative tax net income. In 2010 loss corporations report tax net income of -$278,559 million. Those corporations with positive tax net income in excess of NOL deductions and special deductions in 2010 have taxable income of $901,239 million and tax, less credits of $186,818.

B. Book-Tax Differences in Parts II and III

In this section we present 2010 data in tables 2A and 2B for Schedule M-3, Part II income (loss) items and Part III expense/deduction items for all Form 1120 corporations in our study in the format of an aggregate Schedule M-3.[36] Figures 2A to 2B highlight the aggregate positive and negative book-tax difference amounts for the various lines and the low frequency of response to the various lines of Schedule M-3, Parts II and III for corporations with $10 million but less than $50 million in assets compared with corporations with $50 million or more in assets.

A book-to-tax reconciliation is a systematic listing of the book-tax differences adjusting book income to tax income. Schedule M-1 is an older, less structured listing of book-tax differences.[37] Schedule M-3, Parts II and III are a more structured listing of book-tax differences than 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 differences and the name for the line.

On Schedule M-3, Parts II and III, 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.[38]

Parts II and III contain four columns. Column (a) represents financial statement (book) income or expense amounts, using the financial statements source determined in Part I. Column (d) represents amounts as shown on the tax return. The book-tax differences amount between the amount shown in column (a) and the amount shown in column (d) is shown 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.[39]

[36]Line captions have been abbreviated to conserve space.

[37]Schedule M-1 has few specified book-tax difference categories and allows the taxpayer to otherwise choose the level of detail and category descriptions in describing book-tax differences. In Schedule M-1 supporting documentation, only the category description and book-tax differences are listed. The book income and tax income amounts generating the book-tax differences are not listed. With the exception of the few specified book-tax difference categories on Schedule M-1, book-tax differences are listed in supporting text documentation and are not machine readable.

[38]Temporary differences are important in tax administration because they may indicate 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. Unlike 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 later periods. In financial statement reporting under GAAP, permanent differences are not considered in the FAS 109 computation of deferred tax assets and liabilities, but they do have a direct impact on the effective tax rate. Therefore, permanent differences can substantially affect reported financial earnings per-share computations, and, in the case of public companies, stock prices. Accordingly, permanent differences of a given size may represent a greater audit risk than temporary differences of the same size.

[39]*See* Part II.C for a discussion of sign conventions.

Figure 2A. 2010: Part II Line Frequencies (percentage) and BTD (dollars in millions)

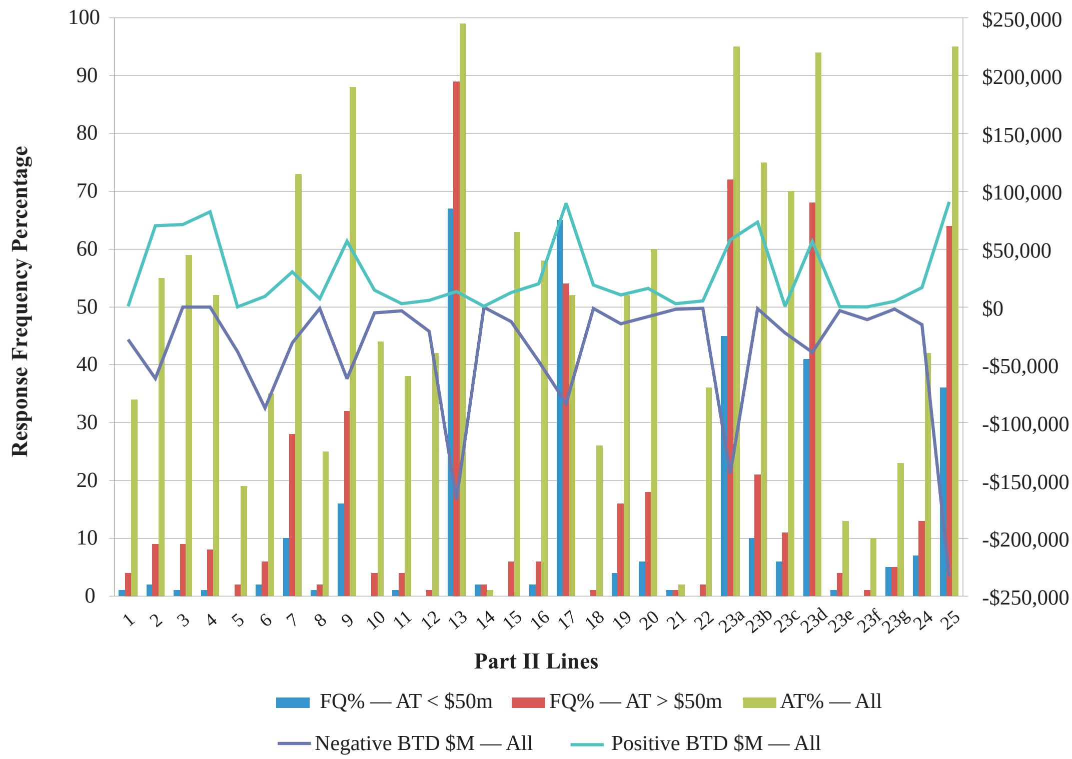
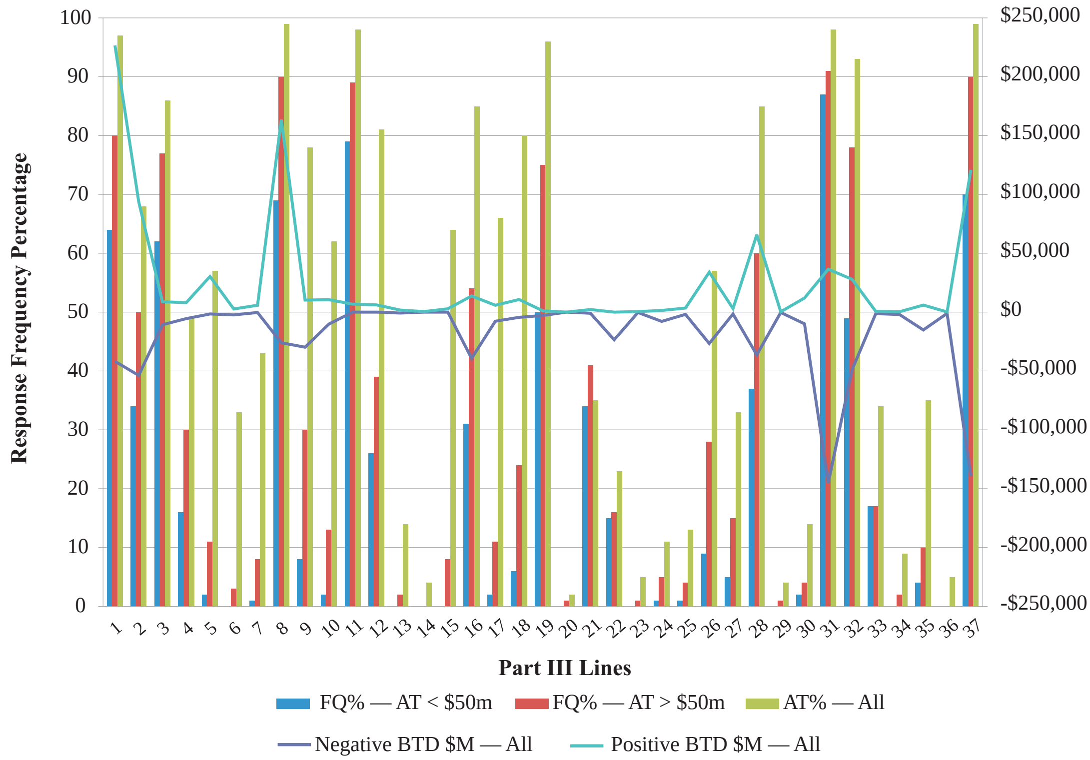


Table 2A presents the income and loss line items of Schedule M-3, Part II, and Table 2B presents the expense and deduction line items of Part III. The first column on each table is the line caption for each line, abbreviated to conserve space. In the five columns immediately following the line caption, we show the total frequency of nonzero responses for each line for all corporations in our study; the percentage response for all corporations; the percentage response for corporations with $10 million but less than $50 million in assets; the percentage response for corporations with $50 million or more in assets; and the percentage of total assets of responders. The next four columns show the Schedule M-3, Part II aggregate data for all corporations in millions of dollars: column (a) book income amount, column (b) temporary difference, column (c) permanent difference, and column (d) tax income amount. The next four columns show the aggregate negative and positive temporary and permanent difference components for all corporations. The aggregate negative and positive temporary and permanent differences sum to the aggregate temporary and permanent differences. A given corporation will report either a negative, zero, or positive temporary difference, and either a negative, zero, or positive permanent difference for each line.[40] A small aggregate net total book-tax difference for a population may mask large aggregate

[40]A corporation may report a mixture of negative and positive temporary book-tax differences and a mixture of negative and positive permanent book-tax differences on Schedule M-3, Parts II and III that will be subject to offset in determining book-tax difference totals for that taxpayer. Totals of population aggregations of the negative temporary book-tax differences, positive book-tax differences, negative permanent book-tax differences, and positive permanent book-tax differences will differ from population aggregations of the taxpayer totals of the same items by the amount of the offsets. For example, in Table 2A, the total of the population aggregations of negative permanent book-tax differences for lines 1 through 25 is in fact -$509,745 million (not shown on the table) versus the population aggregation of the taxpayer total of -$361,505 million shown for line 26, an aggregation difference resulting from offsets of $148,240 million at the taxpayer level. For positive permanent book-tax differences, the totals are $352,892 million versus $204,652 million, an aggregation difference resulting from offsets of -$148,240 million at the taxpayer level. For negative temporary book-tax differences, the totals are -$667,592 million versus -$352,605 million, an aggregation difference of $314,987 million. For positive temporary book-tax differences, the totals are $518,699 million versus $203,685 million, an aggregation difference of -$315,014 million. The aggregation differences resulting from offsets at the taxpayer level for permanent book-tax differences are equal in absolute value and opposite in sign. The aggregation differences resulting from offsets at the taxpayer level for temporary book-tax differences are equal in absolute value (within a rounding error or taxpayer error of $27 million) and opposite in sign.

Figure 2B. 2010: Part III Line Frequencies (percentage) and BTD (dollars in millions)



negative and positive components. The final three columns present the total aggregate difference for each line for all corporations, for corporations with $10 million but less than $50 million in total assets, and for corporations with $50 million or more in total assets.

For 2010, on Part II lines 1 through 25 (a total of 31 lines because of 23b through 23g), the average percentage response rate per line for corporations with total assets of $10 million but less than $50 million is 10.7 percent, and it falls to 6.9 percent if two lines with response rates exceeding 50 percent are excluded: line 13 interest income and line 17 COGS. The book-tax differences for the 31 lines are net -$4,754 million and -$3,287 million if the two lines are excluded.

For corporations with $50 million or more in assets, the comparable Part II percentage responses are 18.2 percent and 14.5 percent. The smaller corporations respond at 59 percent of the rate of the larger corporations on the 31 lines, and at 48 percent of the larger corporations if the two lines are excluded. For the larger corporations, the book-tax differences for the 31 lines are net -$300,993 million and -$155,580 million if the two lines are excluded. The smaller corporations report book-tax differences that are approximately 2 percent of the larger corporations on the 31 lines and also approximately 2 percent of the larger corporations if the two lines are excluded.

For 2010 on Part III, lines 1 through 37 (a total of 37 lines), the average percentage response rate per line for corporations with total assets of $10 million but less than $50 million is 21.2 percent, and it falls to 11.4 percent if six lines with response rates over 50 percent are excluded: line 1 U.S. current income tax expense, line 3 state and local current income tax expense, line 8 interest expense, line 11 meals and entertainment, line 31 depreciation, and line 37 other expense/deduction with difference. The book-tax differences for the 37 lines are $7,883 million and $761 million if the six lines are excluded.

For corporations with $50 million or more in assets, the comparable Part III percentage responses are 31.3 percent and 20.7 percent. The smaller corporations respond at 68 percent of the rate of the larger corporations on the 37 lines and at 55 percent of the larger corporations if the six lines are excluded. For the larger corporations, the book-tax differences for the 37 lines are net $217,618 million, and $24,680 million if the six lines are excluded. The smaller corporations report book-tax differences that are approximately 4 percent of the larger corporations on the 37 lines and approximately 3 percent if the six lines are excluded.

Figures 2A and 2B highlight in three bars, with the y-axis on the left, the percentage frequency data for the percentage response for corporations with $10 million but less than $50 million in assets, the percentage response for corporations with $50 million or more in assets, and the percentage of total assets of responders. Figures 2A and 2B highlight in two lines, with the y-axis on the right, the aggregate negative book-tax differences and positive book-tax differences in millions of dollars for all corporations in the study.

C. Mini M-3 Without COGS Adjustments

This study develops 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. The ''other with difference'' lines are Part II, line 25 and Part III, line 37 (line 35 before 2010 when current lines 35 and 36 were added).[41]

Table 3 combines lines on Schedule M-3, Parts II and III, into six categories for 2006-2010 based on specified versus ''other with difference'' or ''other with no difference'' lines:

- other items with no difference (Part II, line 28) (a surrogate for gross receipts);[42]
- COGS (Part II, line 17);
- specified income (Part II, lines 1-16, 18-24, and 29a-29c);
- other income with difference (Part II, line 25);
- specified expense/deductions (Part III, lines 3-36 in 2010 and lines 3-34 before 2010);[43] and
- other expense/deduction with difference (Part III, line 37 in 2010 and line 35 before 2010).

Table 3 shows the total of the first four categories as total income, and the total of all six categories as pretax net income. The first five data columns 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 2006-2007 average. The final five columns express the first five as percentages of pretax book net income.

As discussed in Part IV.A, SOI removes the cost of securities, commodity contracts, and other financial products reported in Form 1120, page 1, line 2 COGS but does not make the adjustment for Schedule M-3 data. SOI also makes adjustments to Form 1120, page 1, line 1 gross receipts to match the amounts removed from COGS.

As shown in Table 3, book income and tax income amounts for Part II, line 28 other items with difference and line 17 COGS are large in 2006 and very large in 2007 compared with 2008-2010 activity. The 2006-2010 book income percentages of the 2006-2007 average for line 28 other items with no difference are 52 percent in 2006, 148 percent in 2007, 28 percent in 2008, 30 percent in 2009, and 29 percent in 2010. The 2006-2010 percentages of the 2006-2007 average for line 17 COGS are 61 percent in 2006, 139 percent in 2007, 34 percent in 2008, 35 percent in 2009, and 34 percent in 2010. Similar patterns exist for the tax income amounts for these lines.

The book income and tax income amounts for Part II, line 28 other items with no difference, line 17 COGS, and line 25 other income with difference are all very large in 2006-2010 in absolute amount compared with the other categories and as a percentage of pretax book income, and they are a motivation for introducing special adjustments similar to those made by SOI for COGS adjustment.

Figure 3 highlights the 2006-2010 book-tax difference data for the five book-tax difference source groups described above. In four out of the five years, 2006-2010, ''other income with difference'' and ''other expense/deduction with difference'' book-tax differences are negative — that is, they reduce tax income compared with book income. In four out of the five years, 2006-2010, COGS, specified income, and specified expense/deduction book-tax differences are positive — that is they increase tax income compared with book income.

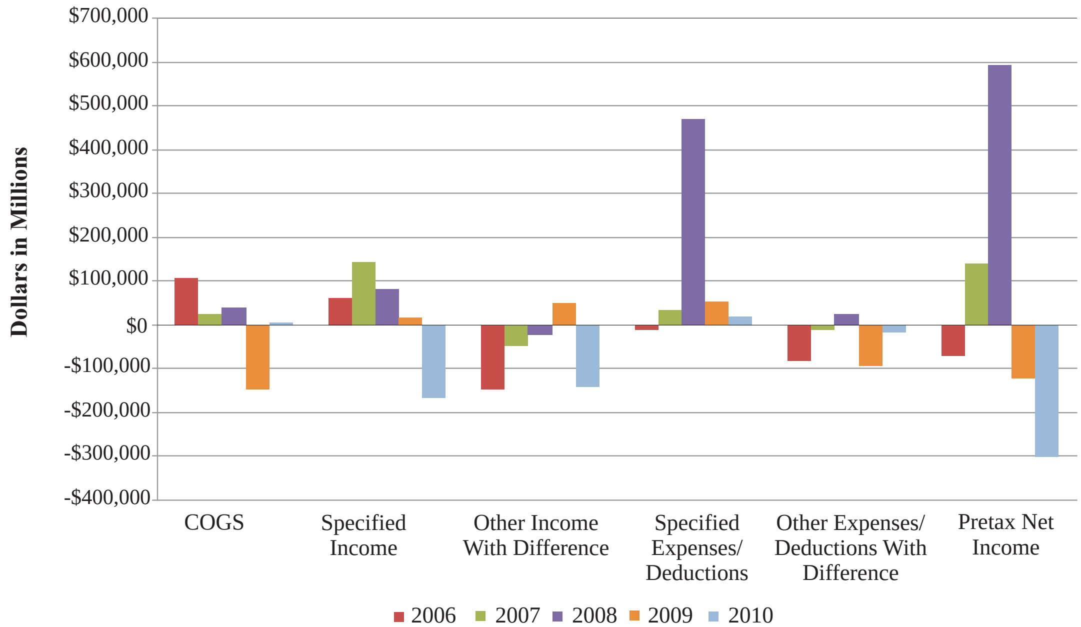
Unusually large book-tax differences occur in COGS for 2006 and 2009. The expected book-tax difference for COGS is a temporary book-tax difference that increases tax income (a positive book-tax difference in our sign convention). The 2009 book-tax difference is particularly unusual because of the

[41]Amounts reported on the ''other with difference'' lines require attached documentation. The documentation must separately state and adequately disclose the book-tax difference adjustments for the line. The ''other items with no difference'' line has no documentation. 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). 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.

[42]In general, corporations report gross receipts as part of Part II, line 28 other items with no difference. Line 28 also includes expense/deduction items with no difference. Some corporations include gross receipts as part of line 25 other items with difference.

[43]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 Part II.C.

Figure 3. 2006-2010: Specified vs. Other Difference: Mini M-3 BTD



absolute amount of the permanent difference and because it reduces tax income (is negative in our sign convention). The adjustments introduced in Part IV.A do not change book-tax differences and therefore would not affect the COGS book-tax difference anomalies noted for 2006 and 2009.

The most notable specified book-tax difference for 2006-2010 occurs in 2008. In 2008 pretax income is -$89,393 million, and tax income is $503,363 million — a positive book-tax difference of $592,647 million. The major positive book-tax difference is the specified expense/deduction category totaling $470,083 million, reflecting expenses and write-downs required for financial statement purposes but not allowed or immediately allowed for tax accounting purposes. Specific lines contributing to the net total positive book-tax difference of $470,083 million in the specified expense/deduction category are Part III, line 26 amortization/impairment of goodwill $278,711 million; line 28 other amortization/impairment $135,377 million; and line 32 bad debts $139,179 million.

IV. 2010 Adjusted Mini M-3

A. COGS and Other Adjustments

We introduce a 2010 Schedule M-3 COGS adjustment of $32 trillion analyzed in Table 4 and highlighted in Figure 4. 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 COGS.[44] 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 not changed. 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 "other items with no difference." We also divide the adjusted "other items with no difference" into "other income with no difference" and "other expense/deduction with no difference."[45]

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

[44]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.

[45]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.

components and book expense and tax deduction components for different-sized corporations. Adopting the SOI adjustments to COGS and gross receipts facilitates development of a consistent measure of total income applicable to different-sized corporations.[46]

We adjust 2010 Schedule M-3 COGS to agree with the SOI Form 1120, page 1, line 2 COGS. In doing so, we had to determine where on Schedule M-3 to make the matching gross receipts adjustment. 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 top 25 returns, accounting for 99 percent of the aggregate adjustment of approximately $32 trillion. Also, 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 4.[47]

Of the 40,740 Schedule M-3 returns in our study for 2010, 24,567 reported COGS on Part II, line 17. Although, as mentioned above, 25 returns account for 99 percent of the total COGS adjustment, our COGS adjustments to reconcile with SOI-reported COGS applied to 15,410 of the 24,567 returns with COGS: 1,404 received the ADJCOGS1 adjustment, lowering the absolute value of Part II, line 17 COGS and line 25 other income with difference by a total of $10,817,980 million; 11,502 received the ADJCOGS2 adjustment, lowering the value of line 17 COGS and line 28 other items with no difference by a total of $21,687,834 million; and 2,504 received the ADJCOGS3 adjustment, increasing the absolute value of line 17 COGS and line 28 other items with difference by a total of $398,410 million.[48]

A total of 38,092 returns out of the 40,740 returns in our study received the ADJEXPDED adjustment, creating the expense/deduction with no difference amount totaling -$2,244,733 million and increasing by that amount the amount of Part II, line 28 other items with no difference.

Table 4 shows the aggregate amounts of the three COGS adjustments and the one "other expenses/deductions with no difference" adjustment for all corporations in our study and by financial statement type. The adjustments are largely to SEC 10-K/public. The adjustments affect neither pretax net income nor book-tax differences.

In Table 4 we expand the six specified-versus-other categories in Table 3 to seven categories by adding "expense/deduction with no difference" and changing "other items with no difference" to "other income with no difference":

- other income with no difference (Part II, line 28 adjusted) (gross receipts);
- COGS (Part II, line 17 adjusted);
- specified income (Part II, lines 1-16, 18-24, and 29a-29c);
- other income with difference (Part II, line 25 adjusted);
- specified expense/deductions (Part III, lines 3-36 in 2010);
- other expense/deduction with difference (Part III, line 37 in 2010); and
- other expense/deduction with no difference (an adjustment to Part II, line 28).

[46]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 line combined. Most gross receipts are reported on Part II, line 28, other items with no difference.

[47]Our allocation rule:

ADJCOGS1 and *ADJCOGS2*: If the absolute value of P2L17 column D COGS is greater than Form 1120, page 1, line 2, COGS, then the excess difference is the COGS adjustment and the matching gross receipts adjustment. The adjustments reduce the absolute magnitude of P2L17, P2L25, and P2L28.

ADJCOGS1: 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 apply.

ADJCOGS2: The gross receipts adjustment goes to P2L28 other income without difference.

ADJCOGS3: 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.

ADJEXPDED: We estimate expense/deductions without difference 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."

[48]The large number of returns receiving small COGS adjustments to reconcile Schedule M-3 COGS with SOI reported COGS for Form 1120, page 1, line 2, does not necessarily reflect SOI editing to remove the costs of financial products from COGS. SOI corrects inconsistent COGS reporting on many Form 1120 returns, particularly on returns with less than $50 million in assets. Further, returns may have small discrepancies between the taxpayer-reported Schedule M-3, Part II, line 17, column D COGS amount and the Form 1120, page 1, line 2 amount because of anomalies in taxpayer reporting.

Figure 4. 2010: Unadjusted and Adjusted Book Income Amounts

We also add a subtotal for adjusted gross profit for the first two items, adjusted total income for the first four items, and a total "all items" for pretax book income.

Figure 4 highlights for all corporations in our study the relative magnitude (in millions of dollars) of the book income amounts before and after adjustments for the specified-versus-other difference categories of income and expense/deduction. The total adjustments on the other income with no difference line (gross receipts) of -$19,044,691 million and the COGS line of $32,107,402 million result in a net adjustment of $13,062,713 million for gross profit, changing it from a negative unadjusted book amount of -$10,410,505 million to a positive adjusted amount of $2,652,207 million. The "other income with difference" line is adjusted to -$10,817,980 million for financial transaction gross receipts included on that line by taxpayers. Total income is increased to $2,244,733 million, reflecting the "other expense/deductions with no difference" amount no longer included in the other income with no difference line. The adjustments do not affect pretax net income or book-tax differences. Book-tax differences are unaffected by the COGS and other adjustments described above because equal adjustments are made to book income and tax income amounts.

We use the adjusted book income and tax income amounts in our analysis above, and we scale by adjusted total income the sum of the adjusted other income with no difference, adjusted COGS, specified income, and adjusted other income with difference amounts.

B. Adjusted Mini M-3 by Statement Types

Table 5 presents adjusted 2010 data for seven specified versus "other with difference" or "no difference" categories for book income and tax income amounts for all Form 1120 Schedule M-3 corporations in our study and for the three financial statement types: SEC 10-K/public, audited, and unaudited. The adjustments to book income and tax income amounts are as described above. The adjustments do not affect pretax net income or book-tax differences. In Table 4, we expanded the six specified-versus-other categories introduced in Table 3 to seven categories by adding "expense/deduction with no difference" and changing "other items with no difference" to "other income with no difference."

In Table 5, the seven specified versus "other with difference" or "no difference" categories shown as rows are:

- other income with no difference (Part II, line 28 adjusted) (gross receipts);
- COGS (Part II, line 17 adjusted);
- specified income (Part II, lines 1-16, 18-24, and 29a-29c);
- other income with difference (Part II, line 25 adjusted);

- specified expense/deductions (Part III, lines 3-36 in 2010);
- other expense/deduction with difference (Part III, line 37 in 2010); and
- other expense/deduction with no difference (an adjustment to Part II, line 28).

Also shown are a subtotal for adjusted gross profit for the first two items, adjusted total income for the first four items, and a total ''all items'' for pretax book income. The report tables and text state category data as a percentage of adjusted total income to facilitate comparisons between groups with corporations that differ in size.

The first five data columns in Table 5 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 amount of adjusted total income, our primary scaling factor to correct for the difference in size of the three financial statement types.[49] The next three columns express temporary difference, permanent difference, and total differences as percentages of pretax book income for that item. The final three columns express temporary difference, permanent difference, and total difference as percentages of pretax book income.

Figure 5A compares the 2010 book amount of the gross profit subtotal, specified income, other income with difference, specified expense/deduction, other expense/deduction with difference, other expense/deduction with no difference, and pretax net income as a percentage of book for adjusted total income for the three financial statement types: SEC 10-K/public, audited, and unaudited. Figure 5B compares the total book-tax differences for the five specific versus ''other with difference'' categories and for pretax net income. Figure 5C compares the temporary book-tax difference components, and Figure 5D compares the permanent book-tax difference components.

In Table 5, ''adjusted other income with no difference'' book (gross receipts) and ''adjusted COGS'' book are relatively greater as a percentage of ''adjusted total income'' book for audited (222.17 percent and -191.7 percent) and unaudited (174.09 percent and -137.31 percent) compared with SEC 10-K/public (138.36 percent and -101.52 percent). ''Adjusted gross profit'' book as a percentage of ''adjusted total income'' book is relatively similar for SEC 10-K/public (36.84 percent) and unaudited (36.78 percent), and lower for audited (30.47 percent).

''Specified income'' book in 2010 as a percentage of ''adjusted total income'' book is relatively greater for SEC 10-K/public (27.57 percent) compared with audited (15.48 percent) and unaudited (18.27 percent). ''Adjusted other income with difference'' book is relatively greater than ''specified income'' book for each financial statement type in 2010 and is relatively greater for audited (54.05 percent) and unaudited (44.95 percent), compared with SEC 10-K/public (35.59 percent).

''Specified expense/deduction'' book as a percentage of ''adjusted total income'' book is relatively greater in 2010 for SEC 10-K/public (30.15 percent) compared with audited (24.11 percent) and unaudited (26.25 percent). ''Other expense/deduction with difference'' book is relatively greater for audited (29.42 percent) and unaudited (27.08 percent) compared with SEC 10-K/public (26.12 percent).

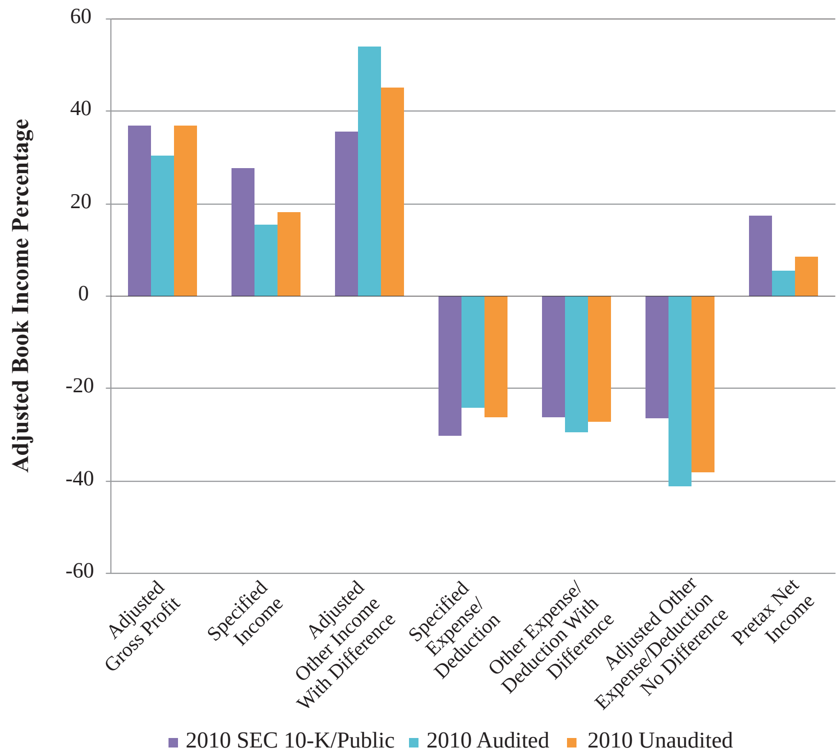
''Other expense/deduction with no difference'' book as a percentage of ''adjusted total income'' book in 2010 is relatively greater for audited (41.05 percent) and unaudited (38.18 percent) compared with SEC 10-K/public (26.31 percent). As Table 4 shows, the only adjustment that changes ''total income book'' and ''total income tax'' amounts is the creation of the ''other expense/deduction without difference'' amount and its removal from the ''other items with no difference'' amount as part of creating the ''adjusted income with no difference'' amount. The COGS adjustments do not affect total income. The fact that ''other expense/deduction without difference'' as a percentage of ''adjusted total income'' book varies across financial statement types in 2010 argues for making the adjustment and for the use of adjusted total income rather than total income as our common-size measure.

''Other expense/deduction with no difference'' book as a percentage of ''adjusted total income'' book in 2010 is relatively greater than ''other expense/deduction with difference'' book and ''specified expense/deduction'' book for audited and unaudited. For SEC 10-K/public, ''other expense/deduction with no difference'' book as a percentage of ''adjusted total income'' book in 2010 is approximately the same as ''other expense/deduction with difference'' book and is relatively less than ''specified expense/deduction'' book.

The final item in Figure 5A is ''pretax net income'' book as a percentage of ''adjusted total income'' book. It is a financial statements pretax profitability measure. We use it with additional data from Table 5 as a transition to the comparison of

[49]As discussed in Part IV.A, 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-sized corporations. Adopting the SOI adjustments to COGS and gross receipts facilitates development of a consistent measure of total income applicable to different-sized corporations.

Figure 5A. 2010: Book Amounts as Percentage of Adjusted Book Income



book-tax differences by categories and by financial statement type in Figure 5B.

In 2010, SEC 10-K/public reports relatively greater financial statements pretax profitability (17.41 percent) than audited (5.41 percent) or unaudited (8.5 percent). Table 5 shows that tax income as a percentage of "adjusted total income" book is lower than the "pretax net income" book percentage for SEC 10-K/public (12.14 percent versus 17.41 percent, 5.27 percentage points lower because of book-tax differences, a reduction of 30.3 percent) and unaudited (5.45 percent versus 8.5 percent, 3.05 percentage points lower because of book-tax differences, a reduction of 35.8 percent) but higher for audited (5.77 percent versus 5.41 percent, 0.37 percentage points higher because of book-tax differences, an increase of 6.8 percent).

Figure 5B compares the 2010 total book-tax difference amount of the five "specified versus other difference" categories and the total for pretax book income as a percentage of book for adjusted total income for all corporations in our study and for the three financial statement types: SEC 10-K/public, audited, and unaudited.[50]

In Figure 5B, total book-tax differences for COGS as a percentage of "adjusted total income" book is positive (tax income increasing) in 2010 for SEC 10-K/public (0.09 percent) and audited (0.3 percent) but negative (tax income decreasing) for unaudited (-0.23 percent). Compared with the total book-tax differences for the "other income with difference" line, the COGS book-tax difference is relatively less in magnitude for all three financial statement types.

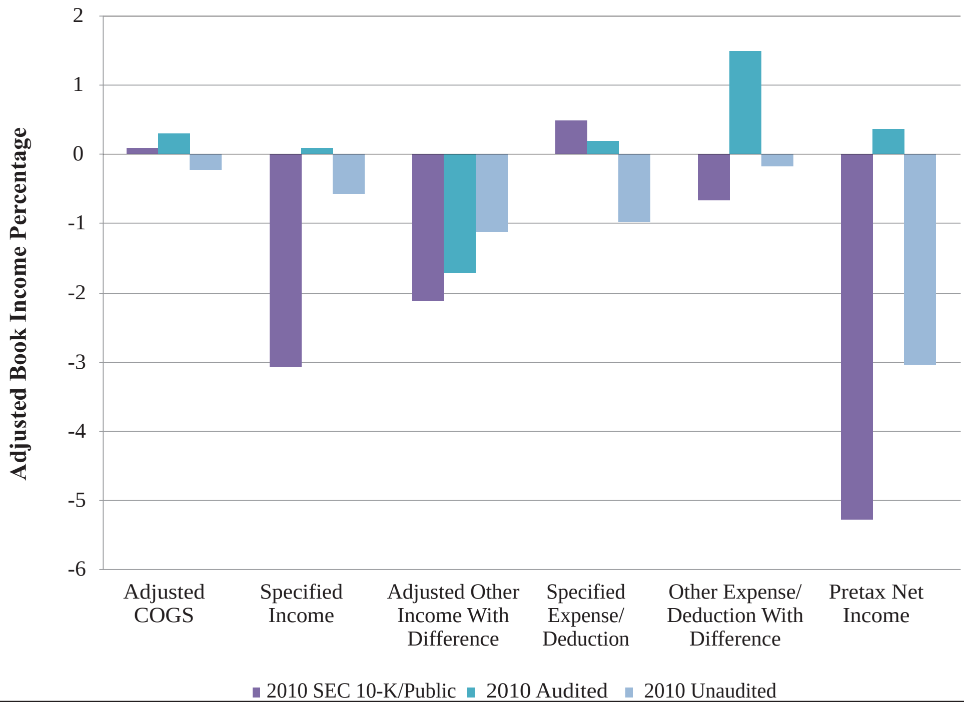
Total book-tax differences for the "specified income" category in 2010 as a percentage of "adjusted total income" book is negative (tax income decreasing) for SEC 10-K/public (-3.08 percent) and unaudited (-0.57 percent) and positive (tax income increasing) for audited (0.1 percent). Compared with the total book-tax differences for the "other income with difference" line, the "specified income" category total book-tax difference is relatively greater in magnitude for SEC 10-K/public and relatively less in magnitude for audited and unaudited.

Total book-tax differences for the "other income with difference" line in 2010 as a percentage of

[50]In analyzing temporary and permanent book-tax differences in terms of "specified versus other with difference" categories and as a percentage of "adjusted total income" book, the no-difference categories are ignored because they have no book-tax differences. Book-tax differences are unaffected by the COGS and other adjustments described in Part IV.A because equal adjustments are made to book income and tax income amounts.

(Footnote continued in next column.)

Figure 5B. 2010: Total BTD as Percentage of Adjusted Book Income



"adjusted total income" book are negative (tax income decreasing) for all three financial statement types: SEC 10-K/public (-2.12 percent), audited (-1.72 percent), and unaudited (-1.11 percent).

Table 5 shows that net total book-tax differences for the three income categories combined (adjusted total income) in 2010 as a percentage of "adjusted total income" book are negative (tax income decreasing) for all three financial statement types: SEC 10-K/public (-5.1 percent), audited (-1.32 percent), and unaudited (-1.91 percent).

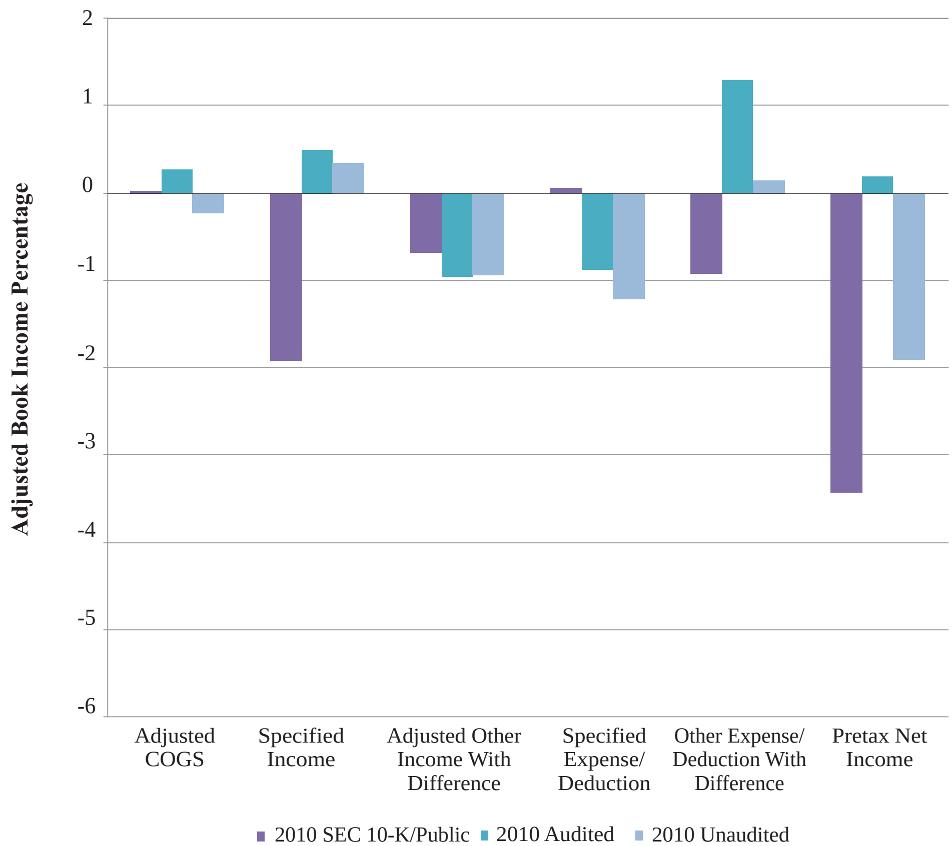
Total book-tax differences for the "specified expense/deduction" category are positive (tax income increasing) for SEC 10-K/public (0.5 percent) and audited (0.2 percent) and negative (tax income decreasing) for unaudited (-0.97 percent).

Total book-tax differences for the "other expense/deduction with difference" line are negative (tax income decreasing) for SEC 10-K/public (-0.67 percent) and unaudited (-0.16 percent) and positive (tax income increasing) for audited (1.48 percent).

The following summarizes the total book-tax difference analysis for the three financial statement types in 2010 as a percentage of "adjusted total income" book:

- *SEC 10-K/public*: Pretax net income total book-tax difference is negative (tax income decreasing) (-5.27 percent). The COGS line total book-tax difference is positive (0.09 percent); the "specified income" category total book-tax difference is negative (-3.08 percent); the "other income with difference" line total book-tax difference is negative (-2.12 percent); and the net total book-tax difference for the three income categories is negative (0.09 percent + -3.08 percent + -2.12 percent = -5.1 percent). The "specified expense/deduction" category total book-tax difference is positive (0.5 percent); the "other expense/deduction with difference" line total book-tax difference is negative (-0.67 percent); and the net total book-tax difference for the two expense/deduction categories is negative (0.5 percent + -0.67 percent = -0.17 percent).
- *Audited*: Pretax net income total book-tax difference is positive (tax income increasing) (0.37 percent). The COGS line total book-tax difference is positive (0.3 percent); the "specified income" category total book-tax difference is positive (0.1 percent); the "other income with difference" line total book-tax difference is negative (-1.72 percent); and the net total book-tax difference for the three income categories is negative (0.3 percent + 0.1 percent + -1.72 percent = -1.32 percent). The "specified expense/deduction" category total book-tax difference is positive (0.2 percent); the "other expense/deduction with difference" line total book-tax difference is positive (1.48 percent); and the net total book-tax difference for the

Figure 5C. 2010: Temporary BTD as Percentage of Adjusted Book Income



two expense/deduction categories is positive (0.2 percent + 1.48 percent = 1.68 percent).

- *Unaudited*: Pretax net income total book-tax difference is negative (tax income decreasing) (-3.05 percent). The COGS line total book-tax difference is negative (-0.23 percent); the "specified income" category total book-tax difference is negative (-0.57 percent); the "other income with difference" line total book-tax difference is negative (-1.11 percent); and the net total book-tax difference for the three income categories is negative (-0.23 percent + -0.57 percent + -1.11 percent = -1.91 percent). The "specified expense/deduction" category total book-tax difference is negative (-0.97 percent); the "other expense/deduction with difference" line total book-tax difference is negative (-0.16 percent); and the net total book-tax difference for the two expense/deduction categories is negative (-0.97 percent + -0.16 percent = -1.13 percent).

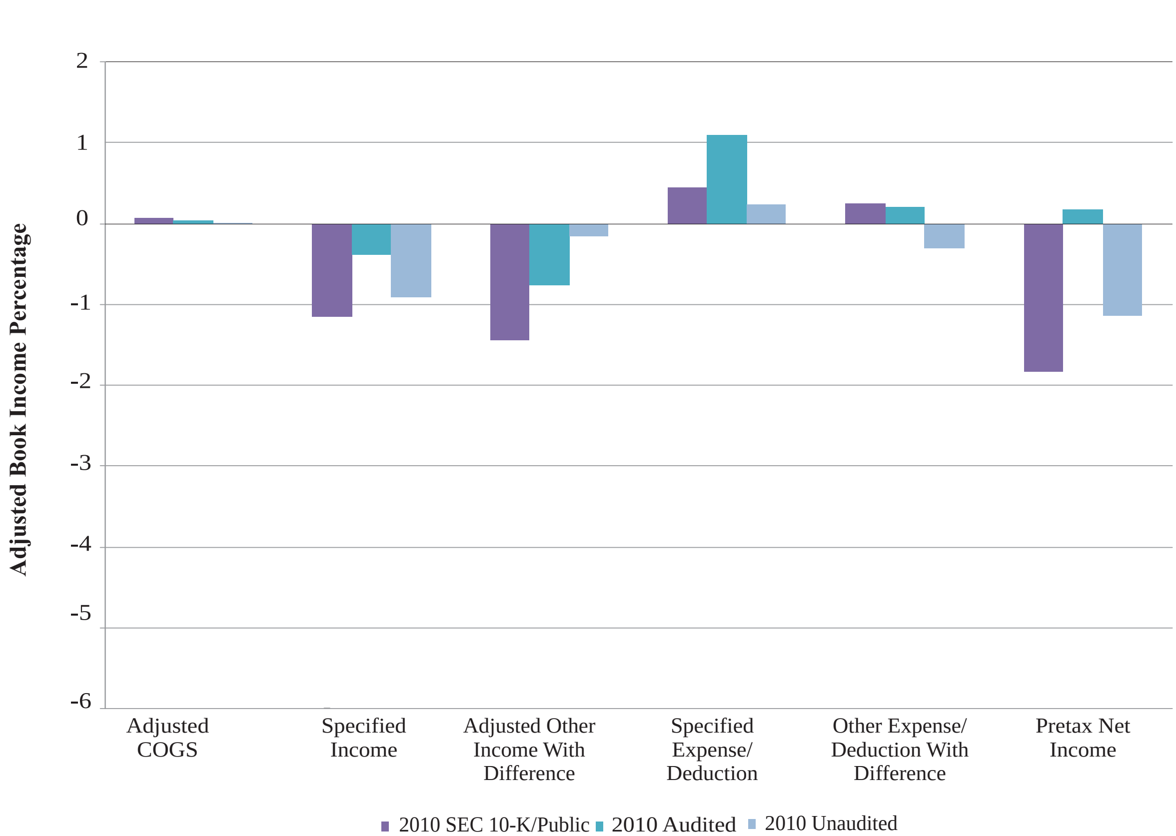
Figure 5C compares the temporary components of the total book-tax differences in 2010 as a percentage of "adjusted total income" book. Figure 5D makes the same comparisons for the permanent components.

The COGS book-tax difference components in 2010 as a percentage of "adjusted total income" book for SEC 10-K/public are positive and largely permanent (0.02 percent versus 0.07 percent). The COGS book-tax difference components for audited are positive and largely temporary (0.27 percent versus 0.03 percent). The COGS book-tax difference temporary component for unaudited is negative (-0.23 percent), and the permanent component is positive and minor (rounding to 0.0 percent).

The "specified income" book-tax difference components in 2010 as a percentage of "adjusted total income" book for SEC 10-K/public are negative (tax income decreasing), and the temporary component is greater in magnitude than the permanent component (-1.92 percent versus -1.16 percent). The "specified income" book-tax difference components for audited are positive (tax income increasing) temporary (0.49 percent) and negative permanent (-0.39 percent) and largely offsetting. The "specified income" components for unaudited are positive temporary (0.35 percent) and negative permanent (-0.92 percent) and largely permanent.

The "other income with difference" book-tax difference temporary and permanent components in 2010 as a percentage of "adjusted total income"

Figure 5D. 2010: Permanent BTD as Percentage of Adjusted Book Income



book are negative (tax income decreasing) for all financial statement types. SEC 10-K/public (-0.68 percent versus -1.44 percent) is largely permanent. Audited (-0.96 percent versus -0.76 percent) is more temporary than permanent. Unaudited (-0.95 percent versus -0.16 percent) is largely temporary.

The book-tax difference temporary and permanent components in 2010 as a percentage of ''adjusted total income'' book are negative (tax income decreasing) for all financial statement types for the three income categories combined (adjusted total income). SEC 10-K/public (-2.58 percent versus -2.53 percent) is approximately equally temporary and permanent. Audited (-0.21 percent versus -1.11 percent) is largely permanent. Unaudited (-0.84 percent versus -1.08 percent) is more permanent than temporary.

The ''specified expense/deduction'' book-tax difference components in 2010 as a percentage of ''adjusted total income'' book for SEC 10-K/public are positive (tax income increasing), and the permanent component is greater than the temporary component (0.06 percent versus 0.44 percent). The ''specified expense/deduction'' book-tax difference components for audited are both negative (tax income decreasing) temporary (-0.89 percent) and positive permanent (1.09 percent) and largely offsetting. The ''specified expense deduction'' book-tax difference components for unaudited are negative temporary (-1.21 percent) and positive permanent (0.24 percent) and largely temporary.

The ''other expense/deduction with difference'' book-tax difference components in 2010 as a percentage of ''adjusted total income'' book for SEC 10-K/public are negative temporary (-0.92 percent) and positive permanent (0.25 percent) and largely temporary. The ''other expense/deduction with difference'' book-tax difference components for audited are positive and largely temporary (1.28 percent versus 0.2 percent). The ''other expense/deduction with difference'' book-tax difference components for unaudited are positive temporary (0.15 percent) and negative permanent (-0.31 percent) and largely offsetting.

The following summarizes the total book-tax difference temporary and permanent component analysis for the three financial statement types in 2010 as a percentage of ''adjusted total income'' book:

- *SEC 10-K/public*: The pretax income book-tax difference temporary and permanent components are negative (tax income decreasing), and the temporary component is greater in magnitude (-3.44 percent versus -1.83 percent).

The COGS book-tax difference components are positive, and the permanent component is greater in magnitude (0.02 percent versus 0.07 percent); the "specified income" category book-tax difference components are negative, and the temporary component is greater in magnitude (-1.92 percent versus -1.16 percent); the "other income with difference" line book-tax difference components are negative, and the permanent component is greater in magnitude (-0.68 percent versus -1.44 percent); the "specified expense/deduction" category book-tax difference components are positive, and the permanent component is greater in magnitude (0.06 percent versus 0.44 percent); and the "other expense/deduction with difference" line book-tax difference components are negative temporary (-0.92 percent) and positive permanent (0.25 percent), and the temporary component is larger in magnitude.

- *Audited*: The pretax income book-tax difference temporary and permanent components are positive (tax income increasing), and the temporary component is approximately equal to the permanent component (0.19 percent versus 0.18 percent). The COGS book-tax difference components are positive, and the temporary component is greater in magnitude (0.27 percent versus 0.03 percent); the "specified income" category book-tax difference components are positive temporary (0.49 percent) and negative permanent (-0.39 percent), and the temporary component is greater in magnitude; the "other income with difference" line book-tax difference components are negative, and the temporary component is greater in magnitude (-0.96 percent versus -0.76 percent); the "specified expense/deduction" category book-tax difference components are negative temporary (-0.89 percent) and positive permanent (1.09 percent), and the permanent component is greater in magnitude; and the "other expense/deduction with difference" line book-tax difference components are positive, and the temporary component is larger in magnitude (1.28 percent versus 0.2 percent).
- *Unaudited*: The pretax income book-tax difference temporary and permanent components are negative (tax income decreasing), and the temporary component is greater than the permanent component (-1.9 percent versus -1.14 percent). The COGS book-tax difference components are negative temporary (-0.23 percent) and essentially zero permanent; the "specified income" category book-tax difference components are positive temporary (0.35 percent) and negative permanent (-0.92 percent), and the permanent component is greater in magnitude; the "other income with difference" line book-tax difference components are negative, and the temporary component is greater in magnitude (-0.95 percent versus -0.16 percent); the "specified expense/deduction" category book-tax difference components are negative temporary (-1.21 percent) and positive permanent (0.24 percent), and the temporary component is greater in magnitude; and the "other expense/deduction with difference" line book-tax difference components are positive temporary (0.15 percent) and negative permanent (-0.31 percent), and the permanent component is larger in magnitude.

V. 2010 Distribution Tables

A. Financial Statement Type and UTP Status

Table 6 presents distribution table data for 2010 for the 40,740 corporations in this study with rows for the following: asset size; financial statement type; return type; industry (manufacturing, financial/holding, other); use or nonuse of Part I, lines 5 through 7 to adjust financial statement worldwide income by removing non-includible foreign and U.S income and adding other includible income; positive tax income versus non-positive tax net income; and the presence or absence of Schedule UTP.[51] The columns are key tax return and Schedule M-3 variables: number of returns; total assets; U.S. corporate income tax less credits; worldwide income; non-includible foreign income; pretax book income; pretax temporary book-tax differences; and pretax permanent book-tax differences.[52]

Table 6 has two columns of percentages following each amount, giving (Percentage 1) the percentage of the total for all 40,740 corporations represented by that row amount, and (Percentage 2) the percentage of the total for the subgroup of rows in which the row is shown represented by that row amount.

Table 6 data highlight the relative importance to the U.S. corporate tax system of very large corporations and of corporations that are publicly held and file with the SEC, as well as the importance of mixed groups (tax consolidated groups with a non-insurance parent and one or more insurance subsidiaries). The study data for

[51]*See* Part V.B and Table 7 for additional data on Schedule UTP filers and nonfilers.

[52]Non-includible foreign income is shown as negative in Table 6 because it is the foreign income that must be removed from worldwide income in determining book income for the U.S. consolidated group.

2010 include 40,740 corporations. The 2,692 corporations (7 percent) with $1 billion or more in assets report 92 percent of the assets, 83 percent of the tax less credits, 97 percent of the worldwide income, 97 percent of the non-includible foreign income, 96 percent of pretax income, 94 percent of the net negative (tax income reducing) temporary book-tax differences, and 105 percent of the net negative permanent book-tax differences for the 40,740 corporations. The 4,635 corporations (11 percent) with SEC 10-K/public financial statements report 75 percent of the assets, 72 percent of the tax less credits, 88 percent of the worldwide income, 96 percent of the non-includible foreign income, 86 percent of pretax income, 92 percent of the net negative temporary book-tax differences, and 91 percent of the net negative permanent book-tax differences. The 407 corporations (1 percent) that are mixed groups report 46 percent of the assets, 30 percent of the tax less credits, 46 percent of the worldwide income, 61 percent of the non-includible foreign income, 52 percent of pretax income, 54 percent of the net negative temporary book-tax differences, and 161 percent of the net negative permanent book-tax differences.

In contrast with the above, the 23,486 corporations (58 percent) with assets of $10 million or more but less than $50 million report only 1 percent of total assets, 3 percent of tax less credits, and an aggregate net loss representing less than 1 percent of worldwide income.[53]

Of the 2,692 corporations with $1 billion or more in assets, 1,535 (57 percent) have SEC 10-K/public financial statements, 608 (23 percent) have audited financial statements, and 550 (20 percent) have unaudited financial statements. Of the 23,486 corporations with $10 million or more but less than $50 million in assets, 772 (3 percent) have SEC 10-K/public financial statements, 9,149 (39 percent) have audited financial statements, and 13,566 (58 percent) have unaudited financial statements.

In 2010, 12,044 corporations (30 percent) with assets of $100 million or more are potentially required to file Schedule UTP.

The 1,856 (5 percent) with assets of $100 million or more that filed Schedule UTP report 69 percent of assets, 58 percent of tax less credits, 71 percent of worldwide income, 47 percent of the non-includible foreign income, 68 percent of pretax income, 62 percent of the net negative temporary book-tax differences, and 36 percent of the net negative permanent book-tax differences.

In contrast, the 10,188 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 29 percent of assets, 37 percent of tax less credit, and 30 percent of worldwide income, but a disproportionate 52 percent of non-includible foreign income and 64 percent of the net negative permanent book-tax differences.

The 8,820 corporations (22 percent) in manufacturing report 21 percent of the assets, 33 percent of the tax less credits, 49 percent of the worldwide income, a disproportionate 75 percent of the non-includible foreign income, 50 percent of pretax income, a disproportionate 4 percent of the net negative temporary book-tax differences, and a disproportionate 99 percent of the net negative permanent book-tax differences.

The 7,344 (18 percent) corporations that used Schedule M-3, Part I, lines 5 through 7 to adjust their financial statement worldwide income by removing non-includible foreign and U.S. income and adding other includible income report 70 percent of assets, 74 of tax less credits, and 92 percent of worldwide income.

The 15,949 (39 percent) of corporations with non-positive tax net income report 35 percent of income, less than 1 percent of tax less credits, and an aggregate loss representing 10 percent of worldwide income.

B. Industry and UTP Status

Table 7 presents distribution table data for 2010 with rows for 19 key industries and Schedule UTP filing status for 12,044 corporations with $100 million or more in assets.[54] The columns are key tax return and Schedule M-3 variables: number of returns; total assets; U.S. corporate income tax less credits; worldwide income; non-includible foreign

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[53]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, 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 choose.

[54]The industries listed in Table 7 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 & Bank Holding Company: Ind. 551111, and Major code 521; Securities/Commodities: Major code 523; Other Financial: Major codes 522, 524, 525, and sector 53; Trade: Sector code 41; 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.

income; pretax book income; pretax temporary book-tax differences; and pretax permanent book-tax differences.[55] Subtotals are presented for manufacturing, finance/holding, and other.

Table 7 has two columns of percentages following each row amount giving (Percentage 1) the percentage of the total for all 12,044 corporations represented by that row amount, and (Percentage 2) the percentage of the total for the industry within which the row is shown represented by that row amount.

The rate of filing Schedule UTP by the 12,044 corporations with assets of $100 million or more differs greatly by industry. In manufacturing, 809 (30 percent) file Schedule UTP, and 1,869 (70 percent) do not. In finance/holding, 166 (3 percent) file, and 4,660 (97 percent) do not. In ''other,'' 880 (19 percent) file, and 3,659 (81 percent) do not.

The 166 finance/holding corporations filing Schedule UTP report a disproportionate 42 percent of assets for the 12,044 corporations with assets of $100 million or more, but only 9 percent of tax less credits, 7 percent of worldwide income, 6 percent of non-includible foreign income, 8 percent of pretax book, 12 percent of net negative (tax income reducing) temporary book-tax differences, and 27 percent of net negative permanent book-tax differences.

The 809 manufacturing corporations filing Schedule UTP report 17 percent of assets for the 12,044 corporations with $100 million or more in assets, 23 percent of the tax less credits, 36 percent of the worldwide income, 30 percent of non-includible foreign income, 36 percent of pretax book, approximately zero of the net negative temporary book-tax differences, and 56 percent of the net negative permanent book-tax differences. In contrast, the 1,869 manufacturing corporations that do not file Schedule UTP report 13 percent of the worldwide income of the 12,044 corporations, a disproportionate 45 percent of the foreign non-includible income, and 43 percent of the net negative permanent book-tax differences. The 186 computers/electronics manufacturing corporations not filing Schedule UTP report 4 percent of the worldwide income of the 12,044 corporations compared with a disproportionate 38 percent of the non-includible foreign income, and 53 percent of the net negative permanent book-tax differences.

The 880 other non-manufacturing nonfinancial corporations filing Schedule UTP report 12 percent of the assets for the 12,044 corporations, 29 percent of tax less credits, 27 percent of worldwide income, 11 percent of non-includible foreign income, 24 percent of pretax book, 49 percent of net negative temporary book-tax differences, and net positive (tax income increasing) permanent book-tax differences equal to -47 percent of the net negative permanent book-tax differences of the 12,044 corporations. The 297 service/agriculture/other corporations filing Schedule UTP report 1 percent of the worldwide income of the 12,044 corporations, 2 percent of the non-includible foreign income, and net positive permanent book-tax differences equal to -21 percent of the net negative permanent book-tax differences.

C. Accounting Standard

Table 8 presents distribution table data for 2010 for the 40,740 corporations in this study with rows for financial statement accounting standard, financial statement type, industry (manufacturing, financial/holding, other), and the use or nonuse of Part I, lines 5 through 7 to adjust financial statement worldwide income by removing non-includible foreign and U.S. income and adding other includible income. Financial statement accounting standards in Table 8 include GAAP, IFRS, tax basis, other, and missing (not reported). The columns are key tax return and Schedule M-3 variables: number of returns; total assets; U.S. corporate income tax less credits; worldwide income; non-includible foreign income; pretax book income; pretax temporary book-tax differences, and pretax permanent book-tax differences.

Table 8 has two columns of percentages following each amount giving (Percentage 1) the percentage of the total for all 40,740 corporations represented by that row amount, and (Percentage 2) the percentage of the total for the subgroup of rows in which the row is shown represented by that row amount.

For tax years ending December 31, 2008, and later, corporations filing Schedule M-3 are required to report the accounting standard used in determining the worldwide consolidated net income (loss) reported on Part I, line 4a. There are five choices indicated on the form for financial statement accounting standards: GAAP; IFRS; statutory; tax basis; and other.[56]

[55]Non-includible foreign income is shown as negative in Table 7 because it is the foreign income that must be removed from worldwide income in determining book income for the U.S. consolidated group.

[56]The study data presented here do not include any report of statutory accounting for 2010. The study includes only corporations filing Form 1120 Schedule M-3 and excludes insurance companies even if the parent corporation files Form 1120. Statutory accounting is frequently reported in separate data for insurance companies not presented here.

In 2010, 28,448 corporations (70 percent) of the 40,740 corporations in this study report using GAAP; 9,005 (22 percent) fail to report any financial statement standard; 1,740 (4 percent) report tax basis; 970 (2 percent) report IFRS; and 578 (1 percent) report other.

The 28,448 corporations (70 percent) indicating GAAP report 91 percent of the assets of the 40,740 corporations; 88 percent of the tax less credits; 95 percent of the worldwide income; 97 percent of the non-includible worldwide income; 95 percent of pretax book; approximately 100 percent of the net negative (tax income decreasing) temporary book-tax differences; and 113 percent of the net negative permanent book-tax differences.

The 970 corporations (2 percent) indicating IFRS report 3 percent of the assets of the 40,740 corporations; 5 percent of the tax less credits; 2 percent of the worldwide income; 1 percent of the non-includible foreign income; 2 percent of pretax book; net positive (tax income increasing) temporary book-tax differences equal to approximately zero of the net negative (tax income decreasing) temporary book-tax differences; and net positive permanent book-tax differences equal to -11 percent of the net negative permanent book-tax differences.

In 2010, 4,228 (91 percent) of SEC 10-K/public corporations report GAAP, and 408 (9 percent) fail to report a standard. The 408 (9 percent) that do not report a standard report only 4 percent of the assets and 2 percent of the worldwide income of the SEC 10-K/public corporations.

The 13,542 (79 percent) of audited corporations reporting GAAP report 87 percent of assets, 68 percent of worldwide income, and 86 percent of non-includible foreign income of audited corporations. The 375 (2 percent) of audited corporations reporting IFRS report 7 percent of assets, 21 percent of worldwide income, and 11 percent of non-includible foreign income of audited corporations.

The 10,678 (56 percent) of unaudited corporations reporting GAAP report 69 percent of assets, 80 percent of worldwide income, and 56 percent of non-includible foreign income of unaudited corporations. The 595 (3 percent) of unaudited corporations reporting IFRS report 20 percent of assets, 16 percent of worldwide income, and 35 percent of non-includible foreign income of unaudited corporations.

Within the industry sectors, GAAP is reported by 74 percent of returns in manufacturing, 67 percent of finance/holding, and 70 percent of other. Finance/holding corporations using GAAP have 53 percent of the assets of the 40,740 corporations, compared with 19 percent each for manufacturing and other corporations using GAAP.

Manufacturing corporations using GAAP report 86 percent of tax less credits, 93 percent worldwide income, and 98 percent of non-includible foreign income for all manufacturing corporations. Financial/holding corporations using GAAP report 83 percent of tax less credits, 88 percent of worldwide income, and 86 percent of non-includible foreign income for all financial/holding corporations. Other corporations using GAAP report 92 percent of tax less credits, 99 percent of worldwide income, and 99 percent of non-includible foreign income for all other corporations.

In 2010, 7,344 corporations (18 percent) use Schedule M-3, Part I, lines 5 through 7 to adjust their financial statement worldwide income by removing non-includible foreign and U.S. income and adding other includible income. Of these 7,344 corporations, 6,338 (86 percent) use GAAP and report 93 percent of the assets of corporations using Part I, lines 5 through 7; 94 percent of the tax less credits; 95 percent of the worldwide income; and 97 percent of the non-includible foreign income.

D. Worldwide Assets and Schedule L

Table 9 presents distribution table data with rows for financial statement type, asset size, and whether financial statement total assets, if present, are greater than, equal to, or less than Form 1120 Schedule L total assets. The columns are key tax return and Schedule M-3 variables: number of returns; total assets on Schedule L; total worldwide financial statement assets on Schedule M-3, Part I, line 12a; total non-includible foreign financial statement assets on Part I, line 12b; U.S. corporate income tax less credits; worldwide income; non-includible foreign income; and pretax book income.

Table 9 has two columns of percentages following each amount, giving (Percentage 1) the percentage of the total for all 40,740 corporations represented by that row amount, and (Percentage 2) the percentage of the total for the subgroup of rows in which the row is shown represented by that row amount.

For tax years ending December 31, 2008, and later, corporations filing Schedule M-3 are required to report on Part I, line 12a the worldwide total assets reported on their financial statements associated with the worldwide income reported on line 4a; on line 12b the financial statement total assets associated with the non-includible foreign income removed on line 5; on line 12c the financial statement total assets associated with the non-includible income removed on line 6; and on line 12d the financial statements total assets associated with the other includible income included on line 7.

The study data for 2010 include 40,740 corporations. Schedule M-3, Part I, line 12a financial statement worldwide total assets are not reported by 8 percent of all corporations filing the 2010 Schedule M-3. The corporations not reporting financial statement assets report 16 percent of the assets on Form 1120 Schedule L. Most (52 percent) of the nonreporting is by corporations with unaudited financial statements with 22 percent of the assets of non-reporters, with the remainder by corporations with audited financial statements (34 percent) with 7 percent of the assets of non-reporters, and by SEC 10-K/public companies (14 percent) with 71 percent of the assets of non-reporters.

For the 92 percent of the returns that report Part I, line 12a, most report financial statement worldwide total assets equal to total assets on Schedule L (75 percent) with 26 percent of financial statement assets, 21 percent of Schedule L assets, 8 percent of worldwide income, and 2 percent of non-includible foreign income; 12 percent report financial statement total assets greater than Schedule L total assets with 51 percent of financial statement assets, 33 percent of Schedule L assets, 56 percent of worldwide income, and 70 percent of non-includible foreign income; and 5 percent report financial statement total assets less than Schedule L total assets with 23 percent of financial statement assets, 30 percent of Schedule L assets, 29 percent of worldwide income, and 24 percent of non-includible foreign income.

Corporations with SEC 10-K/public financial statements report 50 percent of the worldwide income of corporations reporting financial statement assets equal to Schedule L assets, 86 percent of the worldwide income of corporations reporting financial statement assets more than Schedule L assets, and essentially 100 percent of the net aggregate worldwide income of corporations reporting financial statement assets less than Schedule L assets.

Leaving aside the small number of corporations with special purpose entities (including variable interest entities) included in the tax consolidation but, properly or not, not included in the financial statement consolidation, the entities in the tax consolidation are essentially the same as, or a subset of, the entities in the financial consolidation.[57] If Schedule L is consolidated, financial statement total assets should be equal to or greater than Schedule L assets. When Schedule L assets are greater than financial statement assets, it is likely that the Schedule L balance sheet is a combined balance sheet representing the summing up of separate-legal-entity subsidiary balance sheets rather than a consolidated balance sheet with intercompany eliminations.[58]

Table 9 indicates for various Schedule L total-assets ranges the comparison of financial statement worldwide total assets with Schedule L total assets. The proportion of returns with financial statement assets equal to Schedule L assets falls from 83 percent for the $10 million but less than $50 million Schedule L total-assets range to 17 percent for the $20 billion or more range.

The proportion of returns with financial statement assets greater than Schedule L assets rises from 7 percent for the $10 million but less than $50 million Schedule L total-assets range to 34 percent for the $20 billion or more range. The proportion of returns with financial statement assets less than Schedule L assets rises from 4 percent for the $10 million but less than $50 million Schedule L total-assets range to 31 percent for the $20 billion or more range.

E. R&D Status and Industry

Table 10 presents distribution table data with rows for the presence or absence of R&D costs on Schedule M-3 by financial statement type and industry. The columns are key tax return and Schedule M-3 variables: number of returns; total assets; U.S. corporate income tax less credits; worldwide income; non-includible foreign income; pretax book income; total pretax book-tax differences; R&D book expense; and R&D book-tax differences.

Table 10 has two columns of percentages following each amount, giving (Percentage 1) the percentage of the total for all 40,740 corporations represented by that row amount, and (Percentage 2) the percentage of the total for the subgroup of rows in which the row is shown represented by that row amount.

For tax years before 2010, corporations reported their R&D costs on line 35, "other expense/deduction items with differences." Starting in tax year 2010, corporations were required to report their R&D costs on a new line 35. "Other expense/deduction items" became line 37.

The study data for 2010 include 40,740 corporations. Only 2,614 corporations (6 percent) reported R&D costs on new line 35. The 2,614 corporations indicating R&D costs report 35 percent of the assets of the 40,740 corporations, 44 percent of the tax less credits, 60 percent of the worldwide income, 39 percent of non-includible foreign income, 60 percent of pretax book income, and 46 percent of total

[57]Other includible income is reported on Schedule M-3, Part I, line 7. For 2010, only 521 out of 40,740 corporations (1 percent) report a nonzero amount on Part I, line 7. *See* Table 1A.

[58]*See* Boynton, DeFilippes, Lisowsky, and Mills (2004).

book-tax differences. The amount of R&D book expense reported is -$137,869 million and -$9,041 million in total R&D book-tax difference.

While the corporations that do not report R&D costs comprise 65 percent of the total assets and 56 percent of tax after credits, they report only 40 percent of worldwide income, 61 percent of non-includible foreign income, 40 percent of pretax book income, and 54 percent of total book-tax differences.

Corporations with SEC 10-K/public financial statements comprise 40 percent of the returns reporting R&D costs but report 86 percent of both the total assets and tax after credits, 92 percent of worldwide income, and 94 percent of non-includible foreign income, 93 percent of pretax book income, and 107 percent of negative (tax income reducing) total book-tax differences of the returns with R&D costs. These public companies also report 78 percent of R&D book expense and 110 percent of the negative R&D book-tax differences. Corporations with audited financial statements report 10 percent of R&D expense, and corporations with unaudited financial statements report 12 percent.

The manufacturing sector reports 51 percent of the returns, 44 percent of total assets, 45 percent of tax after credits, 56 percent of worldwide income, and 76 percent of non-includible foreign income of returns with R&D costs. It also reports 53 percent of pretax book income and 69 percent of R&D book expense.

Table 10 indicated the 10 industries with the largest R&D book expense in 2010. Three account for 52 percent: Pharmaceuticals (20 percent), Computers/Electronics (20 percent), and Information (12 percent).

The 33 percent of the Pharmaceuticals returns that report R&D expense report 20 percent of the R&D book expense for the 40,740 corporations; they account for 90 percent of the assets in the pharmaceutical industry, 83 percent of the tax after credits, 84 percent of worldwide income, and 82 percent of non-includible foreign income.

The 27 percent of the Computer/Electronics returns that report R&D expense report 20 percent of the R&D book expense for the 40,740 corporations; they account for 62 percent of the assets in the computer/electronics industry, 59 percent of the tax after credits, 56 percent of worldwide income, and 12 percent of non-includible foreign income.

The 11 percent of the Information returns that report R&D expense report 12 percent of the R&D book expense for the 40,740 corporations; they account for 56 percent of the assets in the information industry, 54 percent of the tax after credits, 54 percent of worldwide income, and 25 percent of non-includible foreign income.

VI. References

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(Tables appear on the following pages.)

Table 1A. 2006-2010 U.S. Corporations Form 1120, Schedule M-3

1120 M-3 Part I and Return Data ($ in millions)	Year 2010				Year 2009	Year 2008	Year 2007	Year 2006	Percentage of Average 2006-2007					Percentage of Pretax Book Income				
	Frequency	FQ%	AT%	Data	Data	Data	Data	Data	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006
Total returns				40,740	39,846	41,537	42,395	40,713	98	96	100	102	98	na	na	na	na	na
Total assets				50,120,656	48,291,840	50,522,001	47,344,964	44,266,617	109	105	110	103	97	na	na	na	na	na
04 Worldwide consolidated income (loss)	40,653	100	100	890,621	490,939	-123,891	804,393	1,008,973	98	54	-14	89	111	84	96	na	95	86
**Positive WW consolidated net income	26,164	64	70	1,172,270	1,031,851	1,013,255	1,108,516	1,187,795	102	90	88	97	103	111	202	na	131	101
**Negative WW consolidated net loss	14,489	36	30	-281,649	-540,912	-1,137,146	-304,123	-178,823	117	224	471	126	74	-27	-106	na	-36	-15
05 Income (loss) non-includible foreign entities	5,641	14	66	-801,228	-389,063	-527,179	-487,686	-302,431	203	98	133	123	77	-76	-76	na	-58	-26
*05a Income non-includible foreign entities	4,528	11	63	-1,177,125	-775,367	-887,627	-725,941	-565,414	182	120	137	112	88	-111	-152	na	-86	-48
*05b Loss non-includible foreign entities	3,883	10	61	375,896	386,304	360,448	238,255	262,983	150	154	144	95	105	36	75	na	28	22
06 Income (loss) non-includible U.S. entities	2,604	6	59	-71,951	-46,287	-34,988	-111,934	-127,762	60	39	29	93	107	-7	-9	na	-13	-11
*06a Income non-includible U.S. entities	1,859	5	56	-116,037	-109,751	-126,338	-150,231	-154,808	76	72	83	98	102	-11	-21	na	-18	-13
*06b Loss non-includible U.S. entities	1,407	3	47	44,086	63,465	91,350	38,297	27,047	135	194	280	117	83	4	12	na	5	2
07 Income (loss) other includible entities	521	1	16	3,000	-3,077	5,278	11,550	9,629	28	-29	50	109	91	0	-1	na	1	1
08 Adjusted eliminations (for lines 5-7)	2,438	6	35	741,687	318,111	335,465	260,099	223,392	307	132	139	108	92	70	62	na	31	19
09 Adjusted income statement period to tax year	467	1	8	2,432	1,527	-611	5,387	-194	94	59	-24	207	-7	0	0	na	1	0
10 Adjusted to reconcile to Line 11	1,202	3	48	66,065	1,616	110,877	90,764	39,353	102	2	170	140	60	6	0	na	11	3
11 Income per income statement of includible corporations	40,734	100	100	832,912	374,331	-236,945	573,171	856,450	117	52	-33	80	120	79	73	na	68	73
**Positive income per income statement of includible corporations	25,891	64	71	1,132,568	926,044	816,712	906,742	1,043,802	116	95	84	93	107	107	181	na	107	89
**Negative income per income statement of includible corporations	14,843	36	29	-299,655	-551,713	-1,053,657	-333,572	-187,352	115	212	405	128	72	-28	-108	na	-39	-16
*Net income per Part II Line 30 Column A	40,734	100	100	832,959	374,331	-236,859	573,179	856,452	117	52	-33	80	120	79	73	na	68	73
**Reverse federal tax expense	31,462	77	98	224,838	137,427	147,466	272,231	315,916	76	47	50	93	107	21	27	na	32	27
**Positive federal tax expense	23,721	58	55	289,500	252,181	304,088	327,326	350,572	85	74	90	97	103	27	49	na	39	30
**Negative federal tax expense	7,741	19	43	-64,662	-114,754	-156,623	-55,095	-34,656	144	256	349	123	77	-6	-22	na	-7	-3
*Pretax book Income	40,727	100	100	1,057,797	511,758	-89,393	845,410	1,172,369	105	51	-9	84	116	100	100	na	100	100
**Positive pretax book Income	25,982	64	62	1,385,805	1,140,043	1,051,582	1,209,537	1,365,374	108	89	82	94	106	131	223	na	143	116

Table 1A. 2006-2010 U.S. Corporations Form 1120, Schedule M-3 *(continued)*

1120 M-3 Part I and Return Data ($ in millions)	Year 2010				Year 2009	Year 2008	Year 2007	Year 2006	Percentage of Average 2006-2007					Percentage of Pretax Book Income				
	Frequency	FQ%	AT%	Data	Data	Data	Data	Data	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006
**Negative pretax book income	14,745	36	38	-328,008	-628,284	-1,140,976	-364,127	-193,005	118	226	410	131	69	-31	-123	na	-43	-16
*Total pretax difference ex federal tax expense	40,031	98	100	-300,555	-120,496	592,647	139,220	-72,034	-895	-359	1764	414	-214	-28	-24	na	16	-6
**Positive total PTD ex federal tax expense	19,891	49	47	408,775	563,044	1,047,015	501,159	333,268	98	135	251	120	80	39	110	na	59	28
**Negative total PTD ex federal tax expense	20,140	49	53	-709,330	-683,540	-454,368	-361,939	-405,302	185	178	118	94	106	-67	-134	na	-43	-35
*Tax income Part II Line 30 Column D	40,568	100	100	757,242	391,264	503,262	984,630	1,100,335	73	38	48	94	106	72	76	na	116	94
**Positive tax income per Part II Line30 Column D	24,817	61	65	1,038,004	850,664	983,268	1,186,366	1,237,016	86	70	81	98	102	98	166	na	140	106
**Negative tax income per Part II Line 30 Column D	15,752	39	35	-280,762	-459,401	-480,006	-201,737	-136,681	166	271	284	119	81	-27	-90	na	-24	-12
**SOI removed ICD	313	1	23	-33,244	-33,005	-78,311	-88,353	-70,760	42	41	98	111	89	-3	-6	na	-10	-6
**Other SOI adjustments	696	2	32	13,065	20,637	43,309	22,161	18,492	64	102	213	109	91	1	4	na	3	2
*Tax net income reported by SOI	40,574	100	100	737,062	378,896	468,260	918,438	1,048,066	75	39	48	93	107	70	74	na	109	89
**Positive Tax net income (SOI)	24,790	61	65	1,015,621	832,118	937,055	1,118,598	1,182,936	88	72	81	97	103	96	163	na	132	101
**Negative tax net income (SOI)	15,784	39	35	-278,559	-453,222	-468,795	-200,161	-134,869	166	271	280	119	81	-26	-89	na	-24	-12
**Net operating loss deduction	8,365	21	47	-114,838	-99,703	-76,306	-88,751	-119,654	110	96	73	85	115	-11	-19	na	-10	-10
**Special deductions	5,684	14	71	-20,128	-10,130	-17,341	-16,833	-25,807	94	48	81	79	121	-2	-2	na	-2	-2
*Taxable income	19,678	48	68	901,239	743,826	855,173	1,023,583	1,045,568	87	72	83	99	101	85	145	na	121	89
**Tax before credits	22,722	56	82	316,879	262,516	301,005	360,373	367,801	87	72	83	99	101	30	51	na	43	31
**Foreign tax credit	2,761	7	53	-114,467	-87,386	-95,334	-78,183	-72,106	152	116	127	104	96	-11	-17	na	-9	-6
**General business credit	5,661	14	47	-14,075	-12,543	-10,512	-13,509	-13,216	105	94	79	101	99	-1	-2	na	-2	-1
**Other tax credits	4,733	12	43	-1,519	-1,184	-1,797	-2,600	-4,411	43	34	51	74	126	0	0	na	0	0
*Tax less credits	22,203	55	69	186,818	161,403	193,361	266,081	278,068	69	59	71	98	102	18	32	na	31	24

Table 1B. 2006-2010 U.S. Corporations Form 1120 Schedule M-3: SEC 10-K/Public Financial Statements

1120 M-3 Part I and Return Data ($ in millions)	Year 2010				Year 2009	Year 2008	Year 2007	Year 2006	Percentage of Average 2006-2007					Percentage of Pretax Book Income				
	Frequency	FQ%	AT%	Data	Data	Data	Data	Data	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006
Total returns				4,635	4,881	5,185	5,418	5,542	85	89	95	99	101	na	na	na	na	na
Total assets				37,438,003	36,531,566	37,182,079	35,549,188	33,802,413	108	105	107	103	97	na	na	na	na	na
04 Worldwide (WW) consolidated income (loss)	4,626	100	100	779,464	424,434	40,316	679,596	810,043	105	57	5	91	109	86	101	na	104	93
**Positive WW consolidated net income	3,057	66	70	898,229	712,980	769,129	841,585	908,440	103	81	88	96	104	99	169	na	129	105
**Negative WW consolidated net loss	1,568	34	30	-118,764	-288,546	-728,813	-161,989	-98,397	91	222	560	124	76	-13	-69	na	-25	-11
05 Income (loss) non-includible foreign entities	2,198	47	75	-772,115	-375,016	-503,900	-457,795	-283,164	208	101	136	124	76	-85	-89	na	-70	-33
*05a Income non-includible foreign entities	1,902	41	74	-1,129,315	-726,906	-834,201	-682,887	-533,569	186	120	137	112	88	-124	-173	na	-105	-62
*05b Loss non-includible foreign entities	1,738	37	69	357,200	351,890	330,301	225,093	250,406	150	148	139	95	105	39	84	na	35	29
06 Income (loss) non-includible U.S. entities	906	20	67	-55,885	-47,454	-49,360	-94,438	-106,734	56	47	49	94	106	-6	-11	na	-14	-12
*06a Income non-includible U.S. entities	651	14	64	-88,972	-92,012	-102,995	-123,365	-122,957	72	75	84	100	100	-10	-22	na	-19	-14
*06b Loss non-includible U.S. entities	547	12	57	33,087	44,559	53,635	28,927	16,223	147	197	238	128	72	4	11	na	4	2
07 Income (loss) other includible entities	128	3	17	1,331	-916	-1,036	4,365	3,718	33	-23	-26	108	92	0	0	na	1	0
08 Adjusted eliminations (for lines 5-7)	1,045	23	39	726,920	315,825	330,002	256,258	219,534	306	133	139	108	92	80	75	na	39	25
09 Adjusted income statement period to tax year	162	4	8	1,451	1,134	-1,998	5,548	-976	63	50	-87	243	-43	0	0	na	1	0
10 Adjusted to reconcile to line 11	553	12	58	51,406	-2,023	81,484	60,914	-8,080	195	-8	308	231	-31	6	0	na	9	-1
11 Income per income statement of includible corporations	4,635	100	100	732,636	315,806	-103,770	454,831	635,115	134	58	-19	83	117	81	75	na	70	73
**Positive income per income statement of includible corporations	2,897	63	72	864,240	315,806	564,879	639,161	736,893	126	46	82	93	107	95	75	na	98	85
**Negative income per income statement of includible corporations	1,738	37	28	-131,605	616,224	-668,649	-184,330	-101,778	92	-431	467	129	71	-14	146	na	-28	-12
*Net income per Part II Line 30 column A	4,635	100	100	732,670	-300,418	-103,686	454,831	635,118	134	-55	-19	83	117	81	-71	na	70	73
**Reverse federal tax expense	3,908	84	100	176,748	105,301	116,721	196,978	232,406	82	49	54	92	108	19	25	na	30	27
**Positive federal tax expense	2,819	61	53	209,971	178,688	221,981	232,934	252,199	87	74	92	96	104	23	42	na	36	29
**Negative federal tax expense	1,089	23	46	-33,223	-73,387	-105,260	-35,955	-19,793	119	263	378	129	71	-4	-17	na	-6	-2
*Pretax book income	4,635	100	100	909,418	421,107	13,035	651,809	867,524	120	55	2	86	114	100	100	na	100	100
**Positive pretax book income	2,903	63	60	1,052,161	775,052	733,219	857,913	972,636	115	85	80	94	106	116	184	na	132	112

Table 1B. 2006-2010 U.S. Corporations Form 1120 Schedule M-3: SEC 10-K/Public Financial Statements *(continued)*

1120 M-3 Part I and Return Data ($ in millions)	Year 2010				Year 2009	Year 2008	Year 2007	Year 2006	Percentage of Average 2006-2007					Percentage of Pretax Book Income				
	Frequency	FQ%	AT%	Data	Data	Data	Data	Data	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006
**Negative pretax book income	1,732	37	40	-142,743	-353,944	-720,184	-206,104	-105,112	92	227	463	132	68	-16	-84	na	-32	-12
*Total pretax difference ex federal tax expense	4,632	100	100	-275,419	-22,486	504,899	141,209	-12,505	-428	-35	785	219	-19	-30	-5	na	22	-1
**Positive total PTD ex federal tax expense	2,249	49	45	231,003	363,561	753,193	354,271	230,653	79	124	258	121	79	25	86	na	54	27
**Negative total PTD ex federal tax expense	2,383	51	55	-506,422	-386,047	-248,294	-213,063	-243,158	222	169	109	93	107	-56	-92	na	-33	-28
*Tax income Part II Line 30 Column D	4,628	100	100	633,999	398,621	517,943	793,017	855,021	77	48	63	96	104	70	95	na	122	99
**Positive tax income per Part II Line 30 Column D	2,713	59	63	789,816	626,574	741,864	880,596	918,621	88	70	82	98	102	87	149	na	135	106
**Negative tax income per Part II Line 30 Column D	1,915	41	37	-155,817	-227,953	-223,921	-87,579	-63,600	206	302	296	116	84	-17	-54	na	-13	-7
**SOI removed ICD	118	3	25	-26,765	-23,736	-66,221	-81,775	-66,585	36	32	89	110	90	-3	-6	na	-13	-8
**Other SOI adjustments	192	4	36	11,857	13,694	41,531	20,996	19,154	59	68	207	105	95	1	3	na	3	2
*Tax net income reported by SOI	4,628	100	100	619,091	388,580	493,253	732,238	807,590	80	50	64	95	105	68	92	na	112	93
**Positive tax net income (SOI)	2,705	58	63	771,510	616,366	704,995	818,582	869,344	91	73	84	97	103	85	146	na	126	100
**Negative tax net income (SOI)	1,923	41	37	-152,419	-227,786	-211,742	-86,344	-61,754	206	308	286	117	83	-17	-54	na	-13	-7
**Net operating loss deduction	1,310	28	50	-67,007	-58,173	-49,528	-53,080	-81,767	99	86	73	79	121	-7	-14	na	-8	-9
**Special deductions	926	20	76	-15,004	-6,236	-11,286	-9,483	-15,715	119	49	90	75	125	-2	-1	na	-1	-2
*Taxable income	2,128	46	72	706,676	569,756	653,923	765,580	779,341	91	74	85	99	101	78	135	na	117	90
**Tax before credits	2,495	54	85	248,346	200,876	230,306	269,591	274,283	91	74	85	99	101	27	48	na	41	32
**Foreign tax credit	834	18	61	-101,031	-76,657	-84,788	-67,639	-61,722	156	119	131	105	95	-11	-18	na	-10	-7
**General business Credit	1,373	30	50	-11,224	-9,676	-8,886	-11,786	-11,014	98	85	78	103	97	-1	-2	na	-2	-1
**Other tax credits	953	21	44	-941	-805	-1,262	-1,886	-3,044	38	33	51	77	123	0	0	na	0	0
*Tax less credits	2,399	52	69	135,150	113,738	135,370	188,279	198,504	70	59	70	97	103	15	27	na	29	23

Table 1C. 2006-2010 U.S. Corporations Form 1120 Schedule M-3: Audited Financial Statements

1120 M-3 Part I and Return Data ($ in millions)	Year 2010				Year 2009	Year 2008	Year 2007	Year 2006	Percentage of Average 2006-2007					Percentage of Pretax Book Income				
	Frequency	FQ%	AT%	Data	Data	Data	Data	Data	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006
Total returns				17,051	17,042	17,347	17,228	17,034	100	99	101	101	99	na	na	na	na	na
Total assets				6,339,560	5,934,623	5,638,205	5,519,272	5,467,476	115	108	103	100	100	na	na	na	na	na
04 Worldwide (WW) consolidated income (loss)	17,044	100	100	53,335	8,766	-21,146	66,549	107,846	61	10	-24	76	124	81	66	na	54	59
**Positive WW consolidated net income	11,299	66	72	126,888	103,748	113,864	132,414	146,910	91	74	82	95	105	193	776	na	107	81
**Negative WW consolidated net loss	5,745	34	28	-73,552	-94,982	-135,010	-65,865	-39,064	140	181	257	126	74	-112	-711	na	-53	-22
05 Income (loss) non-includible foreign entities	2,658	16	47	-23,202	-11,628	-14,225	-14,808	-15,628	152	76	93	97	103	-35	-87	na	-12	-9
*05a Income non-includible foreign entities	2,030	12	37	-35,997	-24,225	-29,015	-22,341	-23,223	158	106	127	98	102	-55	-181	na	-18	-13
*05b Loss non-includible foreign entities	1,670	10	40	12,796	12,597	14,790	7,532	7,595	169	167	196	100	100	19	94	na	6	4
06 Income (loss) non-includible U.S. entities	1,362	8	41	-12,656	-5,061	-6,369	-7,494	-16,864	104	42	52	62	138	-19	-38	na	-6	-9
*06a Income non-includible U.S. entities	986	6	36	-18,590	-11,876	-14,547	-13,241	-25,932	95	61	74	68	132	-28	-89	na	-11	-14
*06b Loss non-includible U.S. entities	670	4	18	5,934	6,815	8,179	5,747	9,068	80	92	110	78	122	9	51	na	5	5
07 Income (loss) other includible entities	217	1	11	1,969	238	5,140	6,624	4,831	34	4	90	116	84	3	2	na	5	3
08 Adjusted eliminations (for lines 5-7)	1,147	7	27	10,846	-2,958	7,288	11,538	1,252	170	-46	114	180	20	16	-22	na	9	1
09 Adjusted income statement period to tax year	228	1	7	334	308	714	-72	-90	-412	-380	-881	89	111	1	2	na	0	0
10 Adjusted to reconcile to line 11	500	3	34	13,027	6,055	26,447	20,912	48,285	38	18	76	60	140	20	45	na	17	27
11 Income per income statement of includible corporations	17,046	100	100	43,810	-4,222	-2,260	83,420	135,237	40	-4	-2	76	124	67	-32	na	68	75
**Positive income per income statement of includible corporations	11,193	66	65	122,037	96,974	127,649	149,159	177,771	75	59	78	91	109	185	726	na	121	98
**Negative income per income statement of includible corporations	5,853	34	35	-78,227	-101,196	-129,910	-65,739	-42,535	144	187	240	121	79	-119	-757	na	-53	-23
*Net income per Part II Line 30 Column A	17,046	100	100	43,810	-4,222	-2,255	83,427	135,236	40	-4	-2	76	124	67	-32	na	68	75
**Reverse federal tax expense	14,169	83	96	22,009	17,583	19,981	40,125	46,036	51	41	46	93	107	33	132	na	32	25
**Positive federal tax expense	10,643	62	56	40,499	36,033	41,492	49,076	52,234	80	71	82	97	103	62	270	na	40	29
**Negative federal tax expense	3,526	21	40	-18,490	-18,450	-21,511	-8,952	-6,198	244	244	284	118	82	-28	-138	na	-7	-3
*Pretax book income	17,043	100	100	65,820	13,361	17,727	123,552	181,273	43	9	12	81	119	100	100	na	100	100
**Positive pretax book income	11,208	66	58	157,233	126,490	163,862	193,545	225,131	75	60	78	92	108	239	947	na	157	124

1120 M-3 Part I and Return Data ($ in millions)	Year 2010				Year 2009	Year 2008	Year 2007	Year 2006	Percentage of Average 2006-2007					Percentage of Pretax Book Income				
	Frequency	FQ%	AT%	Data	Data	Data	Data	Data	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006
**Negative pretax book income	5,835	34	42	-91,414	-113,129	-146,135	-69,993	-43,859	161	199	257	123	77	-139	-847	na	-57	-24
*Total pretax difference ex federal tax expense	17,018	100	100	4,458	14,856	36,733	-10,705	-35,440	-19	-64	-159	46	154	7	111	na	-9	-20
**Positive total PTD ex federal tax expense	8,422	49	52	87,862	87,443	118,030	64,609	49,683	154	153	207	113	87	133	654	na	52	27
**Negative total PTD ex federal tax expense	8,596	50	48	-83,404	-72,587	-81,296	-75,314	-85,123	104	90	101	94	106	-127	-543	na	-61	-47
*Tax income per Part II Line 30 Column D	17,004	100	100	70,277	28,218	54,461	112,846	145,833	54	22	42	87	113	107	211	na	91	80
**Positive tax income per Part II Line 30 Column D	10,774	63	64	126,765	106,912	124,578	157,957	178,915	75	63	74	94	106	193	800	na	128	99
**Negative tax income per Part II Line 30 Column D	6,230	37	36	-56,488	-78,695	-70,117	-45,111	-33,082	144	201	179	115	85	-86	-589	na	-37	-18
**SOI removed ICD	72	0	11	-2,884	-2,002	-1,966	-2,357	-1,433	152	106	104	124	76	-4	-15	na	-2	-1
**Other SOI adjustments	204	1	15	1,039	236	94	-1,021	-210	-169	-38	-15	166	34	2	2	na	-1	0
*Tax net income reported by SOI	17,006	100	100	68,432	26,451	52,589	109,468	144,189	54	21	41	86	114	104	198	na	89	80
**Positive tax net income (SOI)	10,775	63	64	124,994	105,305	122,904	154,662	177,321	75	63	74	93	107	190	788	na	125	98
**Negative tax net income (SOI)	6,230	37	36	-56,562	-78,854	-70,316	-45,194	-33,132	144	201	180	115	85	-86	-590	na	-37	-18
**Net operating loss deduction	3,477	20	27	-20,749	-16,930	-12,677	-15,600	-16,307	130	106	79	98	102	-32	-127	na	-13	-9
**Special deductions	2,187	13	54	-2,878	-1,216	-2,429	-2,903	-3,107	96	40	81	97	103	-4	-9	na	-2	-2
*Taxable income	8,557	50	52	101,719	87,627	108,369	136,699	158,117	69	59	74	93	107	155	656	na	111	87
**Tax before credits	9,929	58	70	35,834	31,239	38,215	48,094	55,466	69	60	74	93	107	54	234	na	39	31
**Foreign tax credit	1,064	6	26	-7,018	-4,635	-6,248	-4,906	-4,932	143	94	127	100	100	-11	-35	na	-4	-3
**General business credit	2,467	14	48	-1,643	-1,882	-855	-958	-1,369	141	162	73	82	118	-2	-14	na	-1	-1
**Other tax credits	2,014	12	39	-216	-189	-195	-259	-542	54	47	49	65	135	0	-1	na	0	0
*Tax less credits	9,738	57	69	26,956	24,533	30,917	41,972	48,622	60	54	68	93	107	41	184	na	34	27

Table 1C. 2006-2010 U.S. Corporations Form 1120 Schedule M-3: Audited Financial Statements *(continued)*

Table 1D. 2006-2010 U.S. Corporations Form 1120 Schedule M-3: Unaudited Financial Statements

1120 M-3 Part I and Return Data ($ in millions)	Year 2010				Year 2009	Year 2008	Year 2007	Year 2006	Percentage of Average 2006-2007					Percentage of Pretax Book Income				
	Frequency	FQ%	AT%	Data	Data	Data	Data	Data	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006
Total returns				19,054	17,923	19,004	19,748	18,137	101	95	100	104	96	na	na	na	na	na
Total assets				6,343,093	5,825,651	7,701,717	6,276,504	4,996,729	113	103	137	111	89	na	na	na	na	na
04 Worldwide (WW) consolidated income (loss)	18,984	100	99	57,822	57,739	-143,061	58,248	91,083	77	77	-192	78	122	70	75	na	83	74
**Positive WW consolidated net income	11,808	62	72	147,154	215,123	130,262	134,516	132,445	110	161	98	101	99	178	278	na	192	107
**Negative WW consolidated net loss	7,175	38	27	-89,332	-157,384	-273,323	-76,269	-41,362	152	268	465	130	70	-108	-204	na	-109	-33
05 Income (loss) non-includible foreign entities	784	4	36	-5,912	-2,419	-9,055	-15,083	-3,639	63	26	97	161	39	-7	-3	na	-22	-3
*05a Income non-includible foreign entities	596	3	24	-11,813	-24,236	-24,411	-20,713	-8,622	81	165	166	141	59	-14	-31	na	-30	-7
*05b Loss non-includible foreign entities	475	2	31	5,901	21,817	15,356	5,630	4,982	111	411	289	106	94	7	28	na	8	4
06 Income (loss) non-includible U.S. entities	336	2	29	-3,410	6,228	20,741	-10,002	-4,164	48	-88	-293	141	59	-4	8	na	-14	-3
*06a Income non-includible U.S. entities	222	1	28	-8,475	-5,863	-8,795	-13,625	-5,919	87	60	90	139	61	-10	-8	na	-19	-5
*06b Loss non-includible U.S. entities	190	1	17	5,065	12,091	29,537	3,623	1,756	188	450	1098	135	65	6	16	na	5	1
07 Income (loss) other includible entities	176	1	14	-300	-2,399	1,174	561	1,080	-37	-292	143	68	132	0	-3	na	1	1
08 Adjusted eliminations (for lines 5-7)	246	1	16	3,921	5,245	-1,825	-7,697	2,606	-154	-206	72	302	-102	5	7	na	-11	2
09 Adjusted income statement period to tax year	77	0	6	648	85	673	-88	872	165	22	172	-22	222	1	0	na	0	1
10 Adjusted to reconcile to line 11	149	1	7	1,632	-2,416	2,946	8,938	-852	40	-60	73	221	-21	2	-3	na	13	-1
11 Income per income statement of includible corporations	19,053	100	100	56,467	62,748	-130,914	34,920	86,098	93	104	-216	58	142	68	81	na	50	70
**Positive income per income statement of includible corporations	11,801	62	73	146,290	212,846	124,184	118,423	129,137	118	172	100	96	104	177	275	na	169	105
**Negative income per income statement of includible corporations	7,252	38	27	-89,823	-150,098	-255,098	-83,502	-43,039	142	237	403	132	68	-109	-194	na	-119	-35
*Net income per Part II Line 30 Column A	19,053	100	100	56,478	62,747	-130,919	34,922	86,098	93	104	-216	58	142	68	81	na	50	70
**Reverse federal tax expense	13,385	70	94	26,081	14,543	10,764	35,128	37,474	72	40	30	97	103	32	19	na	50	30
**Positive federal tax expense	10,259	54	65	39,030	37,460	40,615	45,316	46,140	85	82	89	99	101	47	48	na	65	37
**Negative federal tax expense	3,126	16	29	-12,949	-22,917	-29,852	-10,188	-8,665	137	243	317	108	92	-16	-30	na	-15	-7
*Pretax book income	19,049	100	100	82,559	77,290	-120,155	70,050	123,572	85	80	-124	72	128	100	100	na	100	100
**Positive pretax book income	11,871	62	71	176,411	238,501	154,501	158,079	167,606	108	146	95	97	103	214	309	na	226	136

Table 1D. 2006-2010 U.S. Corporations Form 1120 Schedule M-3: Unaudited Financial Statements *(continued)*

1120 M-3 Part I and Return Data ($ in millions)	Year 2010				Year 2009	Year 2008	Year 2007	Year 2006	Percentage of Average 2006-2007					Percentage of Pretax Book Income				
	Frequency	FQ%	AT%	Data	Data	Data	Data	Data	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006
**Negative pretax book income	7,178	38	29	-93,852	-161,211	-274,656	-88,029	-44,034	142	244	416	133	67	-114	-209	na	-126	-36
*Total pretax difference ex federal tax expense	18,382	96	99	-29,594	-112,866	51,014	8,717	-24,090	385	1468	-664	-113	313	-36	-146	na	12	-19
**Positive total PTD ex federal tax expense	9,220	48	49	89,910	112,040	175,793	82,279	52,932	133	166	260	122	78	109	145	na	117	43
**Negative total PTD ex federal tax expense	9,161	48	50	-119,504	-224,906	-124,778	-73,562	-77,022	159	299	166	98	102	-145	-291	na	-105	-62
*Tax income per Part II Line 30 Column D	18,936	99	100	52,966	-35,575	-69,142	78,766	99,481	59	-40	-78	88	112	64	-46	na	112	81
**Positive tax income per Part II Line 30 Column D	11,329	59	73	121,424	117,178	116,826	147,813	139,480	85	82	81	103	97	147	152	na	211	113
**Negative tax income per Part II Line 30 Column D	7,607	40	27	-68,458	-152,753	-185,968	-69,047	-39,999	126	280	341	127	73	-83	-198	na	-99	-32
**SOI removed ICD	123	1	20	-3,595	-7,267	-10,123	-4,221	-2,742	103	209	291	121	79	-4	-9	na	-6	-2
**Other SOI adjustments	299	2	23	168	6,708	1,684	2,186	-451	19	773	194	252	-52	0	9	na	3	0
*Tax net income reported by SOI	18,940	99	100	49,539	-36,135	-77,582	76,731	96,287	57	-42	-90	89	111	60	-47	na	110	78
**Positive tax net income (SOI)	11,309	59	72	119,117	110,447	109,155	145,354	136,270	85	78	78	103	97	144	143	na	208	110
**Negative tax net income (SOI)	7,631	40	27	-69,578	-146,581	-186,737	-68,623	-39,983	128	270	344	126	74	-84	-190	na	-98	-32
**Net operating loss deduction	3,578	19	51	-27,083	-24,601	-14,102	-20,070	-21,580	130	118	68	96	104	-33	-32	na	-29	-17
**Special deductions	2,571	13	56	-2,246	-2,678	-3,627	-4,447	-6,985	39	47	63	78	122	-3	-3	na	-6	-6
*Taxable income	8,993	47	63	92,844	86,443	92,881	121,303	108,110	81	75	81	106	94	112	112	na	173	87
**Tax before credits	10,297	54	75	32,700	30,401	32,484	42,688	38,052	81	75	80	106	94	40	39	na	61	31
**Foreign tax credit	863	5	32	-6,418	-6,095	-4,298	-5,639	-5,452	116	110	78	102	98	-8	-8	na	-8	-4
**General business credit	1,820	10	34	-1,208	-985	-771	-765	-833	151	123	96	96	104	-1	-1	na	-1	-1
**Other tax credits	1,765	9	39	-362	-190	-341	-455	-825	57	30	53	71	129	0	0	na	-1	-1
*Tax less credits	10,066	53	65	24,712	23,132	27,074	35,829	30,941	74	69	81	107	93	30	30	na	51	25

Table 2A. 2010 U.S. Corporations Form 1120 Schedule M-3: Part II Line Data With Temporary and Permanent Differences

Part II Income Items ($ in millions)	Frequency	FQ%			AT%	Column A Book	Column B Temporary	Column C Permanent	Column D Tax	Column B Temporary		Column C Permanent		Total Difference		
		All	AT < $50 Million	AT > $50 Million						Negative	Positive	Negative	Positive	All	AT < $50 Million	AT > $50 Million
01 Income (loss) equity method foreign corporations	990	2	1	4	34	27,538	-8,023	-19,569	0	-8,273	250	-20,033	464	-27,592	-48	-27,544
02 Gross foreign dividend not previously taxed	1,966	5	2	9	55	117,711	7,812	604	126,126	-2,324	10,136	-64,976	65,580	8,417	152	8,264
03 Subpart F, QEF, and similar income includible	1,842	5	1	9	59	0	11,515	59,787	71,300	-52	11,567	0	59,787	71,302	162	71,139
04 Section 78 gross-up	1,546	4	1	8	52	0	4,756	77,598	82,338	-40	4,796	0	77,599	82,355	120	82,235
05 Gross foreign distribution previously taxed	306	1	0	2	19	38,596	-3,646	-34,957	0	-3,663	18	-34,966	9	-38,603	-23	-38,580
06 Income (loss) equity method U.S. corporations	1,570	4	2	6	35	78,276	-1,667	-76,587	0	-4,599	2,932	-83,544	6,957	-78,254	622	-78,876
07 U.S. dividend not eliminated in tax consolidation	7,231	18	10	28	73	60,045	3,571	-4,264	59,353	-1,658	5,230	-30,286	26,022	-692	-71	-622
08 Minority interest for includible corporations	557	1	1	2	25	-5,933	150	5,769	0	-119	269	-1,182	6,950	5,919	9	5,911
09 Income (loss) U.S. partnerships	9,328	23	16	32	88	90,080	-19,463	14,266	84,896	-59,887	40,424	-4,621	18,886	-5,197	-833	-4,365
10 Income (loss) foreign partnerships	734	2	0	4	44	20,932	9,557	-140	30,349	-3,090	12,647	-2,396	2,256	9,417	-76	9,493
11 Income (loss) other passthrough entities	948	2	1	4	38	1,672	-1,877	1,324	1,102	-3,297	1,420	-151	1,475	-554	-752	199
12 Items re reportable transactions	190	0	0	1	42	-10,088	-10,074	-5,197	-25,359	-14,044	3,969	-7,372	2,175	-15,271	-19	-15,252
13 Interest income	31,108	76	67	89	99	988,600	-120,024	-33,152	835,428	-135,223	15,199	-34,750	1,598	-153,176	-130	-153,046
14 Total accrual to cash adjustment	915	2	2	2	1	3,474	231	2	3,709	-323	554	-1	3	233	28	206
15 Hedging transactions	1,138	3	0	6	63	-192,946	2,872	-3,039	-193,106	-9,541	12,414	-3,738	699	-167	-8	-158
16 Mark-to-market income (loss)	1,454	4	2	6	58	243,457	-26,987	94	216,593	-46,299	19,312	-728	822	-26,893	-154	-26,739
17*Cost of goods sold	24,567	60	65	54	52	-41,076,148	2,124	4,172	-41,068,893	-80,543	82,667	-5,148	9,319	6,296	-1,337	7,633
18 Sale versus lease (sellers/lessors)	259	1	0	1	26	15,556	17,778	8	33,341	-1,282	19,060	0	8	17,786	57	17,729
19 Section 481(a) adjustments	3,751	9	4	16	52	0	-4,189	42	-4,147	-14,511	10,322	-18	60	-4,147	164	-4,312
20 Unearned/deferred revenue	4,545	11	6	18	60	87,658	7,732	41	95,428	-8,376	16,108	-45	86	7,774	82	7,692
21 Income recognition long-term contracts	505	1	1	1	2	124,484	1,483	-707	125,254	-1,292	2,775	-716	10	777	94	683
22 Original issue discount and imputed interest	390	1	0	2	36	15,736	4,191	-16	19,911	-1,008	5,199	-110	94	4,174	1	4,173
23a Income statement disposable assets other than inventory	22,952	56	45	72	95	86,310	-26,436	-59,380	0	-67,925	41,489	-79,033	19,653	-85,817	1,928	-87,745
23b Gross cap gains Sch D, ex flow-thru	5,955	15	10	21	75	0	62,250	9,553	71,860	-1,740	63,990	-73	9,626	71,803	1,449	70,354
23c Gross cap losses Sch D, ex flow-thru	3,316	8	6	11	70	0	-18,844	-3,032	-21,871	-19,538	694	-3,105	74	-21,875	-1,048	-20,828
23d Net gain/loss Form 4797, line 17	21,425	53	41	68	94	0	17,012	535	17,525	-38,236	55,249	-1,412	1,947	17,548	-2,374	19,921

Table 2A. 2010 U.S. Corporations Form 1120 Schedule M-3: Part II Line Data With Temporary and Permanent Differences *(continued)*

Part II Income Items ($ in millions)	Frequency	FQ%			AT%	Column A Book	Column B Temporary	Column C Permanent	Column D Tax	Column B Temporary		Column C Permanent		Total Difference		
		All	AT < $50 Million	AT > $50 Million						Negative	Positive	Negative	Positive	All	AT < $50 Million	AT > $50 Million
23e Abandonment losses	895	2	1	4	13	0	-2,957	-21	-2,978	-3,175	218	-21	0	-2,978	-96	-2,882
23f Worthless stock losses	211	1	0	1	10	0	-2,685	-8,079	-10,764	-2,817	131	-8,166	87	-10,764	-2,207	-8,558
23g Other gain/loss disposable assets other than inventory	1,970	5	5	5	23	0	3,056	133	3,187	-1,709	4,764	-87	221	3,189	499	2,691
24 Capital loss limit and carryforward used	4,042	10	7	13	42	0	-1,603	3,115	1,504	-13,339	11,736	-1,877	4,993	1,512	909	604
25 Other income (loss) with differences	19,501	48	36	64	95	13,771,028	-56,509	-85,759	13,628,791	-119,669	63,160	-121,190	35,432	-142,268	-1,854	-140,413
26 Total income (combine lines 1 through 25)	39,344	97	95	99	100	-25,507,383	-148,920	-156,853	-25,813,443	-352,605	203,685	-361,505	204,652	-305,773	-4,723	-301,050
27 Total exp/ded items (Part III, line 38)	40,740	100	100	100	100	-4,333,247	-48,953	274,459	-4,107,918	-316,116	267,163	-84,380	358,839	225,506	7,887	217,619
28 Other items with no differences	39,202	96	95	98	92	30,665,643	0	0	30,665,603	0	0	0	0	0	0	0
29a 1120 subgroup reconcil total (26 to 28)	40,720	100	100	100	100	825,024	-197,587	112,629	739,624	-427,066	229,479	-370,240	482,870	-84,958	3,161	-88,119
29b PC insurance subgroup reconcil total	392	1	0	2	45	13,182	-1,297	5,874	17,762	-2,078	782	-482	6,357	4,578	8	4,570
29c Life insurance subgroup reconcil total	29	0	0	0	15	-5,410	4,593	87	-730	-126	4,719	-204	291	4,679	-1	4,680
30 Reconciliation totals (29a through 29c)	40,740	100	100	100	100	832,959	-194,291	118,574	757,242	-425,339	231,048	-370,018	488,592	-75,717	3,168	-78,885
Reverse federal income tax expense	31,474	77	70	87	98	224,838	-1,567	-223,271	0	-4,783	3,216	-286,103	62,832	-224,838	-5,568	-219,270
Pretax book income and book to tax difference	40,737	100	100	100	100	1,057,797	-195,858	-104,697	757,242	-427,113	231,255	-386,089	281,392	-300,555	-2,400	-298,155
**Pretax book-tax difference < 0	20,140	49	47	53	53	929,204	-376,655	-332,675	219,874	-395,661	19,006	-373,831	41,155	-709,330	-20,608	-688,722
**Pretax book-tax difference ≥ 0	20,597	51	53	47	47	128,593	180,797	227,978	537,368	-31,452	212,249	-12,258	240,236	408,775	18,208	390,567

Table 2B. 2010 U.S. Corporations Form 1120 Schedule M-3: Part III Line Data With Temporary and Permanent Differences

Part III Expense/Deduction Items (sign matches Part II) ($ in millions)	Frequency	FQ%			AT%	Column A Book	Column B Temporary	Column C Permanent	Column D Tax	Column B Temporary		Column C Permanent		Total Difference		
		All	AT < $50 Million	AT > $50 Million						Negative	Positive	Negative	Positive	All	AT < $50 Million	AT > $50 Million
01 U.S. current income tax expense	28,732	71	64	80	97	-184,680	341	184,440	0	-816	1,157	-41,294	225,734	184,781	5,733	179,048
02 U.S. deferred income tax expense	16,626	41	34	50	68	-40,028	1,226	38,831	0	-2,538	3,764	-51,370	90,201	40,057	-166	40,222
03 State and local current income tax expense	27,892	68	62	77	86	-32,090	-2,468	504	-34,052	-8,139	5,672	-4,030	4,534	-1,964	-70	-1,894
04 State and local deferred income tax expense	8,902	22	16	30	49	-2,483	1,818	648	0	-3,525	5,344	-2,135	2,783	2,466	-8	2,474
05 Foreign current income tax expense (other than WH)	2,367	6	2	11	57	-28,943	-876	29,669	-150	-1,385	509	-1,487	31,156	28,793	65	28,728
06 Foreign deferred income tax expense	578	1	0	3	33	-392	-115	508	0	-191	76	-2,126	2,634	393	5	388
07 Foreign withholding taxes	1,678	4	1	8	43	-6,369	-41	5,514	-897	-117	76	-311	5,825	5,473	15	5,459
08 Interest expense	31,583	78	69	90	99	-854,100	117,436	20,119	-716,553	-24,102	141,538	-4,437	24,556	137,555	821	136,733
09 Stock option expense	7,161	18	8	30	78	-29,714	1,024	-20,530	-49,222	-10,851	11,875	-23,999	3,470	-19,506	423	-19,929
10 Other equity-based compensation	2,722	7	2	13	62	-41,799	4,231	-3,806	-41,375	-5,420	9,651	-8,545	4,740	425	68	357
11 Meals and entertainment	34,008	83	79	89	98	-16,830	8	6,853	-9,979	-3	11	0	6,854	6,861	610	6,251
12 Fines and penalties	12,872	32	26	39	81	-6,110	3	6,057	-52	-10	12	-70	6,127	6,059	49	6,009
13 Punitive damages	384	1	0	2	14	-3,831	-123	956	-2,999	-852	728	-11	968	833	48	785
14 Parachute payments	47	0	0	0	4	-584	-2	475	-111	-24	22	-1	476	473	0	473
15 Compensation section 162(m) limit	1,420	3	0	8	64	-13,947	-34	2,803	-11,178	-111	78	-23	2,826	2,769	7	2,763
16 Pension and profit sharing	16,664	41	31	54	85	-78,113	-24,182	-1,358	-103,651	-38,247	14,065	-1,730	373	-25,540	-57	-25,483
17 Other post-retirement benefits	2,365	6	2	11	66	-20,194	-1,979	87	-22,086	-8,058	6,079	-596	683	-1,892	-1	-1,891
18 Deferred compensation	5,515	14	6	24	80	-41,914	4,672	1,670	-35,570	-4,221	8,893	-553	2,223	6,342	64	6,278
19 Charitable contribution cash/ tangible property	24,715	61	50	75	96	-13,717	350	-2,033	-15,400	-656	1,006	-2,189	155	-1,683	7	-1,691
20 Charitable contribution intangible property	215	1	0	1	2	-55	-17	-23	-95	-17	1	-24	0	-40	0	-40
21 Charitable contribution limit/ carryforward	15,024	37	34	41	35	0	780	506	1,283	-827	1,608	-104	610	1,287	116	1,171
22 Domestic production activities deduction	6,217	15	15	16	23	0	-66	-23,368	-23,419	-66	1	-23,368	0	-23,433	-489	-22,944
23 Acquisition/ reorganization investment bank fees	257	1	0	1	5	-2,360	-27	264	-2,126	-206	178	-64	328	236	2	235
24 Acquisition reorganization legal plus accounting fees	967	2	1	5	11	5,713	-1,305	-5,101	-694	-1,861	556	-6,072	972	-6,405	84	-6,490
25 Acquisition/ reorganization other costs	913	2	1	4	13	-3,110	1,588	31	-1,491	-693	2,281	-1,321	1,352	1,619	66	1,554

Table 2B. 2010 U.S. Corporations Form 1120 Schedule M-3: Part III Line Data With Temporary and Permanent Differences *(continued)*

Part III Expense/Deduction Items (sign matches Part II) ($ in millions)	Frequency	FQ%			AT%	Column A Book	Column B Temporary	Column C Permanent	Column D Tax	Column B Temporary		Column C Permanent		Total Difference		
		All	AT < $50 Million	AT > $50 Million						Negative	Positive	Negative	Positive	All	AT < $50 Million	AT > $50 Million
26 Amortization/ impairment of goodwill	6,981	17	9	28	57	-42,159	-15,842	23,077	-34,947	-26,885	11,042	-899	23,976	7,234	179	7,055
27 Amortization acquisition reorganization start-up costs	3,664	9	5	15	33	-4,190	1,127	370	-2,694	-1,497	2,624	-47	417	1,497	-53	1,550
28 Other amortization or impairment write-offs	19,043	47	37	60	85	-132,856	24,694	4,815	-103,351	-35,669	60,363	-1,355	6,170	29,510	365	29,144
29 Section 198 environmental remediation	155	0	0	1	4	-805	34	-4	-775	-264	299	-4	0	30	0	30
30 Depletion	1,140	3	2	4	14	-18,720	9,226	-7,218	-16,710	-2,984	12,210	-7,246	28	2,008	-17	2,026
31 Depreciation	36,088	89	87	91	98	-352,023	-109,113	340	-460,728	-145,129	36,016	-220	560	-108,773	-2,288	-106,485
32 Bad debt expense	24,944	61	49	78	93	-243,589	-18,364	-2,853	-264,806	-45,638	27,274	-3,501	648	-21,217	-444	-20,772
33 Corporate-owned life insurance premiums	6,880	17	17	17	34	329	10	-677	-340	-25	35	-1,231	554	-667	88	-755
34 Purchase versus lease	301	1	0	2	9	-1,142	-1,626	-3	-2,770	-1,975	349	-5	3	-1,628	-12	-1,617
35 Research and development costs	2,614	6	4	10	35	-137,869	-9,252	210	-146,917	-14,431	5,180	-1,251	1,461	-9,041	357	-9,398
36 Section 118 exclusion	52	0	0	0	5	1,176	-997	-15	164	-1,114	117	-18	3	-1,011	0	-1,011
37 Other expense/ded with differences	31,989	79	70	90	99	-1,985,368	-31,097	12,698	-2,003,861	-117,070	85,973	-30,882	43,580	-18,398	2,316	-20,715
38 Total exp/ded items (to Part II, line 27)	40,740	100	100	100	100	-4,333,246	-48,955	274,458	-4,107,924	-316,119	267,163	-84,380	358,838	225,503	7,887	217,616

Table 3. 2006-2010 U.S. Corporations Form 1120 Schedule M-3: Specified vs. Other Difference: Unadjusted Mini M-3

Primary Sources by Year	$ in Millions					Percentage of 2006-2007 Average					Percentage of Pretax Book Income				
2006 All	**Column A Book**	**Column B Temporary**	**Column C Permanent**	**Column D Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**
Other items no difference	55,210,893	0	0	55,204,289	0	52	na	na	52	na	4,709	0	0	4,709	0
COGS	-74,376,625	110,823	-5,663	-74,272,414	105,160	61	154	85	61	161	-6,344	9	0	-6,335	9
Specified income	2,297,016	69,257	-8,605	2,364,838	60,652	98	102	-26	96	60	196	6	-1	202	5
Other income with difference	22,087,434	-125,944	-19,552	21,942,162	-145,496	112	158	108	112	149	1,884	-11	-2	1,872	-12
Total income	5,218,718	54,136	-33,820	5,238,875	20,316	100	89	-400	99	29	445	5	-3	447	2
Specified expenses/ deductions	-2,256,047	1,761	-12,177	-2,239,349	-10,416	95	25	-251	95	-87	-192	0	-1	-191	-1
Other expenses/ deductions with difference	-1,790,302	-76,284	-5,651	-1,899,192	-81,935	97	149	-151	99	173	-153	-7	0	-162	-7
Pretax net income	1,172,369	-20,387	-51,647	1,100,335	-72,034	116	-123	-303	106	-214	100	-2	-4	94	-6
2007 All	**Column A Book**	**Column B Temporary**	**Column C Permanent**	**Column D Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**
Other items no difference	156,218,115	0	0	156,218,186	0	148	na	na	148	na	18,478	0	0	18,478	0
COGS	-170,633,221	33,322	-7,592	-170,607,434	25,730	139	46	115	139	39	-20,183	4	-1	-20,180	3
Specified income	2,408,975	66,979	74,847	2,551,385	141,826	102	98	226	104	140	285	8	9	302	17
Other income with difference	17,251,641	-33,129	-16,532	17,201,984	-49,662	88	42	92	88	51	2,041	-4	-2	2,035	-6
Total income	5,245,510	67,172	50,723	5,364,121	117,894	100	111	600	101	171	620	8	6	634	14
Specified expenses/ deductions	-2,487,065	12,377	21,871	-2,453,366	34,248	105	175	451	105	287	-294	1	3	-290	4
Other expenses/ deductions with difference	-1,913,034	-26,075	13,152	-1,926,125	-12,923	103	51	351	101	27	-226	-3	2	-228	-2
Pretax net income	845,410	53,475	85,745	984,630	139,220	84	323	503	94	414	100	6	10	116	16
2008 All	**Column A Book**	**Column B Temporary**	**Column C Permanent**	**Column D Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**
Other items no difference	29,388,669	0	0	29,388,858	0	28	na	na	28	na	na	na	na	na	na
COGS	-41,564,451	31,423	7,805	-41,523,805	39,228	34	44	-118	34	60	na	na	na	na	na
Specified income	2,276,001	32,540	47,624	2,354,515	80,161	97	48	144	96	79	na	na	na	na	na
Other income with difference	14,960,976	6,237	-28,953	14,938,384	-22,716	76	-8	160	76	23	na	na	na	na	na
Total income	5,061,195	70,200	26,476	5,157,952	96,673	97	116	313	97	140	na	na	na	na	na
Specified expenses/ deductions	-2,986,819	205,939	264,145	-2,516,748	470,083	126	2,913	5,450	107	3,945	na	na	na	na	na
Other expenses/ deductions with difference	-2,163,767	-25,029	50,918	-2,137,940	25,889	117	49	1,358	112	-55	na	na	na	na	na
Pretax net income	-89,393	251,109	341,538	503,262	592,647	-9	1,518	2,003	48	1,764	na	na	na	na	na

Table 3. 2006-2010 U.S. Corporations Form 1120 Schedule M-3: Specified vs. Other Difference: Unadjusted Mini M-3 *(continued)*

Primary Sources by Year	$ in Millions					Percentage of 2006-2007 Average					Percentage of Pretax Book Income				
2009 All	**Column A Book**	**Column B Temporary**	**Column C Permanent**	**Column D Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**
Other items no difference	31,549,387	0	0	31,556,039	0	30	na	na	30	na	6,165	0	0	6,166	0
COGS	-43,316,532	27,928	-174,360	-43,289,581	-146,432	35	39	2,631	35	-224	-8,464	5	-34	-8,459	-29
Specified income	1,878,478	21,056	-5,380	1,711,166	15,677	80	31	-16	70	15	367	4	-1	334	3
Other income with difference	14,587,486	-79,332	128,774	14,639,938	49,442	74	100	-714	75	-51	2,850	-16	25	2,861	10
Total income	4,698,819	-30,348	-50,966	4,617,562	-81,313	90	-50	-603	87	-118	918	-6	-10	902	-16
Specified expenses/deductions	-2,164,742	75,291	-22,394	-2,111,948	52,897	91	1,065	-462	90	444	-423	15	-4	-413	10
Other expenses/ deductions with difference	-2,022,319	-85,500	-6,580	-2,114,351	-92,080	109	167	-175	111	194	-395	-17	-1	-413	-18
Pretax net income	511,758	-40,556	-79,940	391,264	-120,496	51	-245	-469	38	-359	100	-8	-16	76	-24
2010 All	**Column A Book**	**Column B Temporary**	**Column C Permanent**	**Column D Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**
Other items no difference	30,665,643	0	0	30,665,603	0	29	na	na	29	na	2,899	0	0	2,899	0
COGS	-41,076,148	2,124	4,172	-41,068,893	6,296	34	3	-63	34	10	-3,883	0	0	-3,882	1
Specified income	1,805,684	-90,953	-74,298	1,639,659	-165,250	77	-134	-224	67	-163	171	-9	-7	155	-16
Other income with difference	13,771,028	-56,509	-85,759	13,628,791	-142,268	70	71	475	70	146	1,302	-5	-8	1,288	-13
Total income	5,166,207	-145,338	-155,885	4,865,160	-301,222	99	-240	-1,844	92	-436	488	-14	-15	460	-28
Specified expenses/ deductions	-2,123,040	-19,426	38,489	-2,104,063	19,062	90	-275	794	90	160	-201	-2	4	-199	2
Other expenses/ deductions with difference	-1,985,368	-31,097	12,698	-2,003,861	-18,398	107	61	339	105	39	-188	-3	1	-189	-2
Pretax net income	1,057,797	-195,858	-104,697	757,242	-300,555	105	-1,184	-614	73	-895	100	-19	-10	72	-28

Table 4. 2010 U.S. Corporations Form 1120 Schedule M-3: Specified vs. Other Difference by FS Type: Adjustments

Specified vs. Other by FS Type	$ in Millions								
2010 All	**Unadjusted Book**	**Unadjusted Tax**	**Adjusted COGS1**	**Adjusted COS2**	**Adjusted COGS3**	**Adjusted ExpDed**	**Total Adjusted**	**Adjusted Book**	**Adjusted Tax**
Adjusted other income no difference	30,665,643	30,665,603		-21,687,834	398,410	2,244,733	-19,044,691	11,620,952	11,620,912
Adjusted COGS	-41,076,148	-41,068,893	10,817,980	21,687,834	-398,410		32,107,404	-8,968,745	-8,961,490
Adjusted gross profit	-10,410,505	-10,403,290	10,817,980	0	0	2,244,733	13,062,713	2,652,207	2,659,422
Specified income	1,805,683	1,639,659					0	1,805,683	1,639,659
Adjusted other income with difference	13,771,028	13,628,791	-10,817,980				-10,817,980	2,953,048	2,810,812
Adjusted total income	5,166,206	4,865,160	0	0	0	2,244,733	2,244,733	7,410,938	7,109,893
Specified expenses/deductions	-2,123,039	-2,104,068					0	-2,123,039	-2,104,068
Other expenses/deductions with difference	-1,985,368	-2,003,861					0	-1,985,368	-2,003,861
Adjusted other expenses/deductions no difference	0	0				-2,244,733	-2,244,733	-2,244,733	-2,244,733
Pretax net income	1,057,797	757,242	0	0	0	0	0	1,057,797	757,242
2010 SEC 10-K/Public	**Unadjusted Book**	**Unadjusted Tax**	**Adjusted COGS1**	**Adjusted COGS2**	**Adjusted COGS3**	**Adjusted ExpDed**	**Total Adjusted**	**Adjusted Book**	**Adjusted Tax**
Adjusted Other income no difference	25,400,792	25,400,792		-19,826,827	277,136	1,374,125	-18,175,566	7,225,226	7,225,226
Adjusted COGS	-35,644,066	-35,639,160	10,793,075	19,826,827	-277,136		30,342,766	-5,301,300	-5,296,393
Adjusted gross profit	-10,243,274	-10,238,368	10,793,075	0	0	1,374,125	12,167,200	1,923,926	1,928,833
Specified income	1,439,784	1,278,909					0	1,439,784	1,278,909
Adjusted other income with difference	12,651,511	12,540,959	-10,793,075				-10,793,075	1,858,436	1,747,884
Adjusted total income	3,848,021	3,581,500	0	0	0	1,374,125	1,374,125	5,222,145	4,955,626
Specified expenses/deductions	-1,574,468	-1,548,463					0	-1,574,468	-1,548,463
Other expenses/deductions with difference	-1,364,134	-1,399,039					0	-1,364,134	-1,399,039
Adjusted other expenses/deductions no difference	0	0				-1,374,125	-1,374,125	-1,374,125	-1,374,125
Pretax net income	909,418	633,999	0	0	0	0	0	909,418	633,999

Table 4. 2010 U.S. Corporations Form 1120 Schedule M-3: Specified vs. Other Difference by FS Type: Adjustments *(continued)*

Specified vs. Other by FS Type	$ in Millions								
2010 Audited	**Unadjusted Book**	**Unadjusted Tax**	**Adjusted COGS1**	**Adjusted COGS2**	**Adjusted COGS3**	**Adjusted ExpDed**	**Total Adjusted**	**Adjusted Book**	**Adjusted Tax**
Adjusted other income no difference	2,464,313	2,464,313		-318,698	58,755	499,652	239,709	2,704,022	2,704,022
Adjusted COGS	-2,602,784	-2,598,248	9,694	318,698	-58,755		269,637	-2,333,147	-2,328,610
Adjusted gross profit	-138,471	-133,935	9,694	0	0	499,652	509,346	370,875	375,412
Specified income	188,390	188,725					0	188,390	188,725
Adjusted other income with difference	667,500	646,627	-9,694				-9,694	657,806	636,933
Adjusted total income	717,419	701,417	0	0	0	499,652	499,652	1,217,072	1,201,070
Specified expenses/deductions	-293,478	-291,057					0	-293,478	-291,057
Other expenses/deductions with difference	-358,120	-340,089					0	-358,120	-340,089
Adjusted other expenses/deductions no difference	0	0				-499,652	-499,652	-499,652	-499,652
Pretax net income	65,820	70,277	0	0	0	0	0	65,820	70,277
2010 Unaudited	**Unadjusted Book**	**Unadjusted Tax**	**Adjusted COGS1**	**Adjusted COGS2**	**Adjusted COGS3**	**Adjusted ExpDed**	**Total Adjusted**	**Adjusted Book**	**Adjusted Tax**
Adjusted other income no difference	2,800,537	2,800,497		-1,542,308	62,519	370,956	-1,108,833	1,691,705	1,691,665
Adjusted COGS	-2,829,298	-2,831,485	15,210	1,542,308	-62,519		1,494,999	-1,334,299	-1,336,486
Adjusted gross profit	-28,761	-30,988	15,210	0	0	370,956	386,166	357,406	355,179
Specified income	177,509	172,024					0	177,509	172,024
Adjusted other income with difference	452,017	441,205	-15,210				-15,210	436,807	425,995
Adjusted total income	600,765	582,241	0	0	0	370,956	370,956	971,722	953,197
Specified expenses/deductions	-255,093	-264,548					0	-255,093	-264,548
Other expenses/deductions with difference	-263,113	-264,734					0	-263,113	-264,734
Adjusted other expenses/deductions no difference	0	0				-370,956	-370,956	-370,956	-370,956
Pretax net income	82,559	52,966	0	0	0	0	0	82,559	52,966

Table 5. 2010 U.S. Corporations Form 1120 Schedule M-3: Specified vs. Other Difference by FS Type: Adjusted Mini M-3

Specified vs. Other by FS Type	$ in Millions					Percentage of Adjusted Total Income Book					Percentage of Item Book			Percentage of Pretax Book		
2010 All	**Column A Book**	**Column B Temporary**	**Column C Permanent**	**Column D Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**	**Temporary**	**Permanent**	**Total Difference**	**Temporary**	**Permanent**	**Total Difference**
Adjusted other income no difference	11,620,952	0	0	11,620,912	0	156.81	0.00	0.00	156.81	0.00	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted COGS	-8,968,745	2,124	4,172	-8,961,490	6,296	-121.02	0.03	0.06	-120.92	0.08	0.0	0.0	-0.1	0.2	0.4	0.6
Adjusted gross profit	2,652,207	2,124	4,172	2,659,422	6,296	35.79	0.03	0.06	35.89	0.08	0.1	0.2	0.2	0.2	0.4	0.6
Specified income	1,805,683	-90,953	-74,298	1,639,659	-165,250	24.37	-1.23	-1.00	22.12	-2.23	-5.0	-4.1	-9.2	-8.6	-7.0	-15.6
Adjusted other income with difference	2,953,048	-56,509	-85,759	2,810,812	-142,268	39.85	-0.76	-1.16	37.93	-1.92	-1.9	-2.9	-4.8	-5.3	-8.1	-13.4
Adjusted total income	7,410,938	-145,338	-155,885	7,109,893	-301,223	100.00	-1.96	-2.10	95.94	-4.06	-2.0	-2.1	-4.1	-13.7	-14.7	-28.5
Specified expenses/deductions	-2,123,039	-19,428	38,488	-2,104,068	19,060	-28.65	-0.26	0.52	-28.39	0.26	0.9	-1.8	-0.9	-1.8	3.6	1.8
Other expenses/ deductions with difference	-1,985,368	-31,097	12,698	-2,003,861	-18,398	-26.79	-0.42	0.17	-27.04	-0.25	1.6	-0.6	0.9	-2.9	1.2	-1.7
Adjusted other expenses/deductions no difference	-2,244,733	0	0	-2,244,733	0	-30.29	0.00	0.00	-30.29	0.00	0.0	0.0	0.0	0.0	0.0	0.0
Pretax net income	1,057,797	-195,858	-104,697	757,242	-300,555	14.27	-2.64	-1.41	10.22	-4.06	-18.5	-9.9	-28.4	-18.5	-9.9	-28.4
2010 SEC 10-K/Public	**Column A Book**	**Column B Temporary**	**Column C Permanent**	**Column D Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**	**Temporary**	**Permanent**	**Total Difference**	**Temporary**	**Permanent**	**Total Difference**
Adjusted other income no difference	7,225,226	0	0	7,225,226	0	138.36	0.00	0.00	138.36	0.00	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted COGS	-5,301,300	1,144	3,751	-5,296,393	4,895	-101.52	0.02	0.07	-101.42	0.09	0.0	-0.1	-0.1	0.1	0.4	0.5
Adjusted gross profit	1,923,926	1,144	3,751	1,928,833	4,895	36.84	0.02	0.07	36.94	0.09	0.1	0.2	0.3	0.1	0.4	0.5
Specified income	1,439,784	-100,220	-60,668	1,278,909	-160,888	27.57	-1.92	-1.16	24.49	-3.08	-7.0	-4.2	-11.2	-11.0	-6.7	-17.7
Adjusted other income with difference	1,858,436	-35,597	-74,973	1,747,884	-110,570	35.59	-0.68	-1.44	33.47	-2.12	-1.9	-4.0	-5.9	-3.9	-8.2	-12.2
Adjusted total income	5,222,145	-134,673	-131,891	4,955,626	-266,564	100.00	-2.58	-2.53	94.90	-5.10	-2.6	-2.5	-5.1	-14.8	-14.5	-29.3
Specified expenses/ deductions	-1,574,468	3,151	22,880	-1,548,463	26,032	-30.15	0.06	0.44	-29.65	0.50	-0.2	-1.5	-1.7	0.3	2.5	2.9
Other expenses/ deductions with difference	-1,364,134	-48,152	13,265	-1,399,039	-34,887	-26.12	-0.92	0.25	-26.79	-0.67	3.5	-1.0	2.6	-5.3	1.5	-3.8
Adjusted other expenses/deductions no difference	-1,374,125	0	0	-1,374,125	0	-26.31	0.00	0.00	-26.31	0.00	0.0	0.0	0.0	0.0	0.0	0.0
Pretax net income	909,418	-179,673	-95,746	633,999	-275,419	17.41	-3.44	-1.83	12.14	-5.27	-19.8	-10.5	-30.3	-19.8	-10.5	-30.3

Table 5. 2010 U.S. Corporations Form 1120 Schedule M-3: Specified vs. Other Difference by FS Type: Adjusted Mini M-3 *(continued)*

Specified vs. Other by FS Type	$ in Millions					Percentage of Adjusted Total Income Book					Percentage of Item Book			Percentage of Pretax Book		
2010 Audited	**Column A Book**	**Column B Temporary**	**Column C Permanent**	**Column D Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**	**Temporary**	**Permanent**	**Total Difference**	**Temporary**	**Permanent**	**Total Difference**
Adjusted other income no difference	2,704,022	0	0	2,704,022	0	222.17	0.00	0.00	222.17	0.00	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted COGS	-2,333,147	3,227	387	-2,328,610	3,613	-191.70	0.27	0.03	-191.33	0.30	-0.1	0.0	-0.2	4.9	0.6	5.5
Adjusted gross profit	370,875	3,227	387	375,412	3,613	30.47	0.27	0.03	30.85	0.30	0.9	0.1	1.0	4.9	0.6	5.5
Specified income	188,390	5,913	-4,733	188,725	1,180	15.48	0.49	-0.39	15.51	0.10	3.1	-2.5	0.6	9.0	-7.2	1.8
Adjusted other income with difference	657,806	-11,680	-9,196	636,933	-20,876	54.05	-0.96	-0.76	52.33	-1.72	-1.8	-1.4	-3.2	-17.7	-14.0	-31.7
Adjusted total income	1,217,072	-2,540	-13,542	1,201,070	-16,083	100.00	-0.21	-1.11	98.69	-1.32	-0.2	-1.1	-1.3	-3.9	-20.6	-24.4
Specified expenses/ deductions	-293,478	-10,798	13,262	-291,057	2,464	-24.11	-0.89	1.09	-23.91	0.20	3.7	-4.5	-0.8	-16.4	20.1	3.7
Other expenses/ deductions with difference	-358,120	15,639	2,432	-340,089	18,070	-29.42	1.28	0.20	-27.94	1.48	-4.4	-0.7	-5.0	23.8	3.7	27.5
Adjusted other expenses/deductions no difference	-499,652	0	0	-499,652	0	-41.05	0.00	0.00	-41.05	0.00	0.0	0.0	0.0	0.0	0.0	0.0
Pretax net income	65,820	2,305	2,153	70,277	4,458	5.41	0.19	0.18	5.77	0.37	3.5	3.3	6.8	3.5	3.3	6.8
2010 Unaudited	**Column A Book**	**Column B Temporary**	**Column C Permanent**	**Column D Tax**	**Total Difference**	**Book**	**Temporary**	**Permanent**	**Tax**	**Total Difference**	**Temporary**	**Permanent**	**Total Difference**	**Temporary**	**Permanent**	**Total Difference**
Adjusted other income no difference	1,691,705	0	0	1,691,665	0	174.09	0.00	0.00	174.09	0.00	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted COGS	-1,334,299	-2,247	34	-1,336,486	-2,213	-137.31	-0.23	0.00	-137.54	-0.23	0.2	0.0	0.2	-2.7	0.0	-2.7
Adjusted gross profit	357,406	-2,247	34	355,179	-2,213	36.78	-0.23	0.00	36.55	-0.23	-0.6	0.0	-0.6	-2.7	0.0	-2.7
Specified income	177,509	3,354	-8,896	172,024	-5,542	18.27	0.35	-0.92	17.70	-0.57	1.9	-5.0	-3.1	4.1	-10.8	-6.7
Adjusted other income with difference	436,807	-9,232	-1,590	425,995	-10,821	44.95	-0.95	-0.16	43.84	-1.11	-2.1	-0.4	-2.5	-11.2	-1.9	-13.1
Adjusted total income	971,722	-8,124	-10,452	953,197	-18,576	100.00	-0.84	-1.08	98.09	-1.91	-0.8	-1.1	-1.9	-9.8	-12.7	-22.5
Specified expenses/ deductions	-255,093	-11,782	2,346	-264,548	-9,436	-26.25	-1.21	0.24	-27.22	-0.97	4.6	-0.9	3.7	-14.3	2.8	-11.4
Other expenses/ deductions with difference	-263,113	1,416	-2,998	-264,734	-1,582	-27.08	0.15	-0.31	-27.24	-0.16	-0.5	1.1	0.6	1.7	-3.6	-1.9
Adjusted other expenses/deductions no difference	-370,956	0	0	-370,956	0	-38.18	0.00	0.00	-38.18	0.00	0.0	0.0	0.0	0.0	0.0	0.0
Pretax net income	82,559	-18,490	-11,104	52,966	-29,594	8.50	-1.90	-1.14	5.45	-3.05	-22.4	-13.4	-35.8	-22.4	-13.4	-35.8

Table 6. 2010 U.S. Corporations Form 1120 Schedule M-3: Financial Statement Type by Asset Size by UTP Filing Status

D1: Financial Statement Type, Return Type. Asset Size, Schedule UTP Filing Status		Returns			Total Assets			Tax After Credits			Worldwide Income		
		Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2
All		40,740	100	100	50,120,656	100	100	186,818	100	100	890,621	100	100
SEC 10-K/Pub	—	4,635	11	11	37,438,003	75	75	135,150	72	72	779,464	88	88
Audited	—	17,051	42	42	6,339,560	13	13	26,956	14	14	53,335	6	6
Unaudited	—	19,054	47	47	6,343,093	13	13	24,712	13	13	57,822	6	6
1120 Consol	—	19,702	48	48	21,994,693	44	44	117,564	63	63	480,202	54	54
1120 MixGrp	—	407	1	1	23,062,391	46	46	56,511	30	30	409,110	46	46
l 1120 UnCons	—	20,631	51	51	5,063,573	10	10	12,743	7	7	1,310	0	0
1 Fin/Hold	—	11,221	28	28	29,112,493	58	58	33,261	18	18	98,448	11	11
2 Manufacturing	—	8,820	22	22	10,637,772	21	21	62,193	33	33	439,944	49	49
3 Other	—	20,699	51	51	10,370,391	21	21	91,364	49	49	352,229	40	40
L05,06,07 = 0	—	33,395	82	82	15,156,505	30	30	48,671	26	26	73,531	8	8
L05,06,07 ≠ 0	—	7,344	18	18	34,964,152	70	70	138,147	74	74	817,090	92	92
Net income > 0	—	24,790	61	61	32,341,605	64	65	186,297	99	100	976,374	109	110
Net income ≤ 0	—	15,949	39	39	17,779,051	35	35	521	0	0	-85,753	-10	-10
A ≥ $100 million	All	12,044	30	100	49,238,684	98	100	177,016	95	100	895,991	101	100
	Schedule UTP	1,856	5	15	34,727,678	69.29	71	108,749	58.2	61	632,964	71.1	71
	No Schedule UTP	10,188	25	85	14,511,006	29	29	68,267	37	39	263,027	30	29
A ≥ $1 billion or more	All	2,692	7	100	46,317,119	92	100	154,613	83	100	863,110	97	100
	SEC 10-K/Pub with UTP	674	2	25	30,344,057	61	66	92,395	49	60	596,801	67	69
	SEC 10-K/Pub without UTP	860	2	32	6,279,274	13	14	34,685	19	22	170,721	19	20
	Audited with UTP	143	0	5	2,414,360	5	5	5,001	3	3	11,786	1	1
	Audited without UTP	465	1	17	2,171,054	4	5	7,249	4	5	23,290	3	3
	Unaudited with UTP	148	0	5	1,626,602	3	4	7,139	4	5	13,392	2	2
	Unaudited without UTP	402	1	15	3,481,771	7	8	8,144	4	5	47,119	5	5
A ≥ $250 million but < $1 billion	All	4,336	11	100	2,122,839	4	100	15,829	8	100	29,104	3	100
	SEC 10-K/Pub with UTP	289	1	7	154,728	0	7	2,159	1	14	6,731	1	23
	SEC 10-K/Pub without UTP	934	2	22	494,974	1	23	4,485	2	28	10,015	1	34
	Audited with UTP	172	0	4	88,015	0	4	884	0	6	2,178	0	7
	Audited without UTP	1,793	4	41	839,356	2	40	5,164	3	33	8,647	1	30
	Unaudited with UTP	83	0	2	42,372	0	2	445	0	3	722	0	2
	Unaudited without UTP	1,065	3	25	503,393	1	24	2,692	1	17	812	0	3
A ≥ $100 million but < $250 million	All	5,016	12	100	798,726	2	100	6,575	4	100	3,777	0	100
	SEC 10-K/Pub with UTP	130	0	3	22,110	0	3	236	0	4	774	0	20
	SEC 10-K/Pub without UTP	559	1	11	93,095	0	12	751	0	11	-1,056	0	-28
	Audited with UTP	178	0	4	29,223	0	4	404	0	6	645	0	17
	Audited without UTP	2,467	6	49	392,029	1	49	3,287	2	50	3,746	0	99
	Unaudited with UTP	38	0	1	6,211	0	1	86	0	1	-65	0	-2
	Unaudited without UTP	1,644	4	33	256,060	1	32	1,810	1	28	-268	0	-7
A ≥ $50 million but < $100 million	All	5,209	13	100	370,292	1	100	3,871	2	100	-931	0	100
	SEC 10-K/Pub	417	1	8	30,244	0	8	299	0	8	-2,803	0	301
	Audited	2,683	7	52	190,962	0	52	2,214	1	57	2,901	0	-312
	Unaudited	2,108	5	40	149,085	0	40	1,357	1	35	-1,028	0	110
A ≥ $10 million but < $50 million	All	23,486	58	100	511,681	1	100	5,932	3	100	-4,439	0	100
	SEC 10-K/Pub	772	2	3	19,522	0	4	140	0	2	-1,720	0	39
	Audited	9,149	22	39	214,559	0	42	2,752	1	46	142	0	-3
	Unaudited	13,566	33	58	277,600	1	54	3,039	2	51	-2,862	0	64

Table 6. 2010 U.S. Corporations Form 1120 Schedule M-3: Financial Statement Type by Asset Size by UTP Filing Status *(continued)*

D1: Financial Statement Type, Return Type. Asset Size, Schedule UTP Filing Status		Non-Includible Foreign Income			Pretax Book			Pretax Temporary Difference			Pretax Permanent Difference		
		Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2
All		-801,228	100	100	1,057,797	100	100	-195,858	100	100	-104,697	100	100
SEC 10-K/Pub	—	-772,115	96	96	909,418	86	86	-179,673	92	92	-95,746	91	91
Audited	—	-23,202	3	3	65,820	6	6	2,305	-1	-1	2,153	-2	-2
Unaudited	—	-5,912	1	1	82,559	8	8	-18,490	9	9	-11,104	11	11
1120 Consol	—	-299,418	37	37	494,424	47	47	-85,968	44	44	68,541	-65	-65
1120 MixGrp	—	-489,564	61	61	553,009	52	52	-105,358	54	54	-168,616	161	161
l 1120 UnCons	—	-12,247	2	2	10,364	1	1	-4,532	2	2	-4,622	4	4
1 Fin/Hold	—	-55,593	7	7	136,316	13	13	-45,292	23	23	-38,359	37	37
2 Manufacturing	—	-602,962	75	75	525,561	50	50	-8,220	4	4	-103,697	99	99
3 Other	—	-142,674	18	18	395,921	37	37	-142,346	73	73	37,359	-36	-36
L05,06,07 = 0	—	0	0	0	140,839	13	13	-79,167	40	40	-25,124	24	24
L05,06,07 ≠ 0	—	-801,228	100	100	916,958	87	87	-116,691	60	60	-79,573	76	76
Net income > 0	—	-767,303	96	96	1,170,690	110	111	-39,297	21	20	-95,292	91	91
Net income ≤ 0	—	-33,925	4	4	-112,893	-10	-11	-156,560	80	80	-9,405	9	9
A ≥ $100 million	All	-794,817	99	100	1,061,475	100	100	-194,910	100	100	-104,936	100	100
	Schedule UTP	-376,584	47	47	723,456	68.39	68	-120,616	61.6	62	-38,009	36.3	36
	No Schedule UTP	-418,233	52	53	338,019	32	32	-74,294	38	38	-66,927	64	64
A ≥ $1 billion or more	All	-779,006	97	100	1,017,309	96	100	-185,053	94	100	-110,184	105	100
	SEC 10-K/Pub with UTP	-358,160	45	46	678,885	64	67	-141,140	72	76	-49,796	48	45
	SEC 10-K/Pub without UTP	-396,461	49	51	218,286	21	21	-34,889	18	19	-47,885	46	43
	Audited with UTP	-11,717	1	2	18,871	2	2	18,038	-9	-10	-3,589	3	3
	Audited without UTP	-7,781	1	1	24,227	2	2	-13,543	7	7	4,213	-4	-4
	Unaudited with UTP	-1,867	0	0	13,301	1	1	3,783	-2	-2	13,663	-13	-12
	Unaudited without UTP	-3,018	0	0	63,741	6	6	-17,300	9	9	-26,789	26	24
A ≥ $250 million but < $1 billion	All	-13,470	2	100	36,924	3	100	-9,458	5	100	4,266	-4	100
	SEC 10-K/Pub with UTP	-3,266	0	24	7,214	1	20	-108	0	1	190	0	4
	SEC 10-K/Pub without UTP	-7,495	1	56	10,695	1	29	-3,039	2	32	554	-1	13
	Audited with UTP	-551	0	4	2,662	0	7	-291	0	3	92	0	2
	Audited without UTP	-1,819	0	14	12,252	1	33	-2,374	1	25	-726	1	-17
	Unaudited with UTP	-409	0	3	1,141	0	3	-395	0	4	1021	-1	24
	Unaudited without UTP	69	0	-1	2,960	0	8	-3,251	2	34	3135	-3	73
A ≥ $100 million but < $250 million	All	-2,341	0	100	7,241	1	100	-399	0	100	982	-1	100
	SEC 10-K/Pub with UTP	-415	0	18	704	0	10	-218	0	55	103	0	10
	SEC 10-K/Pub without UTP	-1,097	0	47	-1649	0	-23	372	0	-93	342	0	35
	Audited with UTP	-183	0	8	606	0	8	-186	0	47	342	0	35
	Audited without UTP	-423	0	18	5,881	1	81	246	0	-62	-435	0	-44
	Unaudited with UTP	-16	0	1	71	0	1	-98	0	25	-34	0	-3
	Unaudited without UTP	-207	0	9	1,628	0	22	-514	0	129	664	-1	68
A ≥ $50 million but < $100 million	All	-740	0	100	634	0	100	457	0	100	1,234	-1	100
	SEC 10-K/Pub	-253	0	34	-2,678	0	-422	350	0	77	781	-1	63
	Audited	-547	0	74	2,896	0	457	65	0	14	578	-1	47
	Unaudited	60	0	-8	416	0	66	41	0	9	-125	0	-10
A ≥ $10 million but < $50 million	All	-5,671	1	100	-4,311	0	100	-1,405	1	100	-995	1	100
	SEC 10-K/Pub	-4,968	1	88	-2,038	0	47	-1,001	1	71	-34	0	3
	Audited	-179	0	3	-1,575	0	37	351	0	-25	1,679	-2	-169
	Unaudited	-524	0	9	-698	0	16	-755	0	54	-2,639	3	265

Table 7. 2010 U.S. Corporations Form 1120 Schedule M-3: 19 Industries by UTP Filing Status

D24: 19 Key Industries by HAS — UTP3 for Corporations With Total Assets ≥ $100 million		Returns			Total Assets			Tax After Credits			Worldwide Income		
		Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2
All, assets ≥ $100 million		12,044	100	100	49,238,684	100	100	177,016	100	100	895,991	100	100
i. Subtotal, manufacturing	No Schedule UTP	1,869	16	70	2,172,575	4	21	18,679	11	31	113,192	13	26
	Schedule UTP	809	7	30	8,269,948	17	79	40,642	23	69	326,170	36	74
n. Subtotal, financial	No Schedule UTP	4,660	39	97	8,287,395	17	29	15,475	9	49	38,141	4	38
	Schedule UTP	166	1	3	20,597,905	42	71	16,170	9	51	61,447	7	62
y. Subtotal, other	No Schedule UTP	3,659	30	81	4,051,036	8	41	34,113	19	40	111,694	12	31
	Schedule UTP	880	7	19	5,859,825	12	59	51,937	29	60	245,348	27	69
a. Petroleum refineries	No Schedule UTP	25	0	71	222,468	0	10	565	0	12	8,164	1	13
	Schedule UTP	10	0	29	2,087,129	4	90	4,238	2	88	52,322	6	87
b. Pharmaceuticals	No Schedule UTP	61	1	52	20,107	0	2	439	0	6	504	0	1
	Schedule UTP	57	0	48	1,058,462	2	98	6,786	4	94	47,412	5	99
c. Computers/electronics	No Schedule UTP	186	2	50	361,887	1	36	3,721	2	29	36,820	4	39
	Schedule UTP	185	2	50	633,828	1	64	9,052	5	71	57,067	6	61
d. Electrical equipment	No Schedule UTP	84	1	74	84,335	0	9	834	0	80	2,835	0	17
	Schedule UTP	29	0	26	851,949	2	91	206	0	20	14,049	2	83
e. Transportation equipment	No Schedule UTP	199	2	69	180,863	0	15	1,084	1	20	3,556	0	8
	Schedule UTP	91	1	31	1,035,195	2	85	4,275	2	80	42,555	5	92
f. Fabr metal/machinery	No Schedule UTP	326	3	75	276,246	1	30	3,025	2	63	14,767	2	46
	Schedule UTP	111	1	25	630,572	1	70	1,793	1	37	17,623	2	54
g. Food/beverage manufacturing	No Schedule UTP	201	2	77	218,706	0	21	3,030	2	32	20,761	2	40
	Schedule UTP	59	0	23	829,407	2	79	6,520	4	68	31,796	4	60
h. Other manufacturing	No Schedule UTP	786	7	75	807,963	2	41	5,981	3	43	25,786	3	29
	Schedule UTP	267	2	25	1,143,407	2	59	7,773	4	57	63,345	7	71
j. Non-bank holding company	No Schedule UTP	320	3	97	192,640	0	91	1,176	1	68	9,379	1	55
	Schedule UTP	11	0	3	18,412	0	9	554	0	32	7,612	1	45
k. Bank (and bank holding company)	No Schedule UTP	3,306	27	98	4,405,835	9	29	6,492	4	45	3,354	0	7
	Schedule UTP	60	0	2	10,840,535	22	71	7,780	4	55	46,863	5	93
l. Securities/commodities	No Schedule UTP	251	2	87	2,511,260	5	42	3,167	2	38	8,094	1	25
	Schedule UTP	37	0	13	3,527,271	7	58	5,106	3	62	23,994	3	75
m. Other financial	No Schedule UTP	783	7	93	1,177,661	2	16	4,639	3	63	17,315	2	5,930
	Schedule UTP	58	0	7	6,211,686	13	84	2,729	2	37	-17,023	-2	-5,830
o. Trade	No Schedule UTP	1,106	9	80	1,095,736	2	37	15,572	9	38	54,513	6	38
	Schedule UTP	272	2	20	1,855,253	4	63	24,911	14	62	87,658	10	62
p. Information	No Schedule UTP	442	4	72	690,534	1	30	5,018	3	28	14,283	2	14
	Schedule UTP	171	1	28	1,607,393	3	70	12,727	7	72	88,655	10	86
q. Utilities	No Schedule UTP	165	1	75	505,002	1	33	777	0	25	8,018	1	27
	Schedule UTP	54	0	25	1,025,854	2	67	2,376	1	75	22,208	2	73
r. Transport/warehousing	No Schedule UTP	233	2	87	325,342	1	55	1,438	1	34	5,631	1	33
	Schedule UTP	36	0	13	260,920	1	45	2,740	2	66	11,367	1	67
s. Mining	No Schedule UTP	314	3	89	531,813	1	62	2,454	1	48	15,250	2	36
	Schedule UTP	37	0	11	326,115	1	38	2,683	2	52	27,429	3	64
t. Construction	No Schedule UTP	192	2	94	150,840	0	85	892	1	86	919	0	60
	Schedule UTP	13	0	6	26,430	0	15	149	0	14	612	0	40
x. Services/agriculture/other	No Schedule UTP	1,207	10	80	751,768	2	50	7,962	4	56	13,079	1	64
	Schedule UTP	297	2	20	757,861	2	50	6,350	4	44	7,420	1	36

Table 7. 2010 U.S. Corporations Form 1120 Schedule M-3: 19 Industries by UTP Filing Status *(continued)*

D24: 19 Key Industries by HAS — UTP3 for Corporations With Total Assets ≥ $100 million		Non-Includible Foreign Income			Pretax Book			Pretax Temporary Difference			Pretax Permanent Difference		
		Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2
All, assets ≥ $100 million		-794,817	100	100	1,061,475	100	100	-194,910	100	100	-104,936	100	100
i. Subtotal, manufacturing	No Schedule UTP	-356,137	45	60	143,547	14	27	-7,161	4	94	-45,376	43	44
	Schedule UTP	-241,972	30	40	379,509	36	73	-421	0	6	-58,772	56	56
n. Subtotal, financial	No Schedule UTP	-10,647	1	19	54,192	5	39	-19,831	10	45	-11,843	11	29
	Schedule UTP	-44,187	6	81	84,885	8	61	-24,012	12	55	-28,842	27	71
y. Subtotal, other	No Schedule UTP	-51,448	6	36	140,281	13	35	-47,303	24	33	-9,708	9	-24
	Schedule UTP	-90,426	11	64	259,062	24	65	-96,183	49	67	49,605	-47	124
a. Petroleum refineries	No Schedule UTP	3,054	0	-10	6,735	1	9	-1,196	1	-4	9,225	-9	38
	Schedule UTP	-33,072	4	110	68,374	6	91	34,912	-18	104	15,334	-15	62
b. Pharmaceuticals	No Schedule UTP	30	0	0	998	0	1	202	0	3	138	0	0
	Schedule UTP	-47,170	6	100	115,649	11	99	7,354	-4	97	-76,548	73	100
c. Computers/electronics	No Schedule UTP	-304,089	38	88	78,389	7	63	610	0	480	-55,163	53	105
	Schedule UTP	-42,545	5	12	45,849	4	37	-483	0	-380	2,653	-3	-5
d. Electrical equipment	No Schedule UTP	-1,952	0	8	1,865	0	182	48	0	-71	720	-1	7
	Schedule UTP	-21,744	3	92	-838	0	-82	-116	0	171	9,289	-9	93
e. Transportation equipment	No Schedule UTP	-4,406	1	26	1,939	0	3	129	0	0	709	-1	-11
	Schedule UTP	-12,264	2	74	53,501	5	97	-31,910	16	100	-7,420	7	111
f. Fabrication metal/machinery	No Schedule UTP	-14,384	2	40	10,334	1	47	-909	0	37	2,043	-2	34
	Schedule UTP	-21,290	3	60	11,586	1	53	-1,540	1	63	3,885	-4	66
g. Food/beverage manufacturing	No Schedule UTP	-8,555	1	35	21,101	2	39	-1,138	1	44	-6,679	6	56
	Schedule UTP	-15,720	2	65	32,901	3	61	-1,466	1	56	-5,151	5	44
h. Other manufacturing	No Schedule UTP	-25,836	3	35	22,186	2	30	-4,907	3	41	3,630	-3	129
	Schedule UTP	-48,166	6	65	52,487	5	70	-7,172	4	59	-815	1	-29
j. Non-bank holding company	No Schedule UTP	-4,537	1	39	10,085	1	92	-2,102	1	99	-4,050	4	-103
	Schedule UTP	-7,011	1	61	869	0	8	-19	0	1	7,965	-8	203
k. Bank (and bank holding company)	No Schedule UTP	-192	0	1	7,556	1	8	-806	0	11	-940	1	2
	Schedule UTP	-23,808	3	99	86,439	8	92	-6,371	3	89	-45,862	44	98
l. Securities/commodities	No Schedule UTP	-1,952	0	20	14,604	1	45	-2,415	1	-1,509	-3,733	4	-153
	Schedule UTP	-7,945	1	80	18,178	2	55	2,575	-1	1,609	6,179	-6	253
m. Other financial	No Schedule UTP	-3,966	0	42	21,947	2	1,631	-14,509	7	42	-3,120	3	1,279
	Schedule UTP	-5,422	1	58	-20,601	-2	-1,531	-20,197	10	58	2,876	-3	-1,179
o. Trade	No Schedule UTP	-45,434	6	60	62,772	6	38	-6,494	3	27	-9,782	9	480
	Schedule UTP	-30,308	4	40	101,052	10	62	-17,617	9	73	7,742	-7	-380
p. Information	No Schedule UTP	-825	0	4	19,728	2	20	-3,768	2	9	-2,176	2	-21
	Schedule UTP	-22,498	3	96	79,819	8	80	-37,660	19	91	12,634	-12	121
q. Utilities	No Schedule UTP	-212	0	6	9,856	1	22	-14,843	8	33	1,499	-1	91
	Schedule UTP	-3,387	0	94	34,320	3	78	-29,872	15	67	153	0	9
r. Transport/warehousing	No Schedule UTP	185	0	-17	8,301	1	32	-3,357	2	33	-1,887	2	62
	Schedule UTP	-1,247	0	117	17,628	2	68	-6,856	4	67	-1,152	1	38
s. Mining	No Schedule UTP	-2,690	0	12	20,328	2	48	-16,206	8	78	-32	0	0
	Schedule UTP	-20,559	3	88	21,967	2	52	-4,612	2	22	8,051	-8	100
t. Construction	No Schedule UTP	-189	0	38	-703	0	663	-3,419	2	101	805	-1	94
	Schedule UTP	-302	0	62	597	0	-563	26	0	-1	53	0	6
x. Services/agriculture/other	No Schedule UTP	-2,284	0	16	19,998	2	84	784	0	66	1,865	-2	8
	Schedule UTP	-12,125	2	84	3,678	0	16	408	0	34	22,123	-21	92

Table 8. 2010 U.S. Corporations Form 1120 Schedule M-3: Financial Accounting Standard by Financial Statement Type

D13: Financial Accounting Standard (P1L4b), Financial Statement Type, Industry, Non-Includible, and Other Includible Entities		Returns			Total Assets			Tax After Credits			Worldwide Income		
		Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2
All		40,740	100	100	50,120,656	100	100	186,818	100	100	890,621	100	100
Missing	—	9,005	22	22	2,590,904	5	5	10,796	6	6	26,309	3	3
GAAP	—	28,448	70	70	45,668,892	91	91	165,285	88	88	844,803	95	95
IFRS	—	970	2	2	1,699,176	3	3	9,449	5	5	20,667	2	2
Other	—	578	1	1	97,778	0	0	412	0	0	-1,977	0	0
Tax Basis	—	1,740	4	4	63,907	0	0	876	0	0	819	0	0
SEC 10-K/Public	Missing	408	1	9	1,657,393	3	4	4,910	3	4	16,808	2	2
	GAAP	4,228	10	91	35,780,611	71	96	130,240	70	96	762,656	86	98
Audited	Missing	2,983	7	17	346,263	1	5	2,630	1	10	6,036	1	11
	GAAP	13,542	33	79	5,539,489	11	87	21,127	11	78	36,086	4	68
	IFRS	375	1	2	437,837	1	7	2,954	2	11	11,452	1	21
	Other	99	0	1	13,147	0	0	62	0	0	-534	0	-1
	Tax Basis	52	0	0	2,824	0	0	182	0	1	296	0	1
Unaudited	Missing	5,614	14	29	587,249	1	9	3,256	2	13	3,465	0	6
	GAAP	10,678	26	56	4,348,792	9	69	13,918	7	56	46,061	5	80
	IFRS	595	1	3	1,261,339	3	20	6,494	3	26	9,216	1	16
	Other	479	1	3	84,631	0	1	350	0	1	-1,443	0	-2
	Tax Basis	1,688	4	9	61,083	0	1	694	0	3	523	0	1
Manufacturing	Missing	1,642	4	19	368,335	1	3	2,896	2	5	6,558	1	1
	GAAP	6,564	16	74	9,475,439	19	89	53,447	29	86	410,497	46	93
	IFRS	389	1	4	759,292	2	7	5,687	3	9	22,192	2	5
	Other	73	0	1	30,239	0	0	92	0	0	533	0	0
	Tax Basis	151	0	2	4,466	0	0	71	0	0	164	0	0
Finance/holding	Missing	2,643	6	24	1,755,559	4	6	4,080	2	12	9,859	1	10
	GAAP	7,465	18	67	26,782,386	53	92	27,580	15	83	86,644	10	88
	IFRS	129	0	1	505,463	1	2	1,035	1	3	3,995	0	4
	Other	267	1	2	31,549	0	0	69	0	0	-2,415	0	-2
	Tax Basis	717	2	6	37,536	0	0	497	0	1	364	0	0
Other	Missing	4,719	12	23	467,010	1	5	3,820	2	4	9,891	1	3
	GAAP	14,418	35	70	9,411,066	19	91	84,259	45	92	347,662	39	99
	IFRS	452	1	2	434,421	1	4	2,727	1	3	-5,520	-1	-2
	Other	238	1	1	35,990	0	0	250	0	0	-95	0	0
	Tax Basis	871	2	4	21,905	0	0	308	0	0	290	0	0
L05,06,07 = 0	Missing	8,287	20	25	978,451	2	6	4,834	3	10	5,091	1	7
	GAAP	22,110	54	66	13,116,578	26	87	35,981	19	74	66,992	8	91
	IFRS	760	2	2	917,743	2	6	6,726	4	14	2,679	0	4
	Other	520	1	2	80,615	0	1	280	0	1	-2,001	0	-3
	Tax Basis	1,718	4	5	63,118	0	0	850	0	2	769	0	1
L05,06,07 ≠ 0	Missing	717	2	10	1,612,453	3	5	5,962	3	4	21,218	2	3
	GAAP	6,338	16	86	32,552,313	65	93	129,304	69	94	777,810	87	95
	IFRS	210	1	3	781,433	2	2	2,723	1	2	17,989	2	2
	Other	57	0	1	17,163	0	0	132	0	0	24	0	0
	Tax Basis	22	0	0	790	0	0	26	0	0	49	0	0

Table 8. 2010 U.S. Corporations Form 1120 Schedule M-3: Financial Accounting Standard by Financial Statement Type *(continued)*

D13: Financial Acct Standard (P1L4b), Financial Statement Type, Industry, Non-Includible, and Other Includible Entities		Non-Includible Foreign Income			Pretax Book			Pretax Temporary Difference			Pretax Permanent Difference		
		Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2
All		-801,228	100	100	1,057,797	100	100	-195,858	100	100	-104,697	100	100
Missing	—	-18,680	2	2	26,601	3	3	656	0	0	2,913	-3	-3
GAAP	—	-778,037	97	97	1,006,013	95	95	-195,712	100	100	-118,319	113	113
IFRS	—	-4,745	1	1	24,575	2	2	226	0	0	11,273	-11	-11
Other	—	235	0	0	-1,008	0	0	-1,039	1	1	-408	0	0
Tax Basis	—	-1	0	0	1,616	0	0	10	0	0	-156	0	0
SEC 10-K/Public	Missing	-17,283	2	2	10,703	1	1	6,024	-3	-3	527	-1	-1
	GAAP	-754,832	94	98	898,716	85	99	-185,698	95	103	-96,273	92	101
Audited	Missing	-898	0	4	7,733	1	12	-1,149	1	-50	19	0	1
	GAAP	-19,916	2	86	44,174	4	67	3,347	-2	145	3,007	-3	140
	IFRS	-2,666	0	11	13,610	1	21	-87	0	-4	-996	1	-46
	Other	278	0	-1	-175	0	0	190	0	8	95	0	4
	Tax Basis	1	0	0	477	0	1	4	0	0	28	0	1
Unaudited	Missing	-499	0	8	8,166	1	10	-4,219	2	23	2,366	-2	-21
	GAAP	-3,289	0	56	63,123	6	76	-13,361	7	72	-25,053	24	226
	IFRS	-2,078	0	35	10,964	1	13	313	0	-2	12,269	-12	-110
	Other	-44	0	1	-833	0	-1	-1,229	1	7	-503	0	5
	Tax Basis	-2	0	0	1,139	0	1	6	0	0	-184	0	2
Manufacturing	Missing	-9,861	1	2	4,445	0	1	2,546	-1	-31	1,679	-2	-2
	GAAP	-589,431	74	98	493,464	47	94	-8,573	4	104	-105,461	101	102
	IFRS	-3,649	0	1	26,895	3	5	-1,488	1	18	-88	0	0
	Other	-20	0	0	531	0	0	-712	0	9	182	0	0
	Tax Basis	0	0	0	226	0	0	7	0	0	-9	0	0
Finance/holding	Missing	-7,988	1	14	7,249	1	5	3,379	-2	-7	1,234	-1	-3
	GAAP	-47,646	6	86	127,985	12	94	-49,362	25	109	-41,611	40	108
	IFRS	4	0	0	2,348	0	2	808	0	-2	2,839	-3	-7
	Other	37	0	0	-2,072	0	-2	-189	0	0	-706	1	2
	Tax Basis	0	0	0	805	0	1	73	0	0	-114	0	0
Other	Missing	-831	0	1	14,907	1	4	-5,269	3	4	1	0	0
	GAAP	-140,960	18	99	384,564	36	97	-137,777	70	97	28,753	-27	77
	IFRS	-1,099	0	1	-4,668	0	-1	907	0	-1	8,522	-8	23
	Other	218	0	0	533	0	0	-137	0	0	116	0	0
	Tax Basis	-1	0	0	586	0	0	-70	0	0	-33	0	0
L05,06,07 = 0	Missing	0	0	na	12,032	1	9	-4,825	2	6	1,635	-2	-7
	GAAP	0	0	na	119,236	11	85	-74,442	38	94	-34,442	33	137
	IFRS	0	0	na	9,462	1	7	794	0	-1	8,301	-8	-33
	Other	0	0	na	-1,441	0	-1	-701	0	1	-461	0	2
	Tax Basis	0	0	na	1,550	0	1	6	0	0	-157	0	1
L05,06,07 ≠ 0	Missing	-18,680	2	2	14,569	1	2	5,481	-3	-5	1,278	-1	-2
	GAAP	-778,037	97	97	886,777	84	97	-121,270	62	104	-83,877	80	105
	IFRS	-4,745	1	1	15,113	1	2	-568	0	0	2,972	-3	-4
	Other	235	0	0	433	0	0	-338	0	0	53	0	0
	Tax Basis	-1	0	0	66	0	0	4	0	0	1	0	0

Table 9. 2010 U.S. Corporations Form 1120 Schedule M-3: Worldwide Assets vs. Schedule L

D21. Comparison of Schedule L Assets and Part I Line 12A WW Consolidated Financial Statement Assets		Returns			Total Assets Schedule L			P1Ln12a Worldwide Financial Statement Assets			P1Ln12b Non-Includible Foreign Financial Statement Assets		
		Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2
All		40,740	100	100	50,120,656	100	100	40,595,955	100	100	10,037,591	100	100
P1Ln12A = 0	All	3,128	8	100	7,858,058	16	100	0	0	na	0	0	na
	a SEC 10-K/Public	428	1	14	5,579,497	11	71	0	0	na	0	0	na
	b Audited	1,071	3	34	584,649	1	7	0	0	na	0	0	na
	c Unaudited/Books	1,629	4	52	1,693,912	3	22	0	0	na	0	0	na
Schedule L < P1Ln12A	All	4,723	12	100	16,450,925	33	100	20,574,633	51	100	5,287,250	53	100
	a SEC 10-K/Public	1,470	4	31	13,316,669	27	81	16,031,050	39	78	4,857,127	48	92
	b Audited	2,305	6	49	1,377,891	3	8	1,723,462	4	8	236,027	2	4
	c Unaudited/Books	948	2	20	1,756,365	4	11	2,820,121	7	14	194,095	2	4
Schedule L = P1Ln12A	All	30,733	75	100	10,735,120	21	100	10,735,120	26	100	111,990	1	100
	a SEC 10-K/Public	2,150	5	7	5,614,712	11	52	5,614,712	14	52	89,344	1	80
	b Audited	12,744	31	41	2,507,103	5	23	2,507,103	6	23	19,624	0	18
	c Unaudited/Books	15,839	39	52	2,613,306	5	24	2,613,306	6	24	3,021	0	3
Schedule L > P1Ln12A	All	2,156	5	100	15,076,553	30	100	9,286,202	23	100	4,638,351	46	100
	a SEC 10-K/Public	588	1	27	12,927,126	26	86	7,982,747	20	86	4,317,699	43	93
	b Audited	931	2	43	1,869,917	4	12	1,112,485	3	12	312,117	3	7
	c Unaudited/Books	637	2	30	279,510	1	2	190,970	0	2	8,535	0	0
A ≥ $20 billion or more	All	252	1	100	36,939,237	74	100	27,578,246	68	100	7,753,731	77	100
	P1Ln12A = 0	43	0	17	6,143,592	12	17	0	0	0	0	0	0
	Schedule L < P1Ln12A	86	0	34	12,377,880	25	34	14,661,745	36	53	3,353,418	33	43
	Schedule L = P1Ln12A	44	0	17	4,870,919	10	13	4,870,919	12	18	55,471	1	1
	Schedule L > P1Ln12A	79	0	31	13,546,846	27	37	8,045,582	20	29	4,344,842	43	56
A ≥ $1 billion but < $20 billion	All	2,440	6	100	9,377,882	19	100	9,099,178	22	100	1,803,920	18	100
	P1Ln12A = 0	344	1	14	1,404,931	3	15	0	0	0	0	0	0
	Schedule L < P1Ln12A	819	2	34	3,422,176	7	36	4,797,438	12	53	1,506,310	15	84
	Schedule L = P1Ln12A	989	2	41	3,288,999	7	35	3,288,999	8	36	33,954	0	2
	Schedule L > P1Ln12A	288	1	12	1,261,776	3	13	1,012,741	2	11	263,656	3	15
C ≥ $250 million but < $ 1 billion	All	4,336	11	100	2,122,839	4	100	2,077,470	5	100	246,440	2	100
	P1Ln12A = 0	373	1	9	191,579	0	9	0	0	0	0	0	0
	Schedule L < P1Ln12A	869	2	20	444,024	1	21	615,039	2	30	217,014	2	88
	Schedule L = P1Ln12A	2,746	7	63	1,308,084	3	62	1,308,084	3	63	5,915	0	2
	Schedule L > P1Ln12A	348	1	8	179,151	0	8	154,347	0	7	23,510	0	10
A ≥ $50 million but < $250 million	All	10,225	25	100	1,169,018	2	100	1,218,573	3	100	94,256	1	100
	P1Ln12A = 0	708	2	7	81,653	0	7	0	0	0	0	0	0
	Schedule L < P1Ln12A	1,400	3	14	167,253	0	14	310,647	1	25	78,150	1	83
	Schedule L = P1Ln12A	7,525	18	74	851,156	2	73	851,156	2	70	10,873	0	12
	Schedule L > P1Ln12A	592	1	6	68,956	0	6	56,770	0	5	5,233	0	6
A ≥ $10 million but < $50 million	All	23,486	58	100	511,681	1	100	622,488	2	100	139,244	1	100
	P1Ln12A = 0	1,660	4	7	36,302	0	7	0	0	0	0	0	0
	Schedule L < P1Ln12A	1,548	4	7	39,593	0	8	189,764	0	30	132,357	1	95
	Schedule L = P1Ln12A	19,429	48	83	415,963	1	81	415,963	1	67	5,777	0	4
	Schedule L > P1Ln12A	849	2	4	19,824	0	4	16,761	0	3	1,110	0	1

Table 9. 2010 U.S. Corporations Form 1120 Schedule M-3: Worldwide Assets vs. Schedule L *(continued)*

D21. Comparison of Schedule L Assets and Part I Line 12A WW Consolidated Financial Statement Assets		Tax After Credits			Worldwide Income			Non-Includible Foreign Income			Pretax Book		
		Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2
All		186,818	100	100	890,621	100	100	-801,228	100	100	1,057,797	100	100
P1Ln12A = 0	All	21,987	12	100	67,232	8	100	-36,477	5	100	71953	7	100
	a SEC 10-K/Public	13,757	7	63	63,859	7	95	-35,609	4	98	59536	6	83
	b Audited	3,166	2	14	6,322	1	9	-1,309	0	4	8588	1	12
	c Unaudited/Books	5,064	3	23	-2,949	0	-4	441	0	-1	3830	0	5
Schedule L < P1Ln12A	All	82,634	44	100	494,916	56	100	-563,556	70	100	562,827	53	100
	a SEC 10-K/Public	71,078	38	86	423,857	48	86	-545,856	68	97	494,143	47	88
	b Audited	7,747	4	9	30,122	3	6	-12,191	2	2	28,442	3	5
	c Unaudited/Books	3,810	2	5	40,937	5	8	-5,509	1	1	40,242	4	7
Schedule L = P1Ln12A	All	39,888	21	100	71,202	8	100	-12,451	2	100	118,053	11	100
	a SEC 10-K/Public	12,686	7	32	35,246	4	50	-11,606	1	93	51,805	5	44
	b Audited	12,809	7	32	18,804	2	26	-408	0	3	31,995	3	27
	c Unaudited/Books	14,393	8	36	17,153	2	24	-437	0	4	34,253	3	29
Schedule L > P1Ln12A	All	42,309	23	100	257,271	29	100	-188,744	24	100	304,964	29	100
	a SEC 10-K/Public	37,630	20	89	256,502	29	100	-179,044	22	95	303,934	29	100
	b Audited	3,235	2	8	-1,912	0	-1	-9,294	1	5	-3,205	0	-1
	c Unaudited/Books	1,445	1	3	2,681	0	1	-407	0	0	4,235	0	1
A ≥ $20 billion or more	All	82,453	44	100	549,838	62	100	-640,009	80	100	710,661	67	100
	P1Ln12A = 0	9,119	5	11	20,610	2	4	-20,243	3	3	24524	2	3
	Schedule L < P1Ln12A	39,943	21	48	288,214	32	52	-445,004	56	70	397,246	38	56
	Schedule L = P1Ln12A	5,025	3	6	16,540	2	3	-7,852	1	1	23,792	2	3
	Schedule L > P1Ln12A	28,366	15	34	224,475	25	41	-166,910	21	26	265,099	25	37
A ≥ $1 billion but < $20 billion	All	72,160	39	100	313,272	35	100	-138,997	17	100	306,648	29	100
	P1Ln12A = 0	9,985	5	14	46,255	5	15	-15,048	2	11	45276	4	15
	Schedule L < P1Ln12A	35,661	19	49	183,479	21	59	-98,275	12	71	153,116	14	50
	Schedule L = P1Ln12A	14,817	8	21	46,184	5	15	-3,505	0	3	65,857	6	21
	Schedule L > P1Ln12A	11,697	6	16	37,354	4	12	-22,170	3	16	42,400	4	14
C ≥ $250 million but < $1 billion	All	15,829	8	100	29,104	3	100	-13,470	2	100	36,924	3	100
	P1Ln12A = 0	1,591	1	10	1,423	0	5	-493	0	4	2991	0	8
	Schedule L < P1Ln12A	4,568	2	29	16,157	2	56	-12,292	2	91	12,774	1	35
	Schedule L = P1Ln12A	8,213	4	52	11,785	1	40	-631	0	5	19,950	2	54
	Schedule L > P1Ln12A	1,456	1	9	-262	0	-1	-54	0	0	1,209	0	3
A ≥ $50 million but < $250 million	All	10,445	6	100	2,846	0	100	-3,080	0	100	7,875	1	100
	P1Ln12A = 0	843	0	8	-323	0	-11	-267	0	9	79	0	1
	Schedule L < P1Ln12A	2,042	1	20	4,932	1	173	-2,695	0	88	2,182	0	28
	Schedule L = P1Ln12A	6,945	4	66	1,239	0	44	-411	0	13	8,363	1	106
	Schedule L > P1Ln12A	615	0	6	-3,002	0	-105	293	0	-10	-2,749	0	-35
A ≥ $10 million but < $50 million	All	5,932	3	100	-4,439	0	100	-5,671	1	100	-4,311	0	100
	P1Ln12A = 0	449	0	8	-733	0	17	-427	0	8	-917	0	21
	Schedule L < P1Ln12A	421	0	7	2,133	0	-48	-5,289	1	93	-2,490	0	58
	Schedule L = P1Ln12A	4,888	3	82	-4,546	-1	102	-52	0	1	90	0	-2
	Schedule L > P1Ln12A	174	0	3	-1,293	0	29	97	0	-2	-995	0	23

Table 10. 2010 U.S. Corporations Form 1120 Schedule M-3: Research and Development

D18-19. R&D (P3Ln35) by Financial Statement Type and by Top 10 Industries for R&D Book		Returns			Total Assets			Tax After Credits			Worldwide Income			Non-Includible Foreign Income		
		Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2
All		40,740	100	100	50,120,656	100	100	186,818	100	100	890,621	100	100	-801,228	100	100
R&D ≠ 0	—	2,614	6	6	17,305,713	35	35	81,452	44	44	532,283	60	60	-312,850	39	39
R&D = 0	—	38,126	94	94	32,814,943	65	65	105,366	56	56	358,339	40	40	-488,378	61	61
R&D ≠ 0	SEC/Public	900	2	34	14,898,571	30	86	69,713	37	86	490,850	55	92	-294,867	48	94
	Audited	1,045	3	40	1,626,090	3	9	5,419	3	7	10,777	1	2	-14,737	3	5
	Unaudited	670	2	26	781,052	2	5	6,320	3	8	30,655	3	6	-3,246	3	1
R&D = 0	SEC/Public	3,735	9	10	22,539,432	45	69	65,437	35	62	288,614	32	81	-477,248	30	98
	Audited	16,006	39	42	4,713,470	9	14	21,537	12	20	42,558	5	12	-8,465	8	2
	Unaudited	18,384	45	48	5,562,041	11	17	18,392	10	17	27,166	3	8	-2,666	7	1
R&D ≠ 0	Fin/hold	58	0	2	5,397,765	11	31	9,595	5	12	43,298	5	8	-21,321	5	7
	Manufacturing	1,342	3	51	7,699,034	15	44	36,438	20	45	297,833	33	56	-238,984	34	76
	Other	1,214	3	46	4,208,914	8	24	35,420	19	43	191,152	21	36	-52,545	16	17
R&D = 0	Fin/hold	11,163	27	29	23,714,728	47	72	23,666	13	22	55,150	6	15	-34,272	10	7
	Manufacturing	7,478	18	20	2,938,738	6	9	25,755	14	24	142,112	16	40	-363,978	13	75
	Other	19,485	48	51	6,161,477	12	19	55,945	30	53	161,076	18	45	-90,128	22	18
Pharmaceutical	R&D ≠ 0	104	0	33	972,813	2	90	6,096	3	83	39,481	4	84	-38,820	5	82
	R&D = 0	214	1	67	112,282	0	10	1,226	1	17	7,783	1	16	-8,359	1	18
Computers /electronics	R&D ≠ 0	284	1	27	632,736	1	62	7,693	4	59	52,672	6	56	-41,508	5	12
	R&D = 0	768	2	73	383,567	1	38	5,411	3	41	40,657	5	44	-305,127	3	88
Information	R&D ≠ 0	223	1	11	1,308,358	3	56	9,910	5	54	54,828	6	54	-5,733	4	25
	R&D = 0	1,755	4	89	1,031,877	2	44	8,335	4	46	47,578	5	46	-17,462	4	75
Transport equipment	R&D ≠ 0	117	0	14	707,564	1	57	2,077	1	37	26,799	3	58	-8,765	1	52
	R&D = 0	695	2	86	526,648	1	43	3,488	2	63	19,513	2	42	-8,036	1	48
Other manufacturing	R&D ≠ 0	474	1	14	1,006,419	2	50	7,382	4	49	49,801	6	55	-44,325	4	57
	R&D = 0	3,033	7	86	1,023,602	2	50	7,551	4	51	41,322	5	45	-33,725	4	43
Service/agriculture/other	R&D ≠ 0	597	1	9	286,086	1	17	2,936	2	18	1,999	0	13	-1,375	1	9
	R&D = 0	6,265	15	91	1,383,368	3	83	13,079	7	82	12,945	1	87	-13,463	6	91
Trade	R&D ≠ 0	298	1	4	1,447,122	3	46	16,352	9	38	80,789	9	56	-24,977	7	33
	R&D = 0	7,407	18	96	1,676,031	3	54	26,361	14	62	63,824	7	44	-51,361	9	67
Utilities	R&D ≠ 0	37	0	9	671,517	1	44	1,002	1	31	18,947	2	63	-1,433	1	41
	R&D = 0	378	1	91	865,710	2	56	2,184	1	69	10,972	1	37	-2,057	1	59
Fabricated metal/machining	R&D ≠ 0	212	1	12	518,906	1	55	2,295	1	42	19,734	2	63	-26,423	1	73
	R&D = 0	1,578	4	88	429,862	1	45	3,202	2	58	11,469	1	37	-9,722	2	27
Electrical equipment	R&D ≠ 0	72	0	16	856,189	2	90	176	0	15	13,674	2	81	-21,879	1	92
	R&D = 0	386	1	84	90,270	0	10	1,014	1	85	3,248	0	19	-1,883	0	8
All other	R&D ≠ 0	196	0	1	8,898,003	18	26	25,533	14	43	173,559	20	64	-97,612	25	72
	R&D = 0	15,647	39	99	25,291,726	50	74	33,515	17	57	99,028	12	36	-37,183	14	28

Table 10. 2010 U.S. Corporations Form 1120 Schedule M-3: Research and Development *(continued)*

D18-19. R&D (P3Ln35) by Financial Statement Type and by Top 10 Industries for R&D Book		Pretax Book			Total Pretax Difference			R&D Book			Total R&D Difference		
		Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2	Sum	Percentage 1	Percentage 2
All		1,057,797	100	100	-300,555	100	100	-137,869	100	100	-9,041	100	100
R&D ≠ 0	—	638,917	60	60	-138,356	46	46	-137,869	100	100	-9,041	100	100
R&D = 0	—	418,880	40	40	-162,199	54	54	0	0	0	0	0	0
R&D ≠ 0	SEC/Public	592,411	56	93	-147,567	49	107	-106,989	78	78	-9,909	110	110
	Audited	12,164	1	2	19,182	-6	-14	-14,328	10	10	-105	1	1
	Unaudited	34,342	3	5	-9,972	3	7	-16,552	12	12	973	-11	-11
R&D = 0	SEC/Public	317,007	30	76	-127,852	43	79	0	0	na	0	0	na
	Audited	53,655	5	13	-14,725	5	9	0	0	na	0	0	na
	Unaudited	48,217	5	12	-19,622	7	12	0	0	na	0	0	na
R&D ≠ 0	Fin/Hold	91,534	9	14	-47,272	16	34	-2,375	2	2	-1,384	15	15
	Manufacturing	339,102	32	53	-31,900	11	23	-95,550	69	69	-3,496	39	39
	Other	208,282	20	33	-59,183	20	43	-39,943	29	29	-4,162	46	46
R&D = 0	Fin/Hold	44,782	4	11	-36,378	12	22	0	0	na	0	0	na
	Manufacturing	186,459	18	45	-80,017	27	49	0	0	na	0	0	na
	Other	187,639	18	45	-45,804	15	28	0	0	na	0	0	na
Pharmaceutical	R&D ≠ 0	112,065	11	97	-69,329	23	101	-28,207	20	100	945	-10	100
	R&D = 0	3,980	0	3	509	0	-1	0	0	0	0	0	0
Computers /electronics	R&D ≠ 0	39,266	4	32	3,201	-1	-6	-28,008	20	100	463	-5	100
	R&D = 0	84,783	8	68	-55,455	18	106	0	0	0	0	0	0
Information	R&D ≠ 0	52,106	5	53	-10,609	4	34	-16,550	12	100	-2,111	23	100
	R&D = 0	46,608	4	47	-20,584	7	66	0	0	0	0	0	0
Transport equipment	R&D ≠ 0	31,674	3	57	-20,380	7	53	-14,319	10	100	-4,792	53	100
	R&D = 0	23,994	2	43	-18,143	6	47	0	0	0	0	0	0
Other manufacturing	R&D ≠ 0	44,234	4	58	-5,791	2	65	-12,003	9	100	522	-6	100
	R&D = 0	31,386	3	42	-3,149	1	35	0	0	0	0	0	0
Service/agriculture/other	R&D ≠ 0	2,668	0	15	4,118	-1	17	-8,737	6	100	14	0	100
	R&D = 0	15,106	1	85	19,972	-7	83	0	0	0	0	0	0
Trade	R&D ≠ 0	88,085	8	53	-20,342	7	79	-7,408	5	100	-804	9	100
	R&D = 0	79,570	8	47	-5,487	2	21	0	0	0	0	0	0
Utilities	R&D ≠ 0	29,922	3	68	-29,217	10	68	-6,431	5	100	-1,063	12	100
	R&D = 0	14,001	1	32	-13,951	5	32	0	0	0	0	0	0
Fabricated metal/machining	R&D ≠ 0	10,202	1	44	4,749	-2	143	-5,077	4	100	76	-1	100
	R&D = 0	13,248	1	56	-1,420	0	-43	0	0	0	0	0	0
Electrical equipment	R&D ≠ 0	-1,483	0	-130	9,473	-3	97	-4,895	4	100	-703	8	100
	R&D = 0	2,623	0	230	250	0	3	0	0	0	0	0	0
All Other	R&D ≠ 0	230,178	21	69	-4,229	0	6	-6,234	5	100	-1,588	17	100
	R&D = 0	103,581	12	31	-64,741	22	94	0	0	0	0	0	0