

## A First Look at 2004 Schedule M-3 Reporting by Large Corporations

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For most publicly traded and many privately held corporations with assets of \$10 million or more, the new Schedule M-3 book-tax reconciliation replaced the four-decade old Schedule M-1 effective December 2004. The authors examine Form 1120 corporate tax return data for December 2004 through June 2005 from the 2004 SOI advance corporate file and identify 35,386 tax returns potentially subject to Schedule M-3. Data for 100 large returns were not yet available. The authors find 30,430 returns (86 percent) with a Schedule M-3 that passes some reconciliation tests. Those 30,430 tax returns represent approximately 89 percent of the aggregate tax after credits for the tax returns potentially subject to the 2004 Schedule M-3. The unavailable 100 returns represent approximately 6 percent of the aggregate tax after credits. The 4,856 returns with either reconciliation problems (2,438 or approximately 7 percent) or no Schedule M-3 data (2,418 or approximately 7 percent) represent in total approximately 5 percent of the aggregate tax after credits for the 35,386 tax returns. Further, the authors discuss the need to

convert Schedule M-3 data to pretax differences by backing out the effects of federal tax expense. An adjustment to a common pretax base for both book and tax is consistent with the literature since Talisman (2000). For the 30,430 returns, total worldwide income is \$568,010 million; book income for the tax group is \$515,421 million. Pretax book is \$707,092 million, and M-3 tax income is \$575,375 million, resulting in a pretax total difference of (\$131,718) million of which (\$81,587) million is temporary (62 percent) and (\$50,131) million is permanent (38 percent).

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## 1. Introduction

For most publicly traded and many privately held corporations with assets of \$10 million or more, the new Schedule M-3 book-tax reconciliation replaced the four-decade old Schedule M-1 effective December 2004. First we review events leading to the replacement of Schedule M-1 with Schedule M-3. We then present 2004 Schedule M-3 data and other tax data for corporations filing the 2004 Form 1120, "U.S. Corporate Income Tax Return," for the period of December 2004 through June 2005 and reporting total assets of \$10 million or more on the Form 1120 Schedule L balance sheet.<sup>1</sup>

<sup>1</sup>This report repeats some material from Boynton, DeFilippes, and Legel (2005 and 2006) and from Boynton and Wilson (2006), used with permission. Our tax return table values may not add up and may differ from official 2004 SOI *Publication 16* values (when published in 2007) because of rounding and because we used data from the 2004 SOI advance corporate file made available to us seven months before the issuance of the 2004 SOI final corporate file. See the discussion of the advance file and final file in Section 4: Source of 2004 Tax Return Data. 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 all tax years ending on or after Dec. 31, 2004, Schedule M-3 replaced Schedule M-1 for corporations filing Form 1120 and reporting total assets of \$10 million or more on Form 1120 Schedule L. Effective December 2006, for corporations with total assets of \$10 million or more, Schedule M-3 will apply to Form 1120-S for S corporations, to Form 1120-C for cooperative associations, and to Form 1120-L and

(Footnote continued in next column.)

## 2. Dissatisfaction With Schedule M-1

A 1999 Treasury report and testimony given in 2000 by then-Treasury Assistant Secretary for Tax Policy Jonathan Talisman noted the growing book-tax gap from 1991 to 1997 between pretax book income on Schedule M-1 and taxable income before net operating loss deduction and special deductions (tax net income) on page 1 of Form 1120. Both the report and the testimony viewed the 1990s book-tax gap as a possible indicator of corporate tax shelter activity, but it also noted the difficulty in interpreting Schedule M-1 book-tax difference data.<sup>2</sup> Mills-Plesko (2003) proposed a redesign of Schedule M-1 to increase the transparency of the corporate tax return book-tax reconciliation and to improve data interpretability.<sup>3</sup> The Mills-Plesko (2003) Schedule M-1 recommendations are largely reflected in Schedule M-3, particularly in Part I.<sup>4</sup>

## 3. Schedule M-3

Exhibit I presents the 2004 Form 1120. Part I reconciles worldwide consolidated financial statement income with income per income statement of includable corporations (members of the tax return consolidation group listed on Form 851). Parts II and III, reconcile income per income statement of includable corporations (book) with tax net income on Form 1120, page 1, line 28. Differences between book and tax are characterized as temporary or permanent.

The goal of the Schedule M-3 is greater transparency and uniform organization in book-tax data at the time of return filing so that the data may be used to determine what returns will and will not be audited and to determine what issues will and will not be examined on the returns selected for audit.

Form-PC for life and property and casualty insurance companies. Effective December 2006, Schedule M-3 will also apply to Form 1065 for partnerships with total assets of \$10 million or more and certain other partnerships. Schedule M-1 continues to apply to Form 1120-F for foreign corporations with effectively connected U.S. income, 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.

<sup>2</sup>See Department of the Treasury (1999) and Talisman (2000). See also Mills (1998) cited by Treasury (1999), p. 32, n. 118: "Mills finds evidence that the IRS is more likely to assert deficiencies on firms with large book-tax disparities, indicating that such disparities are correlated with aggressive tax planning."

<sup>3</sup>See Mills and Plesko (2003) for the proposed redesign of Schedule M-1. For discussions of the 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 and 2006), and Boynton and Wilson (forthcoming 2006). For discussions of the problems in reconciling financial accounting income and tax income, see McGill and Outslay (2002), Hanlon (2003), McGill and Outslay (2004), Plesko (2004), and Hanlon and Shevlin (2005).

<sup>4</sup>For a discussion of the development of Schedule M-3, see Boynton and Mills (2004).

Part I of Schedule M-3 is important. It defines the starting point for the book-tax reconciliation for the first time in corporate tax history. On Schedule M-1, we know where the reconciliation ends (tax net income), but not where it begins (book). Schedule M-3, Part I, line 11 is what Schedule M-1 line 1 should have been. Part I of Schedule M-3 is one of the revisions proposed by Mills-Plesko (2003).

Parts II and III reconcile financial net income of includable corporations to taxable income reported on Form 1120, page 1, line 28. Part II generally reconciles items of income, gain, and loss. Part III deals with expense and deduction items.

Parts II and III contain four columns to identify and differentiate the book and tax aspects of each line item. Column (a) represents financial statement income or expense amounts maintained in the corporation's books and records, using the income statement source determined in Part I. Column (d) represents amounts as reflected in the tax return. For each line item, the difference between the amount shown in column (a) and the amount shown in column (d) is shown either as a temporary difference in column (b) or as a permanent difference in column (c). The clear statement of both the book and tax amounts, as well as the reconciling differences, aids the IRS in setting materiality thresholds for the reconciling differences shown.

The reporting of column (a) book income amounts and column (d) tax income amounts is optional for the first year a corporation is required to file Schedule M-3. In 2004 approximately 38 percent of the corporations with usable Schedule M-3 data (reporting approximately 56 percent of the aggregate tax after credits of those corporations) did not complete columns (a) and (d).

The detail required by Parts II and III is particularly enhanced by the differentiation of temporary and permanent differences. Temporary (timing) differences occur because tax laws require the recognition of some items of income and expense in different periods than are required for book purposes. Temporary differences originate in one period and reverse or terminate in one or more subsequent periods. Temporary differences between book and tax are questions of when, not if. There are four basic categories of temporary differences:

1. income recognized in financial statements before it is taxable;
2. income reported as taxable before it is recognized in financial statements;
3. expenses recognized in financial statements before they are deducted on the tax return; and
4. expenses deductible on the tax return before they are recognized on financial statements.

By their very nature, those items involve issues regarding the correct year for the item's inclusion in income or deduction as an expense. From a tax administration standpoint, they concern the time value of money. Over the lifetime of an entity, cycle of a specific transaction, or depreciable life of an asset, temporary differences between book and tax net to zero. Purely temporary differences are generally low risk for tax administration — and

important in terms of the magnitude of the difference and the time before the temporary difference turns — because of the time value of money.

In contrast to temporary differences, permanent differences are adjustments that arise as a result of fundamental permanent differences in financial and tax accounting rules. Those differences result from transactions that will not reverse in subsequent periods. In financial statement reporting under generally accepted accounting principles, permanent differences are not considered in the FAS No. 109 computation of deferred tax assets and liabilities, but do have a direct impact on the effective tax rate. Therefore, permanent differences have the potential to substantially influence reported earnings per share computations, and, in the case of public companies, stock prices. Accordingly, permanent differences of a comparable size generally have a greater audit risk than temporary differences.

Schedule M-3's introduction of detailed reporting requirements for permanent and timing differences is another significant improvement over Schedule M-1, as well as being an important enhancement to overall transparency. When examining Schedule M-1, the character of a particular book-tax difference usually was not determinable without further investigation. That often required contacting the taxpayer, resulting in some degree of burden to both taxpayers and the IRS. Further, the reporting of the book and tax amounts allows the IRS to consider the relative magnitude of the differences before contacting the taxpayer.

#### 4. Source of 2004 Tax Return Data

A statistical sample of tax return data is electronically encoded annually by the SOI Division for use by the OTA and the Joint Committee on Taxation. Those data include Schedule M-1 data and, beginning with 2004, Schedule M-3 data. The annual SOI corporate file is issued to the OTA and the JCT in three versions in the second calendar year following the July-June tax year (in calendar year 2006 for tax year 2004 — that is, for corporate tax years ending July 2004 to June 2005). The advance file is prepared May 1, the preliminary file is prepared September 1, and the final file is prepared December 1. The advance file contains a limited number of placeholder records and uses tentative weights. The preliminary file has far fewer placeholders and uses revised weights. The final file has no placeholders and uses final weights. Advance file placeholder records are data from the prior tax year for a few complex returns still undergoing SOI editing and for a larger number of late returns not yet received as of the issuance of the advance file.<sup>5</sup> Preliminary file placeholder records are for late returns not

<sup>5</sup>Placeholder data are commonly the edited return data from the prior tax year, but may also be current-year data from the IRS Business Master File (limited return data tabulated by the IRS when the return is first received and processed) or, for returns not yet received, current-year survey data collected by the SOI Division directly from the taxpayer on a voluntary basis on a limited number of critical variables.



received as of the issuance of the preliminary file. Placeholder records are eliminated for the final file. The final weights compensate for missing returns not received as of the final file. Researchers using SOI data may report only aggregate tax data for a minimum of three taxpayers to protect taxpayer confidentiality. For statistical reasons, the SOI Division prefers that reported aggregate data are reported for 10 or more taxpayers whenever possible.

The SOI Division annually summarizes selected tax return data from the final corporate file in *Publication 16: Corporate Income Tax Returns*. Corporate tax data in the 2004 final file prepared December 2006 will be summarized in the 2004 SOI *Publication 16*, which will be published in 2007. Our tax return table values may not add up and may differ from official 2004 SOI *Publication 16* values (when published in 2007) because of rounding and because we used data from the 2004 SOI advance corporate file made available to us seven months before the issuance of the 2005 SOI final corporate file.<sup>6</sup>

### 5. Intercompany Dividends (ICD)

Form 1120 Schedule M-3, Part II, line 30, column (d) must equal Form 1120, page 1, line 28 when prepared by the corporate taxpayer. Some taxpayers improperly include U.S. intercompany dividends (ICD) in tax net income on Form 1120, page 1, line 28, the reconciliation target for Schedule M-3.<sup>7</sup> The taxpayer then removes the same ICD amount as a 100 percent dividends received deduction on line 29b so that it does not increase final income subject to tax on line 30. If the taxpayer includes ICD on Form 1120, page 1, line 28, it must also include it on Schedule M-3, Part II, line 30 column (d).

In general, ICD should be eliminated in determining tax net income. The SOI Division removes all ICD amounts that it identifies in tax net income in the SOI corporate file.<sup>8</sup> If the taxpayer includes ICD in tax net

income on Schedule M-3, Part II, line 30, column (d) and on Form 1120, page 1, line 28, the tax net income reported on Schedule M-3, line 30, column (d) will be larger than tax net income on Form 1120, page 1, line 28 in the SOI corporate file by the amount of the ICD removed by the SOI from line 28.<sup>9</sup>

We estimate the ICD adjustment as the (unedited) Schedule M-3, Part II, line 30, column (d) amount minus the (edited) Form 1120, page 1, line 28 (if it is a positive difference) for corporations filing a consolidated return.

### 6. Overview of Tables 1-11

We present our analysis of the 2004 Schedule M-3 data from the SOI advance corporate file in two types of tables. Tables 1 through 6 are distributional tables. Each focuses on a population characteristic and the distributional impact of that population characteristic on aggregate amounts for selected Form 1120 tax return variables and Schedule M-3 variables. Each of the six tables presents an overall analysis of the population characteristic at the top of the table and then shows the effect of asset size (four or six asset classes: over \$25 billion, \$2.5 billion to \$25 billion, \$250 million to \$2.5 billion, \$50 million to \$250 million, \$25 million to \$50 million, and \$10 million to \$25 million). In Table 1, the three smaller asset classes are combined into a single \$10 million to \$250 million class because of the small number of placeholder returns (seven) in that combined class.<sup>10</sup>

Tables 7 through 11 are each an aggregate Schedule M-3: Table 7 for the total reconciled population; Tables 8 and 9, for two financial statement type populations identified in Table 4; and Tables 10 and 11 for two populations based on the reporting or nonreporting of columns A and D data identified in Table 3.

### 7. Pretax Benchmark and Sign Conventions

We calculate all book-tax difference as pretax differences — that is, as the difference between the *pretax* book (measured before federal income tax expense) and the tax amounts (also pretax) reported on Schedule M-3. We do this so that we are always comparing pretax amounts consistent with the book-tax literature since Talisman (2000). To do this for total book-tax differences reported on Part II, line 30 or Part III, line 36, we must back out federal income tax expense from the columns (b) and (c) reconciliation differences reported by taxpayers on Part II, line 30 and Part III, line 36.

ICD editing by SOI for 1990-2003 tax years in Boynton, DeFilippes, and Legel (2005 and 2006). 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.

<sup>9</sup>SOI also corrects some taxpayer errors it finds on Form 1120 page 1. The observed difference between Schedule M-3 Part II, line 30, column (d) and Form 1120, page 1, line 28 on the SOI corporate file is the net effect of the SOI ICD adjustment and any other SOI error adjustments made on the SOI corporate file.

<sup>10</sup>We may not report data for fewer than three taxpayers. See the discussion of placeholder returns in sections 4 and 9.

<sup>6</sup>SOI *Publication 16* tables have not presented Schedule M-1 data to date. It is not currently planned for SOI *Publication 16* to include Schedule M-3 data. Before the publication of Boynton, DeFilippes, and Legel (2005 and 2006), only Plesko (2002) (for 1996-1998) and Plesko-Shumofsky (2005) (for 1995-2001) presented Schedule M-1 data for the SOI *Publication 16* population.

<sup>7</sup>It is improper to include ICD in tax net income if a consolidated tax group does not contain an insurance company subsidiary. Schedule M-3 instructions recognize that consolidated tax groups containing insurance company subsidiaries may be required for book accounting (under statutory accounting rules for insurance companies), and tax accounting (under federal income tax consolidation rules for insurance companies) to include certain intercompany dividends in book income and in tax income. See the 2004, 2005, and 2006 Form 1120 instructions for Schedule M-3 Part I, lines 10 and 11 and Part II, lines 7 and 26. In April 2006, Form 8916 was announced to supplement Schedule M-3 for some mixed groups including, in particular, tax consolidation groups with a Form 1120 parent and an insurance subsidiary. Form 8916 is used by mixed groups to reconcile tax net income on Schedule M-3 with taxable income on the tax return.

<sup>8</sup>On the SOI corporate file, SOI removes all ICD that it identifies from Form 1120 data including from page 1, line 28 whether or not the tax consolidation group contains an insurance company subsidiary. See the discussion of the history of

(Footnote continued in next column.)

The prior literature defines the sign of a pretax book-tax difference as *positive* if the book amount is *higher* than the tax amount. Schedule M-3 effectively reverses this convention by the nature of its reconciliation rules. A *negative* total difference in columns (b) and (c) of Parts II and III means that the book amount is higher.

### 8. Data Presented in Tables 1-6

In Tables 1 through 6, we present selected Form 1120 tax return variables and Schedule M-3 variables. The tax net income in the third dollar column of Panel 1 of those tables is from Form 1120, page 1, line 28 and is after SOI's editing to remove ICD. In the fourth dollar column is our estimated ICD amount. The sum of those two columns is equal (except for taxpayer errors corrected by SOI) to the tax income amount for Schedule M-3, Part II, line 30, column (d) (shown in Panel 2 of Tables 3 to 6 in the fourth dollar column). The fifth dollar column in Panel 1 of Tables 1 to 6 is worldwide financial statement income from Part I, line 4. The next to last dollar column in Panel 1 of Tables 1 to 6 is book income from Part II, line 30, column (a). The last dollar column in Panel 1 of Tables 1 to 6 is federal income tax expense calculated from Part III, lines 1 and 2. The sum of federal income tax expense and book income is pretax book income shown in the first dollar column of Panel 2 of Tables 3 to 6. The difference between pretax book income and M-3 tax income is shown as a temporary and a permanent pretax difference in Panel 2 of Tables 3 to 6. Also, the total pretax difference is shown in addition to the positive and negative components of the temporary and permanent pretax differences. Total pretax book-tax difference under the Talisman (2000) approach is pretax book minus tax net income after removal of ICD by SOI. In our data, the Talisman (2000) pretax book-tax difference is the negative of the sum of pretax temporary and permanent differences plus the ICD amount.

### 9. Data Availability for the 2004 Schedule M-3

Table 1 identifies the population of tax returns on the 2004 SOI advance corporate file potentially subject to the requirement to include the 2004 Form 1120, Schedule M-3. The first requirement is that the corporation must file a Form 1120 and report assets of \$10 million or more on Form 1120, Schedule L.<sup>11</sup> The 2004 SOI advance file contains 33,353 records statistically representing 42,129 tax returns for corporations filing Form 1120 with total assets of \$10 million or more.<sup>12</sup> Those 42,129 tax returns

<sup>11</sup>In fact, approximately 200 companies with assets less than \$10 million voluntarily filed Schedule M-3. We do not analyze that data.

<sup>12</sup>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 total 2004 SOI advance corporate file contains 112,928 records,

(Footnote continued in next column.)

include 100 tax returns that are placeholder returns. A placeholder return is 2003 data for a record for which 2004 editing is not complete when the advance file was issued.<sup>13</sup> The 2004 advance file includes 6,742 nonplaceholder returns for tax years ending November 2004 or earlier and 35,286 nonplaceholder tax returns for tax years ending December 2004 or later.

For our 2004 Schedule M-3 study, placeholder returns on the 2004 SOI advance corporate file represent potential missing Schedule M-3 data if the tax year ends in December 2004 or later for a corporation with \$10 million or more in assets. We estimate the possible importance to our study of placeholder returns and other returns that we eliminate for lack of reconciliation as missing data by determining the tax after credits associated with those returns.

The 42,129 tax returns with which Table 1 begins (corporations with assets of \$10 million or more on the 2004 advance file filing Form 1120) have an aggregate tax after credits of \$186,297 million. The 35,286 nonplaceholder tax returns for tax years ending December 2004 or later on the 2004 advance file represent approximately 86 percent of the tax after credits (\$160,647 million). The 6,742 nonplaceholder tax returns for tax years ending November 2004 or earlier represent approximately 9 percent of the tax after credits (\$16,178 million). The 100 placeholder tax returns on the advance file represent approximately 5 percent of the tax after credits (\$9,473 million).

As we show in Table 2, if we assume all placeholders are in fact subject to Schedule M-3 (tax years ending December 2004 or later), we have nonplaceholder tax return data for 35,286 tax returns representing approximately 94 percent of the aggregate tax after credits for the 35,386 tax returns (35,286 plus 100 placeholders) on the 2004 SOI advance file assumed potentially subject to the 2004 Schedule M-3 (\$160,647 million compared with \$160,647 million plus \$9,473 million or \$170,120).

Table 2 starts with the 35,286 nonplaceholder tax returns for tax years ending December 2004 or later and the 100 placeholder returns on the 2004 SOI advance corporate file identified in Table 1 and identifies the population of 30,430 tax returns for which we have

representing 5,614,795 corporate tax returns reporting aggregate total assets of \$59,983,334 million and aggregate tax after credits of \$218,196 million. That total includes S corporations, regulated investment trusts, and real estate investment trusts. Those do not normally pay corporate income tax. Excluding S corporations, RICs, and REITs, the 2004 SOI advance file contains 63,739 records representing 2,045,501 corporate tax returns reporting aggregate total assets of \$46,941,900 million and aggregate tax after credits of \$217,705 million. The 33,353 records representing 42,129 corporation tax returns filed on Form 1120, with each return reporting assets of \$10 million or more (2.1 percent of all corporate returns excluding S, RIC, and REIT), have aggregate total assets of \$40,137,268 million (85.5 percent of all corporate returns excluding S corporations, RICs, and REITs) and aggregate tax after credits of \$186,297 million (85.6 percent of all corporate returns excluding S corporations, RICs, and REITs).

<sup>13</sup>See Section 4 for a fuller discussion of the sources of placeholder data.

reconcilable Schedule M-3 data. We eliminate 2,418 returns for a lack of any Schedule M-3 reconciliation data.<sup>14</sup> We eliminate 2,310 returns that present Schedule M-3 data but either Part II, line 30, column (a) does not reconcile with Part I, line 11, or Part II, line 30, columns (a), (b), and (c) do not reconcile with column (d).<sup>15</sup> Finally, we eliminate 128 returns because Part II, line 28 and Part III, line 36 do not reconcile.<sup>16</sup>

The approximately 41 percent of corporations with assets below \$25 million account for a large proportion of the Schedule M-3 data with problems. Approximately 7 percent of the returns potentially subject to the 2004 Schedule M-3 report no Schedule M-3 data (2,418 out of 35,386). Approximately 66 percent of the nonreporters (1,601 out of 2,418) have assets below \$25 million. Approximately 7 percent of the returns potential subject to the 2004 Schedule M-3 report Part II, line 30 data that do not reconcile (2,310 out of 35,386). Approximately 46 percent of this group (1,058 out of 2,310) have assets below \$25 million. Approximately 37 percent of the returns with Part II, line 27 reconciliation problems (47 out of 128) have assets below \$25 million.

The 30,430 tax returns that we retain from Table 2 (with Schedule M-3 data for which both Part II, line 30 and line 28 pass our reconciliation tests) represent 86 percent of the 35,386 returns potentially subject to the

<sup>14</sup>We tested Part I, lines 4 through 11 and Part II, lines 26 through 30 for any nonzero amount. In particular, a book amount for the tax group should be reported on Part I, line 11 and a reconciliation between that amount and tax net income should be reported on Part II, line 30.

<sup>15</sup>We also eliminate a return if Schedule M-3, Part II, line 30, column (a) or column (d) is exactly zero. We do not test the reconciliation between Part II, line 30, column (d) and Form 1120, page 1, line 28. Rather, if Part II, line 30, column (d) is not zero, we treat any positive difference with page 1, line 28 for a consolidated return as the measure of the ICD removed by SOI from page 1, line 28.

<sup>16</sup>Part III is designed to report expenses and deductions as positive amounts. The column sums on Part III, line 36 are then carried over to Part II, line 28 with a sign change and added on Part II in determining Part II, line 30 column amounts. We test to see if Part II, line 28, columns (b) and (c) are each the negative of those columns on Part III, line 36, and if Part II, line 27, columns (b) and (c) and Part II, line 28, columns (b) and (c) each add to Part II, line 30, columns (b) and (c). In addition to the 128 returns (103 records) that we eliminated with those tests, there were an additional 139 returns that initially failed. For 119 of the returns that initially failed our tests, we determined that the taxpayer reported expenses and deductions on Part III as negative amounts and carried those amounts to Part II, line 28 without a sign change when those amounts could appropriately be added. For aggregation purposes in Tables 6 through 17, we changed the sign of amounts on Part III of those 119 returns so that expenses and deductions were reported as positive amounts. For 20 returns that initially failed our tests, we determined that the taxpayer reported expenses and deductions on Part III as positive amounts and carried those amounts to Part II, line 28 without a sign change when the taxpayer then *subtracted* the Part II, line 28 column amounts to determine Part II, line 30. For aggregation purposes in Tables 6 through 17, we changed the sign of amounts on Part II, line 28 so that those amounts could be added.

2004 Schedule M-3. The 30,430 tax returns have an aggregate tax after credits of \$151,405 million, which is 89 percent of the \$170,120 million for the 35,386 returns.

## 10. Reporting of Columns A and D in 2004

Tables 3 through 7 focus on the 30,430 tax returns in 2004 that have Schedule M-3 reconcilable data. Tables 3 through 6 address specific characteristics of the 30,430 returns. Table 7 presents aggregate Schedule M-3 data for the 30,430 returns. Tables 8 through 11 present aggregate M-3 data for subpopulations of the 30,430 returns. We determine if a corporation is a publicly traded company based on its answer to Part I, line 3a.

Table 3 examines the reporting of book income and tax income amounts in Parts II and III, columns (a) and (d). With the exception of Part II, line 30, a corporation may omit the Parts II and III, columns (a) and (d) line-by-line book income and tax income amounts in the first year that Schedule M-3 is required. Of the 30,430 corporations with reconcilable Schedule M-3 data, 11,681 (38 percent) with 56 percent of tax after credits omitted this information, including 1,837 of the 3,922 publicly traded companies (47 percent). Another 15,169 (50 percent) with 37 percent of tax after credits provided reconcilable column (a) and (d) information for Parts II and III, including 1,803 public companies (46 percent). The remaining 3,581 (12 percent) with 6 percent of tax after credits provided the information, but one or more of the columns (a) and (d) in Parts II and III did not reconcile. That group includes 282 public companies (7 percent). Nonreporting of columns (a) and (d) amounts appears to increase as the asset size of the firm increases.

## 11. Financial Statement Type

Table 4 separates the 30,430 returns by financial statement class based on the answers to Schedule M-3, Part I, lines 1a, 1b, and 1c. The four classes are: SEC 10-K, audited but not SEC 10-K, unaudited, and books and records (no financial statements or no answer to Part I, line 1). The 4,195 returns (14 percent of 30,430) of corporations that file an SEC 10-K financial statement account for 70 percent of the tax after credits of the 30,430 returns with 2004 Schedule M-3 reconcilable data, 91 percent of the ICD, 95 percent of the net aggregate temporary pretax book-tax difference, and 69 percent of the net aggregate permanent pretax book-tax difference.

## 12. Financial Statement Restatements

Table 5 focuses on Schedule M-3, Part I, lines 2b and 2c, which asks questions about current-year restatement of financial statements and restatements within the five years before the current year. The total population for Table 5 is the 30,430 returns with reconcilable Schedule M-3 data. The 29,120 not reporting a restatement are 96 percent of the returns but report 79 percent of the tax after credits and include only 3,347 of the 3,922 publicly traded companies, or 85 percent. The 5 percent of returns that report restatements report 21 percent of the tax after credits and include 15 percent of the public companies.



### 13. Book-Tax Difference by Industry

Table 6 separates the 30,430 returns into five industry groups: manufacturing, finance, information, utilities and transportation, and all others.<sup>17</sup> The 30,430 returns report an aggregate book-tax difference of (\$131,718) million, approximately 38 percent permanent. The 6,351 returns in manufacturing report an aggregate net pretax book-tax difference of (\$98,810) million, approximately 75 percent of the total aggregate net pretax book-tax difference for the 30,430 returns. The difference is approximately 71 percent permanent. The 7,882 returns in finance report an aggregate net pretax book-tax difference of (\$12,267) million, approximately 9 percent of the total aggregate net pretax book-tax difference for the 30,430 returns. The difference is approximately 60 percent permanent. The 1,772 returns in information report an aggregate net pretax book-tax difference of *positive* \$16,349 million, approximately (12) percent of the total aggregate net negative pretax book-tax difference for the 30,430 returns. The permanent difference component is *positive* \$20,879 million.

### 14. Aggregate 2004 Schedule M-3: All

Table 7 presents aggregate Schedule M-3 data for the 30,430 tax returns with reconcilable Schedule M-3 data. The data are present in three panels. Panel 1 provides population overview data in its first section; data for Schedule M-3, Part I in its second section; and data reconciling Part I book with Part II tax income (and SOI tax net income) in its third section.

The first data section of Panel 1 of Table 7 reports aggregate total assets (Form 1120, Schedule L), tax less credits, and tax net income (Form 1120, page 1, line 28) for the 30,430 returns, and reconciles the tax net income to the tax income reported by the taxpayers on Part II, line 30, column (d). Also shown is tax-exempt interest (Form 1120, Schedule K, item 9).<sup>18</sup>

The second data section of Panel 1 of Table 7 presents aggregate Schedule M-3, Part I data for the 30,430 returns. Part I, line 4 reports aggregate worldwide financial statement income of \$568,010 million. Part I, lines 5 through 10 adjusts that to \$515,422 million as aggregate book income of includable corporations. Part I, line 4 aggregate worldwide income is 110 percent of line 11 aggregate book income. Part I, line 5 removes \$204,469 million (40 percent of book) for foreign entities and \$86,534 million (17 percent of book) for U.S. entities included in the financial statement consolidation but not in the tax consolidation. Part I, line 7 adds \$3,785 million (1 percent of book) for U.S. corporations not included in the financial statement consolidation but included in the tax consolidation. Part I, line 8 adds \$184,101 million (36 percent of book) as adjustments to eliminations because of lines 5 through 7, usually the recognition of dividend

income and adjustment to minority interest income. The net effect of Part I, lines 5 through 8 is to remove \$103,118 million (20 percent of book). Part I, line 9 adds adjustments of \$6,136 million (1 percent of book) for the difference between financial statement year and tax return year. Part I, line 10 adds other adjustments of \$33,723 million (7 percent of book). Part I, line 10 will generally be used by corporations with insurance subsidiaries to reflect adjustments required by the use of statutory accounting for subsidiary book income. Statutory accounting for subsidiaries differs from GAAP for financial statements, in particular, in the inclusion of some ICD. Finally, Part I, line 11 includes \$11,915 million (2 percent of book) not reflected in Part I, lines 4 through 10 for corporations with only books and records.<sup>19</sup>

The third data section of Panel 1 of Table 7 reconciles aggregate Schedule M-3, Part I, line 11 book data with Part II pretax temporary and permanent book-tax differences and with SOI-reported tax net income for the 30,430 returns.

Panel 2 of Table 7 presents aggregate Schedule M-3, Part II data for the 30,430 returns. We present aggregate net taxpayer data for book income amount (column (a)), temporary difference (column (b)), permanent difference (column (c)), tax income amount (column (d)), total difference (sum of columns (b) and (c)), and the total aggregate positive and negative reported differences for columns (b) and (c) that determined the net differences. We note that the net aggregate pretax temporary and permanent book-tax difference amounts are the net differences between relatively large aggregate positive and negative temporary and permanent amounts and that the net differences are often small in comparison. We also present the frequency with which any nonzero amount was reported on the line.

At the foot of Panel 2, we present the necessary correction of the Schedule M-3 reconciliation totals to a pretax basis (before federal income tax expense). Mechanically, Schedule M-3 compares book income after tax with pretax tax income and includes federal income tax expense as a book expense in Part III. For analysis, it is necessary to correct the Schedule M-3 data to a consistent pretax basis (before federal income tax expense). This has been the approach since Talisman (2000). To do this, we back out federal income tax expense from book income.

Part II, line 30 reports a temporary difference of (\$74,502) million and a permanent difference of \$134,455 million for a net difference of \$59,953 million. Column (a) book is \$515,421 million and column (d) tax is \$575,375 million. Tax income in column (d) is shown as \$59,953 million *greater* than column (a) book income. After correction to a pretax basis, pretax book income is \$707,092. The tax income of \$575,375 million is in fact *less* than pretax book income by \$131,717 million.

<sup>17</sup>The major SOI industry sector codes are: manufacturing 31; finance (including real estate and holding companies) 52, 53, 55; information 51; utilities and transportation 22, 48.

<sup>18</sup>Tax-exempt interest is a major component of the permanent difference reported on Schedule M-3, Part II, line 13, interest income.

<sup>19</sup>The amounts on Part I, lines 4 through 10 plus the amounts entered only on line 11 (without any other entry on lines 4 through 10) do not add to line 11 because of reconciliation errors of (\$1,243) present in the Part I data. Starting in 2005, all corporations are instructed to begin on Part I, line 4.

We know federal income tax expense from Part III, lines 1 and 2 even without column (a) data. Since column (d) is zero by definition, column (a) must be the negative of the sums of columns (b) and (c).

Federal income tax expense is \$191,670 million, of which (\$7,085) million is classified as temporary and (\$184,585) million is classified as permanent. Pretax book income is the sum of federal tax expense and book income. The adjustment amounts for columns (b) and (c) must be in total the *negative* of the column (a) adjustment amount so that the adjustment has no effect on column (d) just as the original federal tax expense had no effect on column (d). We adjust column (b) by (\$7,085) million and column (c) by (\$184,585) million. The result is that column (b) becomes slightly more negative and the sign of column (c) changes and becomes negative. The adjusted pretax column (b) temporary difference is (\$81,587) million and the adjusted pretax column (c) is (\$50,131) million. The adjusted total pretax difference is (\$131,718) million, the difference between pretax book income of \$707,092 million and pretax tax income of \$575,375 million. Our pretax total difference benchmark is (\$131,718) million. Pretax book for 2004 is \$707,092 million and is higher than tax net income of \$523,015 on Form 1120, page 1, line 28 by \$184,077 million, \$131,718 million measured by Schedule M-1 plus \$52,698 of ICD, plus (\$339) million of taxpayer errors not identified here.

The pretax total difference of (\$131,718) million is (\$81,587) million temporary (62 percent) and (\$50,131) million permanent (38 percent).

We express all total line difference as a percentage of pretax book to determine which lines contribute the most to the total difference. For example, the total aggregate net pretax book-tax difference of (\$131,717) million is (18.6) percentage points of pretax book. Part II, line 13 interest income contributes (\$15,053) million or (2.1) percentage points of the net (18.6) percentage points.<sup>20</sup>

Panel 3 of Table 7 presents aggregate Schedule M-3 Part III data for the 30,430 returns. In Part III, we have changed the sign of all data to agree with Part II. We show deductions in Part III as negative amounts. Schedule M-3, Part III shows deductions as positive amounts and changes the sign for the totals carried over to Part II line 28.<sup>21</sup> The signs of the differences we show in Part III indicate the effect of that expense or deduction on the net difference between pretax book and tax income.

A few of the lines on Parts II and III account for most of the net negative difference of (18.6) percentage points of pretax book. Some lines contribute to the net negative difference of (18.6) percentage points of pretax book and some lines offset that net negative difference. The largest net negative difference on a line with a specific description is not unexpected. Part III, line 31, depreciation,

reports tax depreciation greater than book for a net effect of (\$112,778) million, contributing (15.9) percentage points to the total pretax difference of (18.6) percentage points of pretax book. The effect of depreciation is almost all temporary.

Part II, line 12, reportable transactions, reports book higher than tax by (\$44,837) million, contributing (6.3) percentage points to the total pretax difference of (18.6) percentage points of pretax book. The effect of reportable transactions is largely temporary but with a substantial permanent component. Part III, line 9, nonqualified stock options, reports tax deductions greater than book expense for a net effect of (\$40,430), contributing (5.7) percentage points of pretax book. The effect of stock options is almost all permanent. Part III, line 16, pension and profit-sharing, reports tax deductions greater than book expense for a net effect of (\$17,972) million, contributing (2.5) percentage points of total pretax difference. The effect of pensions is largely temporary.

In the other direction, Part III, line 28, other amortization or impairment write-offs, reports book expense greater than tax for a net effect of \$50,865 million, offsetting 7.2 percentage points of total pretax difference. The effect of amortization and impairments has both substantial temporary and permanent components. Part II, line 17, inventory valuation adjustment (cost of goods sold), reports book *lower* than tax by \$45,611 million, offsetting 6.5 percentage points of the (18.6) percentage points pretax total. The effect of inventory adjustments is almost all temporary. Part II, line 18, sale versus lease (for sellers or lessors), reports book *lower* than tax by \$29,324 million, offsetting 4.1 percentage points of the (18.6) percentage points pretax total. The effect of sale versus lease is almost all temporary. Part II, line 9, U.S. partnerships, reports book *lower* than tax by \$18,861 million, offsetting 2.7 percentage points of the total pretax difference.

Note that the differences on Part II, lines 23a and 23b for asset disposition (book) and capital gains transactions (tax) are almost offsetting and reflect the structure of Schedule M-3, which separates the accounting on two separate book and tax lines.

Perhaps the most interesting line difference is that for Part II, line 26 other income (loss) items with difference, with book higher than tax by (\$116,892) million contributing (16.5) percentage points of the (18.6) percentage points pretax total. The effect of this line has approximately equal temporary and permanent components.<sup>22</sup>

### 15. Aggregate 2004 Schedule M-3: SEC 10-K

Table 8 presents aggregate Schedule M-3 data for the 4,195 returns out of the 30,430 tax returns with reconcilable Schedule M-3 data that have SEC 10-K financial statements. Those returns report a pretax difference of (\$112,019) million — that is, book higher than tax — 85

<sup>20</sup>The source of the permanent difference of (\$12,006) on line 13 is a combination of tax-exempt interest of \$10,786 million (reported in the first data section of Panel 1 of Table 6 from Form 1120 Schedule K, item 9) and hybrid securities (for example, payments that are interest for book but not for tax).

<sup>21</sup>See the discussion of Part III and Part II, line 28 in Section 9.

<sup>22</sup>In 2004 and 2005, corporations with a Form 1120 parent and insurance subsidiaries were permitted to report all insurance subsidiary differences on Part II, line 26, other income (loss) items with difference. This may have confounded our ability to interpret aggregate data for this line.



percent of the total difference for the 30,430 returns. The temporary difference of (\$77,512) is 95 percent of the total temporary difference for the 30,430 returns. The permanent difference of (\$34,507) million is 69 percent of the total permanent difference for the 30,430 returns. Pretax total difference is (20.2) percentage points of pretax book compared to (18.6) percentage points for the 30,340 returns. Reportable transactions on Part II, line 12 contribute (6.3) percentage points matching the average for the 30,340 returns. Other items with differences in Part II, line 26 contribute (10.5) percentage points compared to (16.5) percentage points for the 30,340 returns.

#### 16. Aggregate 2004 Schedule M-3: Audited

Table 9 presents aggregate Schedule M-3 data for the 13,544 returns out of the 30,430 tax returns with reconcilable Schedule M-3 data that have audited financial statements that are not SEC 10-K. Those returns report a pretax difference of (\$34,250) million — *that is*, book higher than tax — 26 percent of the total difference for the 30,430 returns. The temporary difference of (\$14,870) is 18 percent of the total temporary difference for the 30,430 returns. The permanent difference of (\$19,380) million is 39 percent of the total permanent difference for the 30,430 returns. Pretax total difference is (28.3) percentage points of pretax book compared to (18.6) percentage points for the 30,340 returns. Reportable transactions on Part II, line 12 contribute (3.7) percentage points compared to (6.3) percentage points for the 30,340 returns. Other items with differences in Part II, line 26 contribute (41.4) percentage points compared to (16.5) percentage points for the 30,340 returns.

#### 17. Aggregate 2004 Schedule M-3: A & D Reconcile

Table 10 presents aggregate Schedule M-3 data for the 15,169 returns out of the 30,430 tax returns with reconcilable Schedule M-3 data in Parts II and III, columns (a) and (d). Those returns report a pretax difference of (\$46,322) million — *that is*, book higher than tax — or 35 percent of the total difference for the 30,430 returns. The temporary difference of (\$3,807) is 5 percent of the total temporary difference for the 30,430 returns. The permanent difference of (\$42,515) million is 85 percent of the total permanent difference for the 30,430 returns. Pretax total difference is (20.3) percentage points of pretax book compared to (18.6) percentage points for the 30,340 returns. Reportable transactions on Part II, line 12 contribute (7.6) percentage points compared to (6.3) percentage points for the 30,340 returns. Other items with differences in Part II, line 26 contribute (3.6) percentage points compared to (16.5) percentage points for the 30,340 returns.

#### 18. Aggregate 2004 Schedule M-3: A & D Blank

Table 11 presents aggregate Schedule M-3 data for the 11,681 returns out of the 30,430 tax returns with reconcilable Schedule M-3 data and blank Parts II and III, columns (a) and (d). Those returns report a pretax difference of (\$73,083) million — *that is*, book higher than tax — or 55 percent of the total difference for the 30,430 returns. The temporary difference of (\$68,006) is 83 percent of the total temporary difference for the 30,430

returns. The permanent difference of (\$5,077) million is 10 percent of the total permanent difference for the 30,430 returns. Pretax total difference is (17.0) percentage points of pretax book compared to (18.6) percentage points for the 30,340 returns. Reportable transactions on Part II, line 12 contribute (7.6) percentage points compared to (6.3) percentage points for the 30,340 returns. Other items with differences in Part II, line 26 contribute (24.5) percentage points compared to (16.5) percentage points for the 30,340 returns.

#### 19. Review of Supporting Documentation

One of the authors<sup>23</sup> reviewed more than 100,000 pages of 2004 Schedule M-3 documentation for more than 100 tax returns, each reporting a positive or negative amount of over \$10 million in absolute value on Part II, line 26, other income (loss) items with differences; on Part III, line 35, other expense/deduction items with differences; or on Part I, lines 8 or 10, adjustments to eliminations and other adjustments. The following comments reflect that research.

Note: For 2004 and 2005, consolidated tax groups with a Form 1120 parent and insurance subsidiaries were permitted a shortcut to report all insurance subsidiary activity on Part II, line 26. That will change in 2006. Large temporary and permanent differences are reported on Part II, line 26 in 2004 as a result.

**Negative and positive large differences on Part II, line 26.** Some companies report positive temporary and permanent differences on Part II, line 26 as ICD. Unless they are ICD of insurance subsidiaries subject to line 26 reporting in 2004 and 2005, they should be reported on Part II, line 7. In several cases, matching dividend amounts were not reported on Part I, line 10, suggesting that the dividends were not insurance-related.

Some companies use Part I, line 8 to reverse all or substantially all financial statement eliminations, and then use Part II, line 26 to remove income improperly included on Part I, line 11 as a result of the Part I, line 8 reversals. Part I, line 11 should be the amount of consolidated financial statement net income of includable corporations (the consolidated tax group listed on Form 851) after all appropriate eliminations.

Some companies report ICD on Part I, line 8 and report a negative permanent difference on Part II, line 26 as a reduction of those ICD subject to tax. If the dividends are foreign dividends that are ICD for financial accounting, but not for tax accounting, and if the negative adjustment reflects dividends representing previously taxed subpart F income, the adjustment should be reported on Part II, line 5.

Some companies use Part II, line 26 for “eliminations” of income without further explanation. This does not meet the standard of “separately stated and adequately described.”

Some companies report “Mark to market” on Part II, line 26. Those amounts should have been reported on Part II, line 16.

<sup>23</sup>The review of supporting documents was performed by Legel.

Some companies use Part II, line 26 to report equity income or loss of subsidiaries. Those amounts should be reported on Part II, lines 1 or 6.

Part II, line 26 was also used to report permanent positive difference totals in inventory valuation adjustments that should have been included on Part II, line 17.

Substantial temporary differences were reported as foreign exchange transaction gains/losses, as cancellation of debt income, and as royalty income. This is appropriate, but perhaps Schedule M-3 lines should be created for those items in the future.

**Negative and positive large differences on Part III, line 35.** Large amounts of interest expense were reported on Part III, line 35. In 2005 interest expense is specified on a separate line in Part III.

Large amounts of write-offs were reported on Part III, line 35. If those amounts represent write-offs or change in reserve balances, each reserve should be separately stated and adequately described. If they represent write-offs of good will, they should be reported on Part III, line 26, amortization/impairment of good will. If they are write-offs of assets, they should be reported on Part III, line 28, other amortization or impairment write-offs.

**Negative and positive large differences on Part I, lines 8 and 10.** Part I, line 8 was generally used to adjust consolidation eliminations for entity income and loss removed or added on Part I, lines 5 through 7, which is appropriate. Note in Table 7, Panel 1, that 3,699 returns had entries on Part I, line 5, but only 1,736 had entries on Part I, line 8. Some companies removed foreign entity income or loss on Part I, line 5, but had no consolidation elimination adjustment on line 8. That may be appropriate if entities removed were 100 percent owned (no minority interest), carried on the cost basis (no equity income), and paid no dividends. The instructions for Part I, line 8 permit but do not require the reporting of zero net changes.

Part I, line 10 was generally used to report the addition of ICD, which is appropriate if the addition was required by statutory accounting for insurance subsidiaries of a Form 1120 parent. For 2004 the documentation is not always clear as to why ICD are added. In 2006 a new line, 10a, will separately report the addition of ICD required by statutory accounting.

Part I, line 10 was also used to report valuation adjustments, eliminations, addition of equity earnings, and the removal of income from bankruptcy reorganization. It appears that those items should have been reported on Part I, lines 5 through 8, or within Parts II and III. In particular, the income reported on Part I, line 11 should be the share of the worldwide consolidated net income on Part I, line 4 that belongs to the includable corporations (the consolidated tax group listed on Form 851) after all appropriate consolidation eliminations. Part I, line 10 should not be used to reduce the book income on line 11 as a means of reducing the book-tax difference to be reconciled in Parts II and III.

## 20. Summary and Conclusion

For most publicly traded and many privately held corporations with assets of \$10 million or more, the new Schedule M-3 book-tax reconciliation replaced the 40-year-old Schedule M-1 effective December 2004. Part I

reconciles worldwide consolidated financial statement income with income per income statement of includable corporations (members of the tax return consolidation group listed on Form 851). Parts II and III, reconcile income per income statement of includable corporations (book) with tax net income on Form 1120, page 1, line 28. Differences between book and tax are characterized as temporary or permanent. Part I is considered extremely important. For the first time, the starting point for the book-tax reconciliation is specified.

We begin our analysis with 42,129 returns for corporations with assets of \$10 million or more filing Form 1120 for 2004. We eliminated 6,742 that have a November 2004 or earlier year-end. The remaining 35,386 include 100 placeholder returns that are potentially subject to the 2004 Schedule M-3. For the nonplaceholder 35,286, we determine that 30,430 have reconcilable Schedule M-3 data.

We estimate the possible importance to our study of placeholder records and other record that we eliminate for lack of reconciliation as missing data by determining the tax after credits associated with those records. Assuming all placeholders are in fact subject to Schedule M-3 (tax years ending December 2004 or later), our nonplaceholder usable Schedule M-3 data for 30,430 tax returns represents approximately 89 percent of the aggregate tax after credits for the 35,386 tax returns on the 2004 SOI advance file assumed potentially subject to the 2004.

We discuss the need to convert Schedule M-3 data to pretax differences by backing out the effects of federal tax expense. The adjustment to a common pretax base for both book and tax is consistent with the literature since Talisman (2000). For the 30,430 returns with reconcilable Schedule M-3 data, pretax book is higher than tax income, and in Schedule M-3, it is reflected with a negative sign. For the 30,430 returns, Table 7 presents an aggregate net pretax total difference of (\$131,718) million, of which (\$81,587) million is temporary (62 percent) and (\$50,131) million is permanent (38 percent).

Table 8 presents aggregate Schedule M-3 data for the 4,195 returns out of the 30,430 tax returns with reconcilable Schedule M-3 data than have SEC 10-K financial statements. These returns report an aggregate net pretax difference of (\$112,019) million, that is book higher than tax, 85 percent of the total difference for the 30,430. The temporary difference of (\$77,512) is 95 percent of the total temporary difference for the 30,430. The permanent difference of (\$34,507) million is 69 percent of the total permanent difference for the 30,430. The share of tax after credits of those firms is 70 percent.

Perhaps the most interesting line difference in Table 7 for the 30,430 returns is that for Part II, line 26, other income (loss) items with differences.<sup>24</sup> It is 89 percent of the total pretax difference with book higher than tax by (\$116,892) million with approximately equal temporary

<sup>24</sup>In 2004 and 2005, corporations with a Form 1120 parent and insurance subsidiaries were permitted to report all insurance subsidiary differences on Part II, line 26, other income (loss) items with difference. This may have confounded our ability to interpret aggregate data for this line.

and permanent components (each approximately 44 percent of the total pretax difference.) For the 13,544 returns in Table 9 with audited financial statements that are not a SEC 10-K, other items with differences on Part II line 26 contribute (41.4) percentage points of pretax book to total pretax difference compared to (16.5) percentage points for the 30,340 returns. For the 11,681 returns in Table 11 with blank Parts II and III columns (a) and (d), Part II line 26 contributes (24.5) percentage points of pretax book to total pretax difference again compared to (16.5) percentage points for the 30,340 returns. The IRS needs to investigate the supporting documentation for Part II line 26 and determine if some items included there should have new separate lines on Schedule M-3 in future years.

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*(Tables and Exhibit begin on the next page.)*



**Table 1. U.S. Corporations With Assets of \$10 Million or More Potentially Subject or Not Subject to 2004 Schedule M-3**

Dollar amounts in millions. Table amounts may not add due to rounding. Advance file data. Values may differ from Final file and official SOI Publication 16 values.

2004 Advanced (8,14,20)	Returns		Total Assets		Tax After Credits		Tax Net Income		Estimated ICD		Worldwide Income (Part I Ln 4)		Book Income (Part II Ln 30A)		Fed Tax Expense	
	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%
All	42,129	100	40,137,268	100	186,297	100	635,757	100	57,596	100	604,462	100	541,658	100	200,173	100
Status																
2004 Dec or later	35,286	84	33,884,164	84	160,647	86	549,818	86	57,375	100	604,322	100	541,606	100	200,093	100
Placeholder	100		2,485,878	6	9,473	5	38,019	6	0	0	0	0	0	0	0	0
Subtotal: Potentially subject to M-3	35,386	84	36,370,042	90	170,120	91	587,837	92	57,375	100	604,322	100	541,606	100	200,093	100
2004 Nov or earlier	6,742	16	3,767,227	9	16,178	9	47,919	8	221	0	140	0	53	0	80	0
a ≥ \$25B or More	183		27,095,197	68	82,678	44	372,215	59	38,511	67	360,403	60	335,864	62	91,630	46
2004 Dec or later	154	0	22,737,395	57	74,626	40	331,829	52	38,511	67	360,403	60	335,864	62	91,630	46
2004 Nov or earlier	10	0	2,331,876	6	2,144	1	13,082	2	0	0	0	0	0	0	0	0
Placeholder	19	0	2,025,925	5	5,908	3	27,305	4	0	0	0	0	0	0	0	0
All	1,054	3	7,512,682	19	53,259	29	167,751	26	14,100	24	151,020	25	133,990	25	57,555	29
2004 Dec or later	882	2	6,309,401	16	43,088	23	133,219	21	14,090	24	150,894	25	133,790	25	57,527	29
2004 Nov or earlier	112	0	768,162	2	6,827	4	22,224	3	11	0	126	0	200	0	28	0
Placeholder	60	0	435,119	1	3,345	2	12,308	2	0	0	0	0	0	0	0	0
All	5,248	12	3,817,733	10	33,053	18	78,940	12	4,516	8	82,971	14	64,525	12	37,307	19
2004 Dec or later	4,688	11	3,371,666	8	28,586	15	70,568	11	4,305	7	82,817	14	64,375	12	37,296	19
2004 Nov or earlier	547	1	421,495	1	4,247	2	9,808	2	210	0	154	0	149	0	11	0
Placeholder	14	0	24,572	0	220	0	-1,436	0	0	0	0	0	0	0	0	0
All	35,644	85	1,711,656	4	17,308	9	16,851	3	470	1	10,067	2	7,279	1	13,681	7
2004 Dec or later	29,563	70	1,465,702	4	14,346	8	14,203	2	470	1	10,207	2	7,576	1	13,640	7
2004 Nov or earlier	6,074	14	245,693	1	2,961	2	2,805	0	0	0	-140	0	-297	0	41	0
Placeholder	7	0	261	0	1	0	-157	0	0	0	0	0	0	0	0	0

**Table 2. U.S. Corporations Potentially Subject to 2004 Schedule M-3 With Reconcilable Data**

Dollar amounts in millions. Table amounts may not add due to rounding. Advance file data. Values may differ from Final file and official SOI Publication 16 values.

2004 Advanced (8,14,20)	Returns		Total Assets		Tax After Credits		Tax Net Income		Estimated ICD		Worldwide Income (Part I Ln 4)		Book Income (Part II Ln 30A)		Fed Tax Expense	
	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%
2004 Dec or later	35,286	100	33,884,164	93	160,647	94	549,818	94	57,375	100	604,322	100	541,606	100	200,093	100
Placetholder	100	0	2,485,878	7	9,473	6	38,019	6	0	0	0	0	0	0	0	0
Potentially subject to M-3	35,386	100	36,370,042	100	170,120	100	587,837	100	57,375	100	604,322	100	541,606	100	200,093	100
M3 Data																
a L30 Reconciles	30,430	86	32,544,249	89	151,405	89	523,015	89	52,698	92	568,010	94	515,421	95	191,670	96
b L30 Problems	2,310	7	1,085,760	3	7,918	5	24,341	4	4,544	8	34,837	6	24,239	4	8,203	4
c L28 Problems	128	0	74,463	0	407	0	1,056	0	133	0	1,475	0	1,946	0	220	0
d No I, II	2,418	7	179,691	0	917	1	1,406	0	0	0	0	0	0	0	0	0
e ≥ \$25B or More	154	0	22,737,395	63	74,626	44	331,829	56	38,511	67	360,403	60	335,864	62	91,630	46
a L30 Reconciles	150	0	22,389,613	62	71,768	42	321,075	55	38,129	66	350,840	58	329,605	61	87,810	44
b L30 Problems	4	0	347,782	1	2,859	2	10,754	2	382	1	9,564	2	6,259	1	3,820	2
All	882	2	6,309,401	17	43,088	25	133,219	23	14,090	25	150,894	25	133,790	25	57,527	29
a L30 Reconciles	810	2	5,781,523	16	40,374	24	126,457	22	10,041	18	137,463	23	124,763	23	54,945	27
b L30 Problems	62	0	452,925	1	2,425	1	5,769	1	3,922	7	12,255	2	7,309	1	2,377	1
c L28 Problems	5	0	41,911	0	251	0	887	0	126	0	1,176	0	1,718	0	206	0
d No I, II	4	0	33,042	0	37	0	106	0	0	0	0	0	0	0	0	0
All	4,688	13	3,371,666	9	28,586	17	70,568	12	4,305	8	82,817	14	64,375	12	37,296	19
a L30 Reconciles	4,303	12	3,072,159	8	26,599	16	64,675	11	4,093	7	72,867	12	55,129	10	35,680	18
b L30 Problems	252	1	196,356	1	1,557	1	4,961	1	206	0	9,699	2	9,032	2	1,608	1
c L28 Problems	31	0	28,273	0	109	0	157	0	6	0	251	0	215	0	8	0
d No I, II	102	0	74,879	0	321	0	775	0	0	0	0	0	0	0	0	0
All	8,822	25	1,021,378	3	9,146	5	14,635	2	334	1	12,207	2	10,729	2	9,021	5
a L30 Reconciles	7,943	22	926,136	3	8,191	5	12,142	2	308	1	9,515	2	9,347	2	8,840	4
b L30 Problems	517	1	57,358	0	691	0	2,111	0	25	0	2,660	0	1,367	0	169	0
c L28 Problems	29	0	3,060	0	28	0	4	0	0	0	31	0	14	0	12	0
d No I, II	333	1	34,824	0	235	0	386	0	0	0	0	0	0	0	0	0
All	6,246	18	219,588	1	2,517	1	1,230	0	108	0	-578	0	-992	0	2,342	1
a L30 Reconciles	5,436	15	191,025	1	2,227	1	824	0	103	0	-944	0	-1,006	0	2,242	1
b L30 Problems	416	1	14,997	0	170	0	319	0	5	0	355	0	7	0	103	0
c L28 Problems	16	0	520	0	6	0	17	0	0	0	11	0	7	0	4	0
d No I, II	379	1	13,045	0	113	0	69	0	0	0	0	0	0	0	0	0
All	14,494	41	224,736	1	2,683	2	-1,662	0	28	0	-1,421	0	-2,160	0	2,278	1
a L30 Reconciles	11,789	33	183,794	1	2,245	1	-2,158	0	24	0	-1,732	0	-2,417	0	2,153	1
b L30 Problems	1,058	3	16,342	0	216	0	427	0	4	0	304	0	264	0	125	0
c L28 Problems	47	0	699	0	13	0	0	0	0	0	6	0	-8	0	-1	0
d No I, II	1,601	5	25,901	0	210	0	69	0	0	0	0	0	0	0	0	0

**Table 3. U.S. Corporations Subject to 2004 Schedule M-3 With Reconcilable Data by Presence of 2004 Optional Columns A and D Data**

Dollar amounts in millions. Table amounts may not add due to rounding. Advance file data. Values may differ from Final file and official SOI Publication 16 values.

Panel 1 of 2

2004 Advanced (8,14,20)	Returns		Public		Total Assets		Tax After Credits		Tax Net Income		Estimated ICD		Worldwide Income (Part I Ln 4)		Book Income (Part II Ln 30A)		Fed Tax Expense		
	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	
All	30,430	100	3,922	100	32,544,249	100	151,405	100	523,015	100	52,698	100	568,010	100	515,421	100	191,670	100	
A/D Data																			
A/D Reconcile	15,169	50	1,803	46	10,448,839	32	56,251	37	164,441	31	17,133	33	192,238	34	155,044	30	72,796	38	
A/D Problems	3,581	12	282	7	1,962,365	6	9,783	6	35,866	7	1,566	3	42,605	8	38,163	7	11,423	6	
A/D Blank	11,681	38	1,837	47	20,133,045	62	85,371	56	322,708	62	33,999	65	333,167	59	322,214	63	107,451	56	
	150	0	118	3	22,389,613	69	71,768	47	321,075	61	38,129	72	350,840	62	329,605	64	87,810	46	
A/D Reconcile	51	0	38	1	5,830,829	18	22,145	15	77,767	15	11,535	22	101,854	18	74,985	15	27,542	14	
A/D Problems	13	0	9	0	1,139,450	4	4,093	3	27,518	5	746	1	29,156	5	25,209	5	4,485	2	
A/D Blank	86	0	71	0	15,419,335	47	45,529	30	215,790	41	25,849	49	219,830	39	229,411	45	55,783	29	
	810	3	497	13	5,781,523	18	40,374	27	126,457	24	10,041	19	137,463	24	124,763	24	54,945	29	
A/D Reconcile	353	1	207	5	2,481,116	8	15,907	11	51,596	10	3,155	6	48,941	9	46,171	9	22,408	12	
A/D Problems	62	0	34	1	432,054	1	2,378	2	732	0	460	1	5,373	1	6,145	1	3,604	2	
A/D Blank	395	1	256	7	2,868,353	9	22,089	15	74,130	14	6,426	12	83,150	15	72,446	14	28,933	15	
	4,303	14	1,583	40	3,072,159	9	26,599	18	64,675	12	4,093	8	72,867	13	55,129	11	35,680	19	
A/D Reconcile	2,077	7	740	19	1,474,109	5	11,729	8	27,412	5	2,220	4	34,805	6	28,109	5	15,992	8	
A/D Problems	335	1	90	2	254,884	1	2,140	1	7,073	1	275	1	8,201	1	6,477	1	2,310	1	
A/D Blank	1,890	6	753	19	1,343,166	4	12,730	8	30,189	6	1,597	3	29,862	5	20,542	4	17,377	9	
	7,943	26	1,100	28	926,136	3	8,191	5	12,142	2	308	1	9,515	2	9,347	2	8,840	5	
A/D Reconcile	4,075	13	522	13	473,625	1	4,133	3	7,741	1	198	0	5,722	1	6,033	1	4,510	2	
A/D Problems	775	3	78	2	86,857	0	668	0	390	0	4	0	465	0	451	0	597	0	
A/D Blank	3,092	10	501	13	365,653	1	3,389	2	4,010	1	107	0	3,328	1	2,863	1	3,733	2	
	5,436	18	302	8	191,025	1	2,227	1	824	0	103	0	944	0	1,006	0	2,242	1	
A/D Reconcile	2,792	9	149	4	98,031	0	1,163	1	669	0	13	0	818	0	89	0	1,183	1	
A/D Problems	641	2	27	1	22,183	0	204	0	239	0	78	0	617	0	140	0	167	0	
A/D Blank	2,003	7	126	3	70,811	0	859	1	-83	0	12	0	-1,145	0	-1,235	0	892	0	
	11,789	39	322	8	183,794	1	2,245	1	-2,158	0	24	0	-1,732	0	-2,417	0	2,153	1	
A/D Reconcile	5,820	19	147	4	91,130	0	1,172	1	-744	0	13	0	98	0	-344	0	1,161	1	
A/D Problems	1,754	6	45	1	26,937	0	299	0	-86	0	3	0	27	0	-260	0	259	0	
A/D Blank	4,215	14	130	3	65,727	0	775	1	-1,328	0	9	0	-1,858	0	-1,813	0	733	0	



**Table 3. U.S. Corporations Subject to 2004 Schedule M-3 With Reconcilable Data by Presence of 2004 Optional Columns A and D Data**

Dollar amounts in millions. Table amounts may not add due to rounding. Advance file data. Values may differ from Final file and official SOI Publication 16 values.

Panel 2 of 2

2004 Advanced (8,14,20)	Pretax Book		Pretax Temp Diff		Pretax Perm Diff		Tax Income (Part II Ln 30D)		Total Pretax Diff		Negative Pretax Temp Diff		Positive Pretax Temp Diff		Negative Pretax Perm Diff		Positive Pretax Perm Diff	
	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%
All	707,092	100	-81,587	100	-50,131	100	575,374	100	-131,718	100	-674,451	100	592,864	100	-327,974	100	277,843	100
A/D Data																		
A/D Reconcile	227,840	32	-3,807	5	-42,515	85	181,519	32	-46,322	35	-220,707	33	216,900	37	-117,659	36	75,144	27
A/D Problems	49,586	7	-9,773	12	-2,539	5	37,273	6	-12,312	9	-38,324	6	28,551	5	-23,249	7	20,710	7
A/D Blank	429,666	61	-68,006	83	-5,077	10	356,582	62	-73,083	55	-415,419	62	347,413	59	-187,067	57	181,989	66
All	417,415	59	-28,755	35	-29,472	59	359,188	62	-58,227	44	-352,865	52	324,111	55	-182,753	56	153,281	55
A/D Reconcile	102,528	14	23,158	-28	-36,392	73	89,294	16	-13,233	10	-71,834	11	94,993	16	-60,564	18	24,172	9
A/D Problems	29,694	4	-3,497	4	2,067	-4	28,264	5	-1,430	1	-12,695	2	9,198	2	-9,314	3	11,381	4
A/D Blank	285,194	40	-48,416	59	4,853	-10	241,631	42	-43,563	33	-268,336	40	219,920	37	-112,874	34	117,727	42
All	179,708	25	-34,340	42	-8,961	18	136,407	24	-43,301	33	-183,496	27	149,156	25	-87,404	27	78,443	28
A/D Reconcile	68,579	10	-13,660	17	-172	0	54,748	10	-13,832	11	-76,855	11	63,195	11	-31,360	10	31,189	11
A/D Problems	9,750	1	-4,370	5	-4,191	8	1,189	0	-8,561	6	-15,496	2	11,127	2	-10,523	3	6,332	2
A/D Blank	101,379	14	-16,311	20	-4,598	9	80,470	14	-20,909	16	-91,145	14	74,835	13	-45,521	14	40,922	15
All	90,809	13	-13,212	16	-9,020	18	68,577	12	-22,232	17	-93,141	14	79,929	13	-42,787	13	33,767	12
A/D Reconcile	44,102	6	-10,277	13	-4,219	8	29,605	5	-14,497	11	-48,780	7	38,503	6	-18,756	6	14,537	5
A/D Problems	8,787	1	-1,435	2	-1,67	0	7,186	1	-1,602	1	-5,728	1	4,294	1	-2,315	1	2,148	1
A/D Blank	37,920	5	-1,500	2	-4,634	9	31,786	6	-6,134	5	-38,633	6	37,133	6	-21,715	7	17,082	6
All	18,187	3	-3,529	4	-2,214	4	12,444	2	-5,744	4	-30,151	4	26,622	4	-11,124	3	8,910	3
A/D Reconcile	10,542	1	-1,594	2	-1,012	2	7,936	1	-2,606	2	-15,177	2	13,583	2	-4,586	1	3,575	1
A/D Problems	1,049	0	-416	1	-239	0	394	0	-655	0	-2,694	0	2,279	0	-753	0	514	0
A/D Blank	6,596	1	-1,519	2	-963	2	4,113	1	-2,483	2	-12,280	2	10,760	2	-5,784	2	4,821	2
All	1,236	0	-553	1	219	0	902	0	-334	0	-7,466	1	6,912	1	-1,381	0	1,600	1
A/D Reconcile	1,273	0	-576	1	-27	0	669	0	-604	0	-3,926	1	3,350	1	-854	0	827	0
A/D Problems	307	0	57	0	-45	0	318	0	12	0	-1,023	0	1,081	0	-192	0	146	0
A/D Blank	-343	0	-35	0	292	-1	-85	0	258	0	-2,516	0	2,482	0	-334	0	627	0
All	-263	0	-1,197	1	-683	1	-2,144	0	-1,880	1	-7,331	1	6,135	1	-2,526	1	1,842	1
A/D Reconcile	817	0	-857	1	-693	1	-733	0	-1,550	1	-4,135	1	3,278	1	-1,538	0	844	0
A/D Problems	-1	0	-114	0	37	0	-78	0	-77	0	-687	0	573	0	-151	0	188	0
A/D Blank	-1,080	0	-226	0	-27	0	-1,332	0	-253	0	-2,509	0	2,284	0	-837	0	810	0

Table 4. U.S. Corporations Subject to 2004 Schedule M-3 With Reconcilable Data by Financial Statement Type																		
Dollar amounts in millions. Table amounts may not add due to rounding. Advance file data. Values may differ from Final file and official SOI Publication 16 values.																		
Panel 1 of 2																		
2004 Advanced (8,14,20) Type	Returns		Public		Total Assets		Tax After Credits		Tax Net Income		Estimated ICD		Worldwide Income (Part I Ln 4)		Book Income (Part II Ln 30A)		Fed Tax Expense	
	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%
All	30,430	100	3,922	100	32,544,249	100	151,405	100	523,015	100	52,698	100	568,010	100	515,421	100	191,670	100
a SEC 10-K	4,195	14	3,673	94	22,287,327	68	105,533	70	394,570	75	48,046	91	440,912	78	414,124	80	140,256	73
b Audited	13,544	45	173	4	5,695,533	18	29,139	19	85,211	16	1,610	3	82,209	14	87,786	17	33,234	17
c Unaudited	7,715	25	68	2	2,818,895	9	10,955	7	31,670	6	779	1	41,150	7	-558	0	11,944	6
d Books/Rec	4,976	16	8	0	1,742,493	5	5,778	4	11,563	2	2,263	4	3,738	1	14,068	3	6,236	3
a SEC 10-K	150	0	118	3	22,389,613	69	71,768	47	321,075	61	38,129	72	350,840	62	329,605	64	87,810	46
b Audited	116	0	*	*	16,780,079	52	59,825	40	275,706	53	37,404	71	288,075	51	297,682	58	74,038	39
c Unaudited	19	0	*	*	3,309,556	10	8,725	6	35,138	7	216	0	32,085	6	43,637	8	9,911	5
a ≥ \$25B or More	9	0	*	*	1,529,565	5	2,658	2	10,009	2	12	0	28,739	5	-11,533	-2	2,869	1
d Books/Rec	6	0	*	*	770,413	2	560	0	221	0	497	1	1,941	0	-182	0	992	1
All	810	3	497	13	5,781,523	18	40,374	27	126,457	24	10,041	19	137,463	24	124,763	24	54,945	29
a SEC 10-K	514	2	*	*	3,890,354	12	31,028	20	95,592	18	7,860	15	117,813	21	94,891	18	44,734	23
b Audited	127	0	*	*	756,786	2	4,848	3	12,551	2	646	1	12,907	2	12,310	2	5,787	3
c Unaudited	95	0	*	*	613,440	2	2,523	2	11,821	2	435	1	4,934	1	5,962	1	3,341	2
d Books/Rec	75	0	*	*	520,942	2	1,976	1	6,494	1	1,100	2	1,809	0	11,599	2	1,083	1
All	4,303	14	1,583	40	3,072,159	9	26,599	18	64,675	12	4,093	8	72,867	13	55,129	11	35,680	19
a SEC 10-K	1,745	6	1,529	39	1,442,075	4	13,250	9	27,769	5	2,701	5	39,133	7	26,052	5	19,835	10
b Audited	1,611	5	31	1	974,043	3	8,513	6	24,873	6	591	1	25,110	4	21,929	4	10,071	5
c Unaudited	560	2	23	1	391,475	1	3,128	2	8,517	2	239	0	8,907	2	6,696	1	3,167	2
d Books/Rec	386	1	0	0	264,566	1	1,709	1	3,516	1	563	1	-283	0	452	0	2,607	1
All	7,943	26	1,100	28	926,136	3	8,191	5	12,142	2	308	1	9,515	2	9,347	2	8,840	5
a SEC 10-K	1,160	4	987	25	157,550	0	1,303	1	-2,471	0	77	0	-2,082	0	-2,346	0	1,502	1
b Audited	4,195	14	90	2	481,966	1	4,771	3	12,348	2	151	0	12,149	2	11,167	2	5,156	3
c Unaudited	1,568	5	20	1	172,290	1	1,332	1	905	0	69	0	-850	0	-996	0	1,344	1
d Books/Rec	1,020	3	4	0	114,330	0	785	1	1,360	0	12	0	298	0	1,522	0	838	0
All	5,436	18	302	8	191,025	1	2,227	1	824	0	103	0	-944	0	-1,006	0	2,242	1
a SEC 10-K	317	1	266	7	11,371	0	84	0	-1,267	0	0	0	-1,608	0	-1,358	0	96	0
b Audited	2,693	9	25	1	95,099	0	1,260	1	1,368	0	3	0	746	0	265	0	1,321	1
c Unaudited	1,452	5	8	0	50,798	0	562	0	391	0	21	0	-208	0	-385	0	478	0
d Books/Rec	974	3	3	0	33,758	0	321	0	333	0	79	0	126	0	472	0	347	0
All	11,789	39	322	8	183,794	1	2,245	1	-2,158	0	24	0	-1,732	0	-2,417	0	2,153	1
a SEC 10-K	343	1	292	7	5,898	0	43	0	-758	0	4	0	-419	0	-797	0	50	0
b Audited	4,899	16	22	1	78,083	0	1,022	1	-1,066	0	4	0	-788	0	-1,522	0	988	1
c Unaudited	4,032	13	8	0	61,328	0	751	0	27	0	4	0	-372	0	-302	0	745	0
d Books/Rec	2,515	8	0	0	38,485	0	428	0	-360	0	12	0	-153	0	205	0	370	0

**Table 4. U.S. Corporations Subject to 2004 Schedule M-3 With Reconcilable Data by Financial Statement Type**

Dollar amounts in millions. Table amounts may not add due to rounding. Advance file data. Values may differ from Final file and official SOI Publication 16 values.

Panel 2 of 2

2004 Advanced (8,14,20)	Pretax Book		Pretax Temp Diff		Pretax Perm Diff		Tax Income (Part II Ln 30D)		Total Pretax Diff		Negative Pretax Temp Diff		Positive Pretax Temp Diff		Negative Pretax Perm Diff		Positive Pretax Perm Diff	
	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%
All	707,092	100	-81,587	100	-50,131	100	575,374	100	-131,718	100	-674,451	100	592,864	100	-327,974	100	277,843	100
Type																		
a SEC 10-K	554,380	78	-77,512	95	-34,507	69	442,362	77	-112,019	85	-440,975	65	363,463	61	-252,166	77	217,659	78
b Audited	121,020	17	-14,870	18	-19,380	39	86,770	15	-34,250	26	-145,932	22	131,061	22	-46,453	14	27,073	10
c Unaudited	11,386	2	16,002	-20	5,038	-10	32,427	6	21,041	-16	-51,186	8	67,189	11	-14,617	4	19,655	7
d Books/Rec	20,305	3	-5,207	6	-1,283	3	13,816	2	-6,489	5	-36,357	5	31,151	5	-14,738	4	13,455	5
All	417,415	59	-28,755	35	-29,472	59	359,188	62	-58,227	44	-352,865	52	324,111	55	-182,753	56	153,281	55
a SEC 10-K	371,720	53	-52,045	64	-6,572	13	313,103	54	-58,618	45	-255,643	38	203,598	34	-153,313	47	146,741	53
b Audited	53,549	8	1,811	-2	-20,006	40	35,354	6	-18,195	14	-79,221	12	81,033	14	-23,607	7	3,601	1
c Unaudited	-8,664	-1	21,980	-27	-3,302	7	10,014	2	18,678	-14	-12,852	2	34,832	6	-4,304	1	1,002	0
d Books/Rec	810	0	-501	1	409	-1	718	0	-92	0	-5,149	1	4,648	1	-1,528	0	1,937	1
a ≥ \$25B or More	179,708	25	-34,340	42	-8,961	18	136,407	24	-43,301	33	-183,496	27	149,156	25	-87,404	27	78,443	28
All	139,626	20	-17,290	21	-18,971	38	103,365	18	-36,261	28	-129,013	19	111,722	19	-68,372	21	49,401	18
a SEC 10-K	18,097	3	-8,432	10	3,532	-7	13,197	2	-4,901	4	-23,254	3	14,822	3	-6,140	2	9,672	3
b Audited	9,302	1	-5,638	7	8,588	-17	12,253	2	2,950	-2	-15,640	2	10,002	2	-3,392	1	11,980	4
c Unaudited	12,682	2	-2,980	4	-2,110	4	7,593	1	-5,090	4	-15,589	2	12,609	2	-9,500	3	7,390	3
d Books/Rec	90,809	13	-13,212	16	-9,020	18	68,577	12	-22,232	17	-93,141	14	79,929	13	-42,787	13	33,767	12
All	45,887	6	-7,507	9	-8,066	16	30,314	5	-15,573	12	-48,471	7	40,964	7	-26,278	8	18,211	7
a SEC 10-K	32,000	5	-5,487	7	-1,083	2	25,430	4	-6,570	5	-24,341	4	18,854	3	-10,322	3	9,239	3
b Audited	9,863	1	-21	0	-1,088	2	8,755	2	-1,108	1	-11,293	2	11,273	2	-4,626	1	3,538	1
c Unaudited	3,059	0	-197	0	1,217	-2	4,079	1	1,019	-1	-9,036	1	8,839	1	-1,561	0	2,777	1
d Books/Rec	18,187	3	-3,529	4	-2,214	4	12,444	2	-5,744	4	-30,151	4	26,622	4	-11,124	3	8,910	3
All	-843	0	-641	1	-910	2	-2,394	0	-1,551	1	-6,788	1	6,147	1	-3,871	1	2,960	1
a SEC 10-K	16,322	2	-2,601	3	-1,225	2	12,496	2	-3,827	3	-12,680	2	10,079	2	-4,388	1	3,162	1
b Audited	348	0	226	0	399	-1	973	0	624	0	-7,429	1	7,655	1	-1,690	1	2,089	1
c Unaudited	2,360	0	-513	1	-477	1	1,369	0	-990	1	-3,254	0	2,741	0	-1,176	0	699	0
d Books/Rec	1,236	0	-553	1	219	0	902	0	-334	0	-7,466	1	6,912	1	-1,381	0	1,600	1
All	-1,262	0	-18	0	10	0	-1,271	0	-9	0	-684	0	666	0	-178	0	188	0
a SEC 10-K	1,586	0	-245	0	20	0	1,361	0	-225	0	-3,456	1	3,210	1	-568	0	588	0
b Audited	94	0	10	0	303	-1	406	0	313	0	-1,740	0	1,750	0	-336	0	639	0
c Unaudited	819	0	-300	0	-114	0	406	0	-413	0	-1,586	0	1,286	0	-299	0	185	0
d Books/Rec	-263	0	-1,197	1	-683	1	-2,144	0	-1,880	1	-7,331	1	6,135	1	-2,526	1	1,842	1
All	-747	0	-10	0	3	0	-754	0	-7	0	-377	0	366	0	-154	0	157	0
a SEC 10-K	-533	0	84	0	-617	1	-1,066	0	-533	0	-2,978	0	3,063	0	-1,429	0	811	0
b Audited	442	0	-555	1	139	0	26	0	-416	0	-2,232	0	1,678	0	-269	0	407	0
c Unaudited	575	0	-716	1	-207	0	-349	0	-924	1	-1,744	0	1,028	0	-675	0	467	0
d Books/Rec																		



**Table 5. U.S. Corporations Subject to 2004 Schedule M-3 With Reconcilable Data by Financial Statement Restatements**

Dollar amounts in millions. Table amounts may not add due to rounding. Advance file data. Values may differ from Final file and official SOI Publication 16 values.

Panel 1 of 2

	Returns		Public		Total Assets		Tax After Credits		Tax Net Income		Estimated ICD		Worldwide Income (Part I Ln 4)		Book Income (Part II Ln 30A)		Fed Tax Expense		
	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	
<b>2004 Advanced (8,14,20)</b>	30,430	100	3,922	100	32,544,249	100	151,405	100	523,015	100	52,698	100	568,010	100	515,421	100	191,670	100	
Restate																			
No Restatement	29,120	96	3,347	85	26,315,984	81	119,990	79	403,194	77	49,045	93	428,628	75	419,030	81	150,287	78	
Restate Prior 5 Yrs only	1,150	4	475	12	5,724,441	18	29,736	20	113,878	22	2,976	6	127,549	22	87,092	17	36,849	19	
Current Year Restate	161	1	100	3	503,824	2	1,678	1	5,943	1	677	1	11,833	2	9,299	2	4,535	2	
All	150	0	118	3	22,389,613	69	71,768	47	321,075	61	38,129	72	350,840	62	329,605	64	87,810	46	
No Restatement	111	0	84	2	17,523,064	54	50,713	33	214,983	41	36,927	70	225,512	40	248,383	48	60,284	31	
Restate Prior 5 Yrs only	33	0	28	1	4,564,190	14	20,892	14	103,452	20	1,202	2	116,510	21	75,128	15	25,133	13	
Current Year Restate	6	0	6	0	302,359	1	163	0	2,640	1	0	0	8,817	2	6,094	1	2,392	1	
All	810	3	497	13	5,781,523	18	40,374	27	126,457	24	10,041	19	137,463	24	124,763	24	54,945	29	
No Restatement	698	2	401	10	4,795,149	15	33,233	22	115,987	22	8,255	16	124,989	22	111,118	22	45,518	24	
Restate Prior 5 Yrs only	100	0	82	2	839,859	3	6,193	4	8,761	2	1,133	2	10,925	2	11,922	2	8,062	4	
Current Year Restate	13	0	13	0	146,515	0	949	1	1,709	0	653	1	1,549	0	1,724	0	1,365	1	
All	4,303	14	1,583	40	3,072,159	9	26,599	18	64,675	12	4,093	8	72,867	13	55,129	11	35,680	19	
No Restatement	3,898	13	1,313	33	2,751,552	8	23,906	16	61,419	12	3,430	7	70,828	12	53,744	10	31,915	17	
Restate Prior 5 Yrs only	344	1	221	6	272,529	1	2,177	1	1,644	0	638	1	603	0	-74	0	3,036	2	
Current Year Restate	60	0	49	1	48,077	0	516	0	1,612	0	25	0	1,436	0	1,459	0	729	0	
All	7,943	26	1,100	28	926,136	3	8,191	5	12,142	2	308	1	9,515	2	9,347	2	8,840	5	
No Restatement	7,592	25	983	25	880,915	3	7,763	5	11,889	2	306	1	9,555	2	8,805	2	8,243	4	
Restate Prior 5 Yrs only	307	1	101	3	39,389	0	384	0	248	0	2	0	-104	0	510	0	560	0	
Current Year Restate	44	0	17	0	5,831	0	44	0	5	0	0	0	64	0	33	0	36	0	
All	5,436	18	302	8	191,025	1	2,227	1	824	0	103	0	-944	0	-1,006	0	2,242	1	
No Restatement	5,276	17	269	7	185,426	1	2,169	1	888	0	103	0	-754	0	-810	0	2,197	1	
Restate Prior 5 Yrs only	139	0	23	1	4,833	0	55	0	-43	0	0	0	-162	0	-185	0	36	0	
Current Year Restate	20	0	10	0	766	0	3	0	-20	0	0	0	-28	0	-11	0	9	0	
All	11,789	39	322	8	183,794	1	2,245	1	-2,158	0	24	0	-1,732	0	-2,417	0	2,153	1	
No Restatement	11,545	38	297	8	179,878	1	2,206	1	-1,971	0	24	0	-1,503	0	-2,210	0	2,129	1	
Restate Prior 5 Yrs only	227	1	20	1	3,640	0	37	0	-183	0	0	0	-223	0	-208	0	21	0	
Current Year Restate	17	0	4	0	276	0	3	0	-3	0	0	0	-5	0	1	0	3	0	

**Table 5. U.S. Corporations Subject to 2004 Schedule M-3 With Reconcilable Data by Financial Statement Restatements**

Dollar amounts in millions. Table amounts may not add due to rounding. Advance file data. Values may differ from Final file and official SOI Publication 16 values.

Panel 2 of 2

	Pretax Book		Pretax Temp Diff		Pretax Perm Diff		Tax Income (Part II Ln 30D)		Total Pretax Diff		Negative Pretax Temp Diff		Positive Pretax Temp Diff		Negative Pretax Perm Diff		Positive Pretax Perm Diff	
	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%
<b>2004 Advanced (8,14,20)</b>	707,092	100	-81,587	100	-50,131	100	575,374	100	-131,718	100	-674,451	100	592,864	100	-327,974	100	277,843	100
Restate																		
No Restatement	569,316	81	-77,226	95	-40,176	80	451,914	79	-117,402	89	-522,357	77	445,131	75	-264,042	81	223,865	81
Restate Prior 5 Yrs only	123,941	18	4,069	-5	-11,170	22	116,841	20	-7,100	5	-133,141	20	137,210	23	-57,368	17	46,198	17
Current Year Restate	13,834	2	-8,430	10	1,215	-2	6,619	1	-7,215	5	-18,953	3	10,523	2	-6,564	2	7,780	3
All	417,415	59	-28,755	35	-29,472	59	359,188	62	-58,227	44	-352,865	52	324,111	55	-182,753	56	153,281	55
No Restatement	308,668	44	-35,790	44	-20,984	42	251,894	44	-56,774	43	-267,915	40	232,125	39	-140,084	43	119,101	43
Restate Prior 5 Yrs only	100,261	14	14,140	-17	-9,747	19	104,654	18	4,393	-3	-72,604	11	86,743	15	-40,351	12	30,604	11
Current Year Restate	8,486	1	-7,105	9	1,258	-3	2,640	0	-5,846	4	-12,347	2	5,242	1	-2,317	1	3,576	1
All	179,708	25	-34,340	42	-8,961	18	136,407	24	-43,301	33	-183,496	27	149,156	25	-87,404	27	78,443	28
No Restatement	156,635	22	-24,386	30	-8,098	16	124,151	22	-32,485	25	-135,724	20	111,338	19	-72,387	22	64,289	23
Restate Prior 5 Yrs only	19,984	3	-9,042	11	-1,048	2	9,894	2	-10,090	8	-43,145	6	34,104	6	-11,837	4	10,789	4
Current Year Restate	3,089	0	-912	1	185	0	2,362	0	-727	1	-4,627	1	3,715	1	-3,180	1	3,365	1
All	90,809	13	-13,212	16	-9,020	18	68,577	12	-22,232	17	-93,141	14	79,929	13	-42,787	13	33,767	12
No Restatement	85,659	12	-12,202	15	-8,784	18	64,674	11	-20,986	16	-76,903	11	64,701	11	-37,495	11	28,711	10
Restate Prior 5 Yrs only	2,962	0	-567	1	-128	0	2,267	0	-695	1	-14,562	2	13,995	2	-4,402	1	4,274	2
Current Year Restate	2,187	0	-443	1	-108	0	1,636	0	-551	0	-1,676	0	1,233	0	-890	0	781	0
All	18,187	3	-3,529	4	-2,214	4	12,444	2	-5,744	4	-30,151	4	26,622	4	-11,124	3	8,910	3
No Restatement	17,048	2	-3,034	4	-1,827	4	12,187	2	-4,861	4	-27,438	4	24,404	4	-10,262	3	8,435	3
Restate Prior 5 Yrs only	1,071	0	-530	1	-288	1	252	0	-819	1	-2,442	0	1,912	0	-709	0	421	0
Current Year Restate	69	0	35	0	-99	0	5	0	-64	0	-270	0	306	0	-153	0	54	0
All	1,236	0	-553	1	219	0	902	0	-334	0	-7,466	1	6,912	1	-1,381	0	1,600	1
No Restatement	1,387	0	-622	1	201	0	966	0	-421	0	-7,200	1	6,578	1	-1,322	0	1,523	1
Restate Prior 5 Yrs only	-149	0	68	0	38	0	-43	0	106	0	-249	0	317	0	-37	0	74	0
Current Year Restate	-2	0	1	0	-20	0	-21	0	-19	0	-17	0	17	0	-22	0	2	0
All	-263	0	-1,197	1	-683	1	-2,144	0	-1,880	1	-7,331	1	6,135	1	-2,526	1	1,842	1
No Restatement	-81	0	-1,191	1	-685	1	-1,957	0	-1,877	1	-7,177	1	5,986	1	-2,491	1	1,805	1
Restate Prior 5 Yrs only	-187	0	0	0	3	0	-183	0	4	0	-138	0	139	0	-32	0	36	0
Current Year Restate	4	0	-6	0	-1	0	-3	0	-7	0	-16	0	10	0	-3	0	1	0

**Table 6. U.S. Corporations Subject to 2004 Schedule M-3 With Reconcilable Data by Industry**

Dollar amounts in millions. Table amounts may not add due to rounding. Advance file data. Values may differ from Final file and official SOI Publication 16 values.

Panel 1 of 2

2004 Advanced (8,14,20)	Returns		Public		Total Assets		Tax After Credits		Tax Net Income		Estimated ICD		Worldwide Income (Part I Ln 4)		Book Income (Part II Ln 30A)		Fed Tax Expense	
	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%
	30,430	100	3,922	100	32,544,249	100	151,405	100	523,015	100	52,698	100	568,010	100	515,421	100	191,670	100
All	6,351	21	1,095	28	7,269,591	22	48,615	32	232,670	44	11,475	22	255,828	45	282,629	55	60,319	31
Industry	7,882	26	861	22	7,521,844	22	21,488	14	58,740	11	2,476	5	61,620	11	47,931	9	25,367	13
a. Manufacturing	1,772	6	372	9	1,900,420	6	8,937	6	10,206	2	13,628	26	-3,980	-1	-3,544	-1	11,025	6
b. Finance	976	3	174	4	1,574,761	5	6,600	4	4,658	1	2,706	5	44,940	8	2,006	0	10,861	6
c. Information	13,450	44	1,418	36	14,477,633	44	65,764	43	216,741	41	22,414	43	209,602	37	186,399	36	84,097	44
d. Utilities/Transp.	150	0	118	3	22,389,613	69	71,768	47	321,075	61	38,129	72	350,840	62	329,605	64	87,810	46
e. All Other	38	0	30	1	4,803,038	15	26,018	17	162,728	31	3,913	7	170,166	30	216,311	42	26,270	14
a. Manufacturing	30	0	15	0	5,057,784	16	9,219	6	36,173	7	728	1	36,922	7	27,729	5	11,273	6
b. Finance	15	0	*	*	1,150,614	4	3,740	2	12,429	2	13,298	25	-2,331	0	-2,702	-1	4,727	2
c. Information	19	0	*	*	800,199	2	2,965	2	3,687	1	1,436	3	36,660	6	-446	0	6,148	3
d. Utilities/Transp.	48	0	42	1	10,577,978	33	29,826	20	106,058	20	18,754	36	109,423	19	88,712	17	39,391	21
e. All Other	810	3	497	13	5,781,523	18	40,374	27	126,457	24	10,041	19	137,463	24	124,763	24	54,945	29
a. Manufacturing	214	1	138	4	1,505,111	5	13,044	9	50,737	10	5,438	10	66,916	12	54,184	11	21,173	11
b. Finance	183	1	68	2	1,227,563	4	5,105	3	13,685	3	1,105	2	12,738	2	12,666	2	6,652	3
c. Information	62	0	*	*	473,960	1	3,223	2	3,812	1	59	1	499	0	3,012	1	3,548	2
d. Utilities/Transp.	67	0	*	*	601,398	2	2,066	1	-793	0	1,205	2	3,255	1	-601	0	2,414	1
e. All Other	284	1	190	5	1,973,491	6	16,935	11	59,016	11	2,235	4	54,055	10	55,502	11	21,158	11
All	4,303	14	1,583	40	3,072,159	9	26,599	18	64,675	12	4,093	8	72,867	13	55,129	11	35,680	19
a. Manufacturing	921	3	387	10	691,658	2	6,107	4	17,587	3	1,985	4	18,975	3	12,751	2	8,983	5
b. Finance	996	3	270	7	689,707	2	4,677	3	10,293	2	523	1	14,480	3	9,692	2	5,330	3
c. Information	252	1	136	3	204,939	1	1,332	1	-4,479	-1	265	1	-1,021	0	-2,793	-1	2,180	1
d. Utilities/Transp.	156	1	70	2	137,026	0	1,129	1	1,073	0	65	0	3,845	1	2,155	0	1,729	1
e. All Other	1,978	7	721	18	1,348,829	4	13,355	9	40,201	8	1,254	2	36,588	6	33,324	6	17,458	9
All	7,943	26	1,100	28	926,136	3	8,191	5	12,142	2	308	1	9,515	2	9,347	2	8,840	5
a. Manufacturing	1,663	5	348	9	191,611	1	2,378	2	2,930	1	119	0	1,487	0	948	0	2,776	1
b. Finance	2,139	7	319	8	247,127	1	1,537	1	1,123	0	35	0	584	0	848	0	1,249	1
c. Information	415	1	113	3	48,131	0	365	0	-646	0	0	0	-79	0	-71	0	306	0
d. Utilities/Transp.	214	1	22	1	24,470	0	280	0	507	0	0	0	739	0	660	0	381	0
e. All Other	3,512	12	299	8	414,796	1	3,631	2	8,228	2	154	0	6,784	1	6,963	1	4,129	2
All	5,436	18	302	8	191,025	1	2,227	1	824	0	103	0	-944	0	-1,006	0	2,242	1
a. Manufacturing	1,141	4	92	2	40,310	0	593	0	37	0	15	0	-178	0	-266	0	609	0
b. Finance	1,508	5	97	2	52,920	0	433	0	-768	0	78	0	-2,209	0	-1,728	0	410	0
c. Information	336	1	30	1	11,708	0	140	0	-108	0	0	0	-103	0	-104	0	155	0
d. Utilities/Transp.	173	1	6	0	6,180	0	89	0	123	0	0	0	118	0	173	0	108	0
e. All Other	2,277	7	77	2	79,908	0	972	1	1,540	0	9	0	1,428	0	920	0	961	1
All	11,789	39	322	8	183,794	1	2,245	1	-2,158	0	24	0	-1,732	0	-2,417	0	2,153	1
a. Manufacturing	2,373	8	102	3	37,863	0	476	0	-1,350	0	4	0	-1,538	0	-1,298	0	509	0
b. Finance	3,025	10	93	2	46,742	0	517	0	-1,766	0	8	0	-894	0	-1,276	0	454	0
c. Information	693	2	34	1	11,069	0	136	0	-801	0	5	0	-946	0	-887	0	109	0
d. Utilities/Transp.	347	1	4	0	5,489	0	71	0	62	0	0	0	323	0	65	0	82	0
e. All Other	5,351	18	89	2	82,632	0	1,045	1	1,698	0	7	0	1,324	0	979	0	1,000	1

**Table 6. U.S. Corporations Subject to 2004 Schedule M-3 With Reconcilable Data by Industry**

Dollar amounts in millions. Table amounts may not add due to rounding. Advance file data. Values may differ from Final file and official SOI Publication 16 values.

Panel 2 of 2

2004 Advanced (8,14,20)	Pretax Book		Pretax Temp Diff		Pretax Perm Diff		Tax Income (Part II Ln 300)		Total Pretax Diff		Negative Pretax Temp Diff		Positive Pretax Temp Diff		Negative Pretax Perm Diff		Positive Pretax Perm Diff	
	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%
All	707,092	100	-81,587	100	-50,131	100	575,374	100	-131,718	100	-674,451	100	592,864	100	-327,974	100	277,843	100
Industry																		
a. Manufacturing	342,948	49	-29,093	36	-69,716	139	244,139	42	-98,810	75	-249,879	37	220,785	37	-187,704	57	117,987	42
b. Finance	73,298	10	-4,897	6	-7,371	15	61,031	11	-12,267	9	-71,979	11	67,082	11	-26,946	8	19,575	7
c. Information	7,481	1	-4,531	4	20,879	-42	23,829	4	16,349	-12	-79,467	12	74,936	13	-26,549	8	47,428	17
d. Utilities/Transp.	12,868	2	-3,093	4	-2,415	5	7,359	1	-5,508	4	-77,038	11	73,945	12	-19,804	6	17,389	6
e. All Other	270,496	38	-39,973	49	8,492	-17	239,016	42	-31,481	24	-196,088	29	156,115	26	-66,971	20	75,464	27
All	417,415	59	-28,755	35	-29,472	59	359,188	62	-58,227	44	-352,865	52	324,111	55	-182,753	56	153,281	55
a. Manufacturing	242,581	34	-18,797	23	-57,143	114	166,641	29	-75,940	58	-158,593	24	139,795	24	-125,719	38	68,576	25
b. Finance	39,003	6	1,011	-1	-3,121	6	36,893	6	-2,109	2	-27,705	4	28,717	5	-10,004	3	6,883	2
c. Information	2,026	0	-2,676	3	26,377	-53	25,727	4	23,701	-18	-38,543	6	35,866	6	-7,874	2	34,251	12
d. Utilities/Transp.	5,703	1	4,324	-5	-4,903	10	5,123	1	-579	0	-38,872	6	43,195	7	-9,515	3	4,612	2
e. All Other	128,103	18	-12,616	15	9,317	-19	124,804	22	-3,299	3	-89,153	13	76,537	13	-29,640	9	38,958	14
All	179,708	25	-34,340	42	-8,961	18	136,407	24	-43,301	33	-183,496	27	149,156	25	-87,404	27	78,443	28
a. Manufacturing	75,357	11	-8,986	11	-10,196	20	56,175	10	-19,182	15	-53,775	8	44,789	8	-40,954	12	30,758	11
b. Finance	19,318	3	-3,002	4	-1,527	3	14,788	3	-4,529	3	-19,436	3	16,434	3	-7,663	2	6,136	2
c. Information	6,560	1	-1,730	2	-962	2	3,868	1	-2,692	2	-24,585	4	22,855	4	-10,195	3	9,233	3
d. Utilities/Transp.	1,813	0	-3,757	5	2,352	-5	408	0	-1,405	1	-27,041	4	23,284	4	-8,908	3	11,260	4
e. All Other	76,660	11	-16,865	21	1,372	-3	61,167	11	-15,493	12	-58,659	9	41,794	7	-19,684	6	21,057	8
All	90,809	13	-13,212	16	-9,020	18	68,577	12	-22,232	17	-93,141	14	79,929	13	-42,787	13	33,767	12
a. Manufacturing	21,734	3	-993	1	-1,165	2	19,576	3	-2,158	3	-25,703	4	24,711	4	-16,041	5	14,876	5
b. Finance	15,022	2	-2,691	3	-1,673	3	10,658	2	-4,364	3	-14,891	2	12,200	2	-5,520	2	3,847	1
c. Information	-613	0	269	0	-3,870	8	-4,214	-1	-3,602	3	-11,556	2	11,825	2	-6,744	2	2,873	1
d. Utilities/Transp.	3,884	1	-2,859	4	113	0	1,138	0	-2,746	2	-9,154	1	6,295	1	-1,149	0	1,262	0
e. All Other	50,782	7	-6,938	9	-2,424	5	41,420	7	-9,362	7	-31,836	5	24,898	4	-13,332	4	10,909	4
All	18,187	3	-3,529	4	-2,214	4	12,444	2	-5,744	4	-30,151	4	26,622	4	-11,124	3	8,910	3
a. Manufacturing	3,723	1	50	0	-724	1	3,049	1	-674	1	-8,327	1	8,378	1	-3,824	1	3,100	1
b. Finance	2,097	0	-294	0	-650	1	1,152	0	-944	1	-5,639	1	5,345	1	-2,266	1	1,615	1
c. Information	235	0	-115	0	-767	2	-647	0	-882	1	-3,587	1	3,472	1	-1,509	0	742	0
d. Utilities/Transp.	1,040	0	-496	1	-37	0	507	0	-533	0	-1,305	0	809	0	-176	0	139	0
e. All Other	11,092	2	-2,674	3	-35	0	8,382	1	-2,710	2	-11,293	2	8,619	1	-3,350	1	3,315	1
All	1,236	0	-553	1	219	0	902	0	-334	0	-7,466	1	6,912	1	-1,381	0	1,600	1
a. Manufacturing	343	0	-228	0	-68	0	47	0	-296	0	-1,861	0	1,632	0	-422	0	354	0
b. Finance	-1,318	0	364	0	255	-1	-699	0	619	0	-2,056	0	2,421	0	-279	0	534	0
c. Information	50	0	-218	0	60	0	-107	0	-158	0	-620	0	402	0	-106	0	166	0
d. Utilities/Transp.	281	0	-190	0	30	0	121	0	-160	0	-418	0	228	0	-31	0	61	0
e. All Other	1,881	0	-281	0	-58	0	1,541	0	-339	0	-2,510	0	2,229	0	-542	0	484	0
All	-263	0	-1,197	1	-683	1	-2,144	0	-1,880	1	-7,331	1	6,135	1	-2,526	1	1,842	1
a. Manufacturing	-789	0	-140	0	-420	1	-1,349	0	-560	0	-1,620	0	1,480	0	-743	0	323	0
b. Finance	-822	0	-286	0	-654	1	-1,762	0	-939	1	-2,252	0	1,966	0	-1,214	0	560	0
c. Information	-778	0	-60	0	41	0	-796	0	-19	0	-576	0	517	0	-121	0	162	0
d. Utilities/Transp.	147	0	-115	0	30	0	62	0	-85	0	-248	0	133	0	-25	0	55	0
e. All Other	1,979	0	-597	1	319	-1	1,701	0	-278	0	-2,636	0	2,039	0	-422	0	742	0



**Table 7. Aggregate 2004 Schedule M-3 Data for U.S. Corporations With Reconcilable Data**

Dollar amounts in millions. Table amounts may not add due to rounding. Advance file data. Values may differ from Final file and official SOI Publication 16 values.

Panel 1 of 3

		Population Overview							
		Returns	30,430						
		Total Assets	32,544,249.1						
		Tax Less Credits	151,404.7						
		Tax Net Income	523,014.8						
		Estimated ICD	52,698.4						
		Other SOI Adjustments	-338.7						
		Part II Line 30 Col A	575,374.5						
		Tax Exempt Interest	10,785.7						
		<b>Part I FINANCIAL STATEMENT DATA</b>							
		Freq	Income	Neg	Pos	% Book Income	Neg	Pos	
4	Worldwide consolidated net income (loss)	25,626	568,009.7	-160,726.0	728,735.7	110.2%	-31.2%	141.4%	
5	Income(loss) from nonincludible foreign entities	3,699	-204,469.2	-310,115.5	105,646.3	-39.7%	-60.2%	20.5%	
6	Income(loss) from nonincludible U.S. entities	1,632	-86,533.8	-132,194.2	45,660.3	-16.8%	-25.6%	8.9%	
7	Income(loss) of other includible corporations	406	3,784.8	-2,555.7	6,340.5	0.7%	-0.5%	1.2%	
8	Adjust consolidation eliminations (because of lines 5-7)	1,736	184,100.6	-15,791.8	199,892.4	35.7%	-3.1%	38.8%	
9	Adjust book year to tax year	425	6,135.5	-1,860.9	7,996.4	1.2%	-0.4%	1.6%	
10	Other adjustments	1,306	33,722.5	-61,678.7	95,401.3	6.5%	-12.0%	18.5%	
**	Entered on line 11 only (Books and Records)	4,734	11,915.4	-14,111.5	26,026.9	2.3%	-2.7%	5.0%	
**	SUBTOTAL	.	516,665.6			100.2%			
**	Amount to Reconcile	.	-1,243.1			-0.2%			
11	Net income per income statement of includible corporations	30,430	515,422.5	-195,388.4	710,810.9	100.0%			
**	Amount to Reconcile	.	-1.3			-0.0%			
**	Net income per Part II Line 30 Column A	.	515,421.2			72.9%			
**	Reverse Federal tax expense	.	191,670.4			27.1%			
**	Pretax book income	.	707,091.6			100.0%			
**	Temporary difference before Federal tax expense	.	-81,586.6	-674,450.6	592,864.0	-11.5%	-95.4%	83.8%	
**	Permanent difference before Federal tax expense	.	-50,130.9	-327,973.9	277,842.9	-7.1%	-46.4%	39.3%	
**	Net tax income per Part II Line 30 Column D	.	575,374.5			81.4%			
**	SOI removed ICD	.	-52,698.4			-7.5%			
**	Other SOI adjustments	.	338.7			0.0%			
**	Tax net income reported by SOI	.	523,014.8			74.0%			

**Table 7. Aggregate 2004 Schedule M-3 Data for U.S. Corporations With Reconcilable Data**

Dollar amounts in millions. Table amounts may not add due to rounding. Advance file data. Values may differ from Final file and official SOI Publication 16 values.

Panel 2 of 3												
Part II INCOME ITEMS												
	Freq	Col A	Col B	Col C	Col D	Tot Diff	%PTB	Neg B	Pos B	Neg C	Pos C	
01	881	5,531.7	-4,529.7	-5,369.1	.	-9,898.8	-1.4%	-4,752.1	222.4	-7,268.4	1,899.3	
02	1,072	8,080.4	3,756.2	11,469.6	14,614.3	15,225.8	2.2%	-2,302.3	6,058.5	-7,515.1	18,984.7	
03	1,060	.	8,549.6	25,550.1	9,063.3	34,099.7	4.8%	-20.0	8,569.6	-35.9	25,586.0	
04	855	.	925.3	26,002.9	8,838.0	26,928.2	3.8%	0.0	925.3	-0.3	26,003.2	
05	214	2,546.1	-5,065.8	-12,577.7	-193.4	-17,643.5	-2.5%	-5,155.1	89.3	-12,740.3	162.6	
06	1,694	31,806.0	-9,743.9	-32,432.8	.	-42,176.7	-6.0%	-12,054.1	2,310.2	-37,974.2	5,541.5	
07	5,382	26,293.7	3,392.8	13,666.2	17,141.6	17,058.9	2.4%	-3,224.1	6,616.9	-25,058.1	38,724.3	
08	560	-335.4	64.3	633.0	.	697.3	0.1%	-93.0	157.4	-327.0	960.0	
09	6,151	20,157.5	10,874.7	7,986.3	29,670.3	18,860.9	2.7%	-23,108.4	33,983.0	-3,250.0	11,236.3	
10	532	1,493.4	1,636.2	92.9	2,770.2	1,543.3	0.2%	-2,398.2	4,034.4	-750.5	657.5	
11	934	582.2	-1,500.7	-369.0	-1,127.7	-1,869.7	-0.3%	-2,239.9	739.1	-593.5	224.5	
12	400	2,387.9	-35,650.2	-9,186.4	-6,858.1	-44,836.6	-6.3%	-36,705.2	1,055.0	-10,173.1	986.7	
13	17,292	296,019.9	-3,047.4	-12,006.0	247,837.1	-15,053.4	-2.1%	-11,267.2	8,219.8	-12,979.7	973.7	
14	958	100.4	163.9	5.4	-1,363.9	169.3	0.0%	-302.7	466.6	-9.9	15.3	
15	703	-6,578.1	-241.5	-203.1	-5,127.4	-444.6	-0.1%	-7,798.9	7,257.4	-394.1	191.0	
16	857	7,250.3	842.4	-858.9	-2,749.4	-16.5	-0.0%	-4,615.2	5,457.6	-1,008.3	149.4	
17	10,512	-1,763,841.3	46,850.5	-1,239.4	-1,761,668.4	45,611.1	6.5%	-15,243.0	62,093.4	-3,600.7	2,361.2	
18	328	4,677.4	31,073.2	-1,749.6	15,425.8	29,327.7	4.1%	-947.5	32,020.7	-1,769.7	20.2	
19	2,081	.	-540.4	28.6	-378.6	-511.9	-0.1%	-4,626.0	4,085.6	-35.0	63.6	
20	3,447	38,519.3	330.5	95.3	37,141.0	423.8	0.1%	-6,973.6	7,304.2	-161.4	256.7	
21	402	12,779.9	-22.4	-20.6	11,477.4	-1.8	-0.0%	-536.0	513.6	-1.8	22.4	
22	442	896.8	124.4	-59.5	741.1	64.9	0.0%	-2,379.6	2,504.0	-183.2	123.6	
23a	14,162	20,718.9	-47,936.2	-7,664.6	.	-55,600.8	-7.9%	-60,937.6	13,001.5	-9,846.1	2,181.4	
23b	4,261	.	46,533.7	9,698.4	23,973.0	56,232.0	8.0%	-470.3	47,003.9	-427.6	10,126.0	
23c	2,108	.	-14,335.5	-1,603.5	-6,401.3	-15,939.1	-2.3%	-15,186.5	850.9	-2,355.6	752.0	
23d	15,121	.	25,250.5	1,549.6	9,182.5	26,800.1	3.8%	-15,424.0	40,674.5	-598.7	2,148.3	
23e	740	.	-2,757.7	-434.0	-1,524.0	-3,191.7	-0.5%	-3,193.1	435.4	-455.5	21.5	
23f	239	.	-1,169.8	-5,664.4	-4,897.0	-6,834.2	-1.0%	-1,195.8	26.0	-5,668.4	4.0	
23g	2,140	.	2,942.9	642.2	2,015.9	3,585.1	0.5%	-729.6	3,672.5	-68.3	710.5	
24	1,575	.	13,612.3	3,507.6	7,074.4	17,119.9	2.4%	-56.1	13,668.3	-93.1	3,600.7	
25	1,388	.	-5,746.5	-2,521.4	-3,155.4	-8,267.8	-1.2%	-5,783.2	36.7	-2,521.5	0.1	
26	14,497	1,015,960.7	-58,383.5	-58,508.3	1,220,265.9	-116,891.9	-16.5%	-107,092.2	48,706.7	-84,291.2	25,782.9	
**			-274,952.5	6,252.1	-51,685.1	-138,213.0	-6.4%	-356,810.5	363,062.6	-232,156.2	180,471.2	
**			-6,187.5	504.9	-982.7	-166,826.7	-0.1%	-11.6	516.5	-1,055.3	72.6	
27	27,584	-281,140.0	6,757.0	-52,667.7	-305,039.8	-45,910.7	-6.5%	-356,822.1	363,579.1	-233,211.5	180,543.8	
28	29,712	-1,210,065.5	-80,836.9	186,738.5	-1,162,577.4	.						
**			.	.	.	-85,768.9	-12.1%	-317,180.6	229,258.7	-94,585.8	96,738.8	
29	17,857	1,685,039.8	.	.	1,684,843.3	.						
**			-74,079.9	134,070.8	217,226.2	.						
**			321,587.0	-421.8	383.7	-38.1	-0.0%	-447.9	26.2	-176.7	560.4	
30	30,430	515,421.2	-74,501.6	134,454.5	575,374.5	.						
>>		191,670.4	-7,085.0	-184,585.4	.	.						
>>		707,091.6	-81,586.6	-50,130.9	575,374.5	-131,717.5	-18.6%	-67,445.6	592,864.0	-327,973.9	277,842.9	
>>		100.0%	-11.5%	-7.1%	81.4%	-18.6%		-95.4%	83.8%	-46.4%	39.3%	

**Table 7. Aggregate 2004 Schedule M-3 Data for U.S. Corporations With Reconcilable Data**

Dollar amounts in millions. Table amounts may not add due to rounding. Advance file data. Values may differ from Final file and official SOI Publication 16 values.

Panel 3 of 3											
Part III EXPENSE ITEMS (sign matches Part II)											
	Freq	Col A	Col B	Col C	Col D	Tot Diff	%PTB	Neg B	Pos B	Neg C	Pos C
01	21,819	-74,494.5	6,743.7	170,644.9	.	177,388.7	25.1%	-522.2	7,266.0	-15,952.1	186,597.0
02	9,701	-7,934.4	341.2	13,940.5	.	14,281.7	2.0%	-3,025.2	3,366.4	-29,138.6	43,079.1
03	16,855	-10,013.0	986.2	-649.0	-9,934.4	337.1	0.0%	-4,217.0	5,203.2	-2,878.1	2,229.1
04	4,967	-144.5	-405.7	42.9	-362.8	-568.2	0.1%	-2,942.5	2,536.8	-1,394.0	1,436.9
05	1,342	-3,291.2	620.4	14,967.8	-272.2	15,588.2	2.2%	-224.6	845.0	-803.5	15,771.3
06	281	-103.4	-107.9	190.3	.	82.4	0.0%	-234.3	126.4	-753.8	944.1
07	924	-661.2	-158.3	2,474.8	-200.5	2,316.5	0.3%	-220.8	62.5	-209.3	2,684.1
08	1,448	.	-379.1	-5,924.7	-3,117.8	-6,303.8	-0.9%	-764.1	385.0	-6,161.4	236.7
09	<b>3,078</b>	<b>-1,948.4</b>	<b>-1,692.0</b>	<b>-38,737.9</b>	<b>-17,045.4</b>	<b>-40,430.0</b>	<b>-5.7%</b>	<b>-4,823.6</b>	<b>3,131.6</b>	<b>-39,061.9</b>	<b>324.0</b>
10	1,921	-5,251.7	1,691.0	-4,544.1	-6,631.7	-2,853.1	-0.4%	-2,138.2	3,829.2	-5,306.7	762.6
11	25,384	-6,585.8	17.1	5,637.0	-3,763.9	5,654.1	0.8%	-14.4	31.5	-21.5	5,658.5
12	8,037	-948.6	75.4	2,084.4	-93.8	2,159.8	0.3%	-1.2	76.6	-31.0	2,115.4
13	68	-54.8	991.4	26.3	-4.4	1,017.7	0.1%	-7.6	999.0	0.0	26.3
14	47	-20.1	6.7	103.6	-5.7	110.3	0.0%	-6.6	13.3	-9.2	112.8
15	776	-3,433.8	37.9	1,187.3	-3,607.4	1,225.2	0.2%	-22.4	60.3	-30.3	1,217.6
16	<b>10,189</b>	<b>-22,284.8</b>	<b>-16,505.2</b>	<b>-1,466.8</b>	<b>-27,560.3</b>	<b>-17,972.0</b>	<b>-2.5%</b>	<b>-26,725.4</b>	<b>10,220.1</b>	<b>-1,631.0</b>	<b>164.2</b>
17	7,473	-12,619.7	3,594.7	-1,808.3	-10,406.0	1,786.4	0.3%	-4,519.8	8,114.5	-1,828.6	20.3
18	5,925	-23,100.9	4,135.5	-189.5	-21,119.6	3,946.0	0.6%	-3,138.2	7,273.8	-470.5	281.0
19	12,645	-3,112.2	110.0	-999.8	-3,566.5	-889.7	-0.1%	-271.2	381.2	-1,066.9	67.2
20	316	-137.5	-48.4	-78.1	-170.3	-126.5	-0.0%	-53.4	5.0	-80.2	2.1
21	8,219	1,150.8	526.6	725.5	1,677.4	1,677.4	0.2%	-77.0	1,227.7	-2.8	529.4
22	2,204	.	-667.0	-201.8	-234.3	-868.8	-0.1%	-673.4	6.5	-202.0	0.3
23	130	-52.7	-77.1	23.9	-68.0	-53.2	-0.0%	-125.0	47.8	-80.5	104.5
24	501	-511.6	97.5	375.8	-318.1	473.2	0.1%	-139.4	236.9	-21.5	397.2
25	536	-1,059.2	414.9	191.4	-691.8	606.3	0.1%	-734.4	1,149.3	-415.0	606.4
26	5,414	-9,042.5	-11,107.4	9,179.0	-8,708.4	-1,928.3	-0.3%	-15,501.9	4,394.6	-1,270.4	10,449.5
27	3,985	-1,175.9	-450.9	181.4	-1,649.6	-269.5	-0.0%	-1,814.5	1,363.6	-93.0	274.4
28	<b>12,630</b>	<b>-33,365.5</b>	<b>31,065.8</b>	<b>19,799.2</b>	<b>-24,259.1</b>	<b>50,865.0</b>	<b>7.5%</b>	<b>-18,026.2</b>	<b>49,092.0</b>	<b>-2,409.3</b>	<b>22,208.5</b>
29	197	-183.5	379.1	-0.6	-202.4	378.5	0.1%	-288.8	667.9	-1.3	0.7
30	857	-4,193.3	2,098.6	-2,123.3	-4,526.2	-24.7	-0.0%	-2,729.3	4,828.0	-2,216.7	93.3
31	<b>26,444</b>	<b>-112,574.6</b>	<b>-113,162.3</b>	<b>384.4</b>	<b>-164,418.0</b>	<b>-112,777.9</b>	<b>-15.9%</b>	<b>-130,439.3</b>	<b>17,277.0</b>	<b>-191.7</b>	<b>576.1</b>
32	18,403	-25,844.7	-6,903.4	-731.1	-28,487.6	-7,634.5	-1.1%	-16,813.5	9,910.1	-883.0	151.9
33	5,731	-126.2	-18.5	-356.6	-156.8	-375.1	-0.1%	-106.7	88.2	-814.7	458.1
34	481	-684.4	-634.0	-82.3	-1,286.5	-716.3	-0.1%	-1,226.7	592.7	-82.7	0.4
35	24,814	-845,230.1	17,012.0	2,462.7	-820,096.0	19,474.7	2.8%	-77,944.5	94,956.6	-24,148.3	26,611.0
**	.	-1,210,184.8	-80,747.4	186,530.4	-1,161,877.3	105,783.1	15.0%	-320,513.4	239,766.1	-139,661.6	326,192.1
**	.	-2,890.8	-89.6	207.9	-4,310.4	118.4	0.0%	-214.6	125.0	-14.9	222.8
36	29,709	-1,213,075.6	-80,836.9	186,738.4	-1,166,187.7	105,901.5	15.0%	-320,728.0	239,891.1	-139,676.5	326,414.9
>>	.	82,428.9	-7,085.0	-184,585.4	.	-191,670.4	-27.1%	3,547.4	-10,632.4	45,090.7	-229,676.1
>>	.	-1,130,646.7	-87,921.9	2,153.0	-1,166,187.7	-85,768.9	-12.1%	-317,180.6	229,258.7	-94,585.8	96,738.8

**Table 8. Aggregate 2004 Schedule M-3 Data for U.S. Corporations With Reconcilable Data: SEC 10-K Financial Statement**

Dollar amounts in millions. Table amounts may not add due to rounding. Advance file data. Values may differ from Final file and official SOI Publication 16 values.

Panel 1 of 3

		Population Overview					
	Returns					4,195	
	Total Assets					22,287,327.5	
	Tax Less Credits					105,532.6	
	Tax Net Income					394,570.1	
	Estimated ICD					48,046.4	
	Other SOI Adjustments					-254.6	
	Part II Line 30 Col A					442,361.9	
	Tax Exempt Interest					6,784.3	
Part I FINANCIAL STATEMENT DATA							
		Freq	Income	Neg	Pos	% Book Income	Neg Pos
4	Worldwide consolidated net income (loss)	4,167	440,912.2	-107,320.9	548,233.1	106.5%	132.4%
5	Income(loss) from nonincludible foreign entities	1,806	-194,944.9	-291,284.4	96,339.5	-47.1%	23.3%
6	Income(loss) from nonincludible U.S. entities	786	-78,759.1	-114,417.4	35,658.3	-19.0%	8.6%
7	Income(loss) of other includible corporations	124	2,035.7	-1,609.8	3,645.4	0.5%	0.9%
8	Adjust consolidation eliminations (because of lines 5-7)	858	177,382.9	-14,217.9	191,600.9	42.8%	46.3%
9	Adjust book year to tax year	160	5,393.5	-1,664.1	7,057.5	1.3%	1.7%
10	Other adjustments	607	63,287.1	-14,191.1	77,478.2	15.3%	18.7%
**	Entered on line 11 only (Books and Records)	27	46.3	-188.8	235.1	0.0%	0.1%
**	SUBTOTAL	.	415,353.6			100.3%	
**	Amount to Reconcile	.	-1,228.8			-0.3%	
11	Net income per income statement of includible corporations	4,195	414,124.8	-109,509.4	523,634.3	100.0%	
**	Amount to Reconcile	.	-0.6			-0.0%	
**	Net income per Part II Line 30 Column A	.	414,124.2			74.7%	
**	Reverse Federal tax expense	.	140,256.1			25.3%	
**	Pretax book Income	.	554,380.3			100.0%	
**	Temporary difference before Federal tax expense	.	-77,512.0	-440,975.3	363,463.4	-14.0%	65.6%
**	Permanent difference before Federal tax expense	.	-34,506.9	-252,166.1	217,659.1	-6.2%	39.3%
**	Net tax income per Part II Line 30 Column D	.	442,361.9			79.8%	
**	SOI removed ICD	.	-48,046.4			-8.7%	
**	Other SOI adjustments	.	254.6			0.0%	
**	Tax net income reported by SOI	.	394,570.1			71.2%	



**Table 8. Aggregate 2004 Schedule M-3 Data for U.S. Corporations With Reconcilable Data: SEC 10-K Financial Statement**

Dollar amounts in millions. Table amounts may not add due to rounding. Advance file data. Values may differ from Final file and official SOI Publication 16 values.

Panel 2 of 3													
Part II INCOME ITEMS													
	Freq	Col A	Col B	Col C	Col D	Tot Diff	%PTB	Neg B	Pos B	Neg C	Pos C		
01		Income (loss) from equity method foreign corporations	332	4,694.4	-4,222.9	-4,005.9	.	-8,228.8	-1.5%	-4,363.3	140.4	-5,494.8	1,489.0
02		Gross foreign dividends not previously taxed	458	6,059.9	4,032.4	9,767.3	11,959.3	13,819.7	2.5%	-1,381.7	5,434.1	-6,680.0	16,447.3
03		Subpart F, QEF, and similar income inclusions	650	.	7,587.5	23,343.3	7,602.6	30,930.8	5.6%	-6.2	7,593.7	-33.6	23,376.9
04		Section 78 gross-up	458	.	723.7	24,140.8	7,650.7	24,864.5	4.5%	0.0	723.7	-0.3	24,141.2
05		Gross foreign distributions previously taxed	131	2,393.5	-4,995.2	-123.3	7,345.8	-17,341.0	-3.1%	-4,996.5	1.3	-12,470.6	124.8
06		Income (loss) from equity method U.S. corporations	486	24,863.4	-7,737.9	-27,135.2	.	-34,873.1	-6.3%	-9,205.1	1,467.2	-31,973.3	4,838.1
07		U.S. dividends not eliminated in tax consolidation	1,026	6,811.1	2,159.3	23,912.6	10,826.6	26,071.9	4.7%	-2,403.6	4,562.9	-9,429.3	33,341.8
08		Minority interest for includible corporations	164	-206.0	28.2	114.6	.	142.8	0.0%	-73.6	101.7	-293.7	408.3
09		Income (loss) from U.S. partnerships	1,481	9,653.7	8,225.7	7,753.6	16,432.5	15,979.3	2.9%	-13,491.5	21,717.2	-1,351.0	9,104.6
10		Income (loss) from foreign partnerships	261	954.4	-56.8	1,841.9	1,841.9	1,377.7	0.0%	-1,815.2	1,758.4	-287.6	482.1
11		Income (loss) from other pass-through entities	293	290.8	-927.3	-274.6	-810.4	-1,201.9	-0.2%	-1,293.1	365.8	-408.1	133.5
12		Items relating to reportable transactions	213	3,077.6	-27,720.1	-1,130.5	-1,757.9	-34,850.6	-6.3%	-28,229.3	509.2	-8,032.3	901.8
13		Interest income	2,833	169,027.1	-2,275.6	-7,694.3	164,564.1	-9,970.0	-1.8%	-7,992.1	5,716.5	-8,481.4	787.0
14		Total accrual to cash adjustment	47	-916.7	-59.0	-7.8	-2,593.9	-66.8	-0.0%	-82.8	23.8	-7.8	0.0
15		Hedging transactions	333	-5,953.7	-2,163.5	-225.0	-3,378.6	-2,388.5	-0.4%	-5,685.5	3,522.0	-388.0	163.0
16		Mark-to-market income (loss)	311	8,342.2	257.5	-864.2	2,125.5	-606.7	-0.1%	-2,723.0	2,980.5	-1,003.9	139.6
17		Inventory valuation adjustments	1,798	-890,042.8	2,056.7	-876.3	-880,017.4	1,180.4	0.2%	-8,903.8	10,960.5	-3,003.1	2,126.8
18		Sale versus lease (for sellers and/or lessors)	121	1,922.3	25,720.5	-187	8,845.1	25,701.8	4.6%	-629.4	26,350.0	-18.7	0.0
19		Section 481(a) adjustments	659	.	-342.3	1.7	-422.9	-340.6	-0.1%	-3,423.9	3,081.6	-3.3	5.0
20		Unearned/deferred revenue	1,304	21,446.8	-260.2	135.5	19,843.6	-124.7	-0.0%	-5,481.8	5,221.5	-116.7	252.2
21		Income recognition from long-term contracts	77	5,127.7	-8.0	5,124.4	643.0	-7.1	-0.0%	-358.1	350.1	-0.7	1.5
22		Original issue discount and other imputed interest	182	820.9	-184.8	-19.2	643.0	-204.0	-0.0%	-1,801.1	1,616.4	-59.9	40.7
23a		Book disposition of assets other than inventory	2,800	10,142.1	-35,775.3	-1,251.9	.	-37,027.1	-6.7%	-43,315.4	7,540.1	-2,629.0	1,377.2
23b		Gross capital gains Sch. D, excluding flow-through	1,149	.	34,884.2	5,007.0	14,598.6	39,891.1	7.2%	-188.5	35,072.7	-284.0	5,291.0
23c		Gross capital loss Sch. D, excluding flow-through	564	.	-8,593.8	-1,571.4	-2,682.0	-10,165.2	-1.8%	-8,992.8	398.9	-1,828.9	257.5
23d		Net gain/loss reported on Form 4797, line 17	3,061	.	15,096.2	989.1	5,677.2	16,085.2	2.9%	-9,241.3	24,337.4	-322.6	1,311.6
23e		Abandonment losses	270	.	-2,188.4	-361.3	-1,296.2	-2,549.6	-0.5%	-2,566.0	377.6	-367.2	6.0
23f		Worthless stock losses	104	.	-795.0	-5,306.3	-4,415.5	-6,101.3	-1.1%	-817.4	22.4	-5,306.3	0.0
23g		Other dispositions excluding inventory	372	.	1,118.0	95.8	555.6	1,213.8	0.2%	-308.2	1,426.2	-30.6	126.5
24		Disallowed capital loss in excess of capital gains	420	.	8,642.1	1,488.5	1,823.2	10,130.6	1.8%	-14.0	8,656.1	-93.0	1,581.5
25		Utilization of capital loss carryforward	304	.	-4,102.6	-1,373.6	-1,954.1	-5,476.2	-1.0%	-4,138.6	36.0	-1,373.6	0.0
26		Other income (loss) items with differences	2,827	691,044.5	-8,769.4	-49,598.6	712,433.9	-58,568.0	-10.5%	-42,632.7	33,863.3	-68,835.7	19,237.1
**		SUBTOTAL	.	69,553.0	-626.1	-23,115.2	93,095.6	-23,741.3	-4.3%	-216,555.3	215,929.3	-170,609.0	147,493.8
**		Amount to Reconcile	.	36,965.4	478.6	-998.3	20,880.1	-519.7	-0.1%	-4.0	482.6	-1,054.1	55.8
27		Total income items (combine lines 1 thru 26)	4,100	106,518.4	-147.5	-24,113.5	113,975.7	-24,261.0	-4.4%	-216,559.4	216,411.9	-171,663.1	147,549.6
28		Total expense items (from Part III line 36)	4,185	-771,234.9	-73,443.4	125,920.0	-761,390.9	.	.	.	.	.	.
**		Expense before Federal tax expense	.	.	.	.	.	-87,779.7	-15.8%	-224,090.8	147,045.4	-80,328.4	69,594.1
29		Other items with no differences	2,177	808,198.0	.	.	808,118.5	.	.	.	.	.	.
**		SUBTOTAL	.	143,481.5	-73,590.9	101,806.5	160,703.3	.	.	.	.	.	.
**		Amount to Reconcile	.	270,642.7	-319.1	340.8	281,658.6	21.7	0.0%	-325.2	6.1	-174.5	515.3
30		Reconciliation totals (combine lines 27-29)	4,195	414,124.2	-73,910.0	102,147.3	442,361.9	.	.	.	.	.	.
>>		Reverse federal income tax expense	.	140,256.1	-3,602.0	-136,654.1	.	.	.	.	.	.	.
>>		Pretax book income and M-3 differences	.	554,380.3	-77,512.0	-34,506.9	442,361.9	-112,018.8	-20.2%	-440,975.3	363,463.4	-252,166.1	217,659.1
>>		Percent of Pretax book	.	100.0%	-14.0%	-6.2%	79.8%	-20.3%	-79.5%	65.6%	-45.5%	39.3%	

**Table 8. Aggregate 2004 Schedule M-3 Data for U.S. Corporations With Reconcilable Data: SEC 10-K Financial Statement**

Dollar amounts in millions. Table amounts may not add due to rounding. Advance file data. Values may differ from Final file and official SOI Publication 16 values.

Panel 3 of 3										
Part III EXPENSE ITEMS (sign matches Part II)										
	Col A	Col B	Col C	Col D	Tot Diff	%PTB	Neg B	Pos B	Neg C	Pos C
01	3,230	-52,175.7	1,937.3	127,281.2	129,218.5	23.3%	-276.6	2,213.9	-10,711.2	137,992.3
02	1,628	-4,765.7	1,664.7	9,373.0	11,037.7	2.0%	-346.3	2,010.9	-22,267.1	31,640.1
03	2,935	-5,935.5	1,349.3	-952.2	-5,869.5	0.1%	-2,730.8	4,080.1	-2,385.7	1,433.5
04	1,106	110.7	-599.9	-194.1	-794.0	-0.1%	-2,347.9	1,748.0	-1,106.3	912.2
05	611	-2,676.7	253.6	13,207.2	13,460.8	2.4%	-194.1	447.7	-426.9	13,634.1
06	165	-159.4	-175.4	302.0	126.6	0.0%	-221.6	46.2	-564.7	866.7
07	400	-478.5	-168.7	2,294.0	2,125.3	0.4%	-212.9	44.2	-191.0	2,485.0
08	1,115	-389.1	-389.1	-5,632.8	-6,021.9	-1.1%	-657.5	268.4	-5,811.2	178.4
09	2,193	-1,598.1	-2,069.3	-36,303.9	-38,373.1	-6.9%	-4,472.7	2,403.5	-36,577.3	273.4
10	1,274	-4,340.3	1,591.0	-3,953.9	-2,362.8	-0.4%	-1,704.3	3,295.3	-4,634.1	680.2
11	4,013	-3,532.0	-5.0	3,430.2	0.6%	0.0%	-13.1	8.1	-19.3	3,454.5
12	1,887	-621.5	45.2	1,719.0	1,764.2	0.3%	-0.8	46.0	-18.4	1,737.3
13	29	-26.1	873.5	1.0	874.5	0.2%	-1.5	875.0	0.0	1.0
14	29	-3.7	6.8	38.2	44.9	0.0%	-6.5	13.3	0.0	38.2
15	606	-2,269.6	39.3	1,158.1	1,197.4	0.2%	-12.6	51.9	-30.3	1,188.5
16	1,883	-14,211.7	-14,273.0	-1,407.8	-15,680.8	-2.8%	-22,276.4	8,003.3	-1,527.9	120.1
17	1,235	-6,905.3	2,277.8	-1,478.6	799.2	0.1%	-3,841.6	6,119.4	-1,484.8	6.2
18	1,835	-14,705.6	2,338.1	-13,468.7	2,144.4	0.4%	-2,392.1	4,730.3	-403.2	209.5
19	2,233	-1,939.3	29.0	-819.3	-790.4	-0.1%	-221.9	250.8	-867.7	48.3
20	69	-76.0	-46.4	-113.8	-111.8	-0.0%	-46.9	0.4	-66.0	0.7
21	1,348	756.8	350.9	375.7	1,107.7	0.2%	-61.2	818.0	-1.8	352.7
22	333	-426.3	-69.3	-113.3	-495.6	-0.1%	-427.6	1.3	-69.3	0.1
23	69	-27.9	-34.4	-42.8	-31.7	-0.0%	-72.0	37.6	-55.2	57.9
24	224	-380.9	63.6	273.0	-270.9	0.1%	-117.7	181.3	-12.2	285.3
25	245	-826.7	330.4	195.6	526.0	0.1%	-477.1	807.5	-45.7	241.3
26	1,673	-2,512.5	-8,499.1	3,233.7	-4,985.8	-0.9%	-10,641.7	2,142.6	-991.1	4,224.8
27	1,108	-630.5	-2,644.5	45.0	-747.6	-0.0%	-914.9	650.4	-52.0	97.0
28	2,868	-23,272.7	27,856.2	18,460.6	46,316.8	8.4%	-12,604.4	40,460.6	-2,216.9	20,677.4
29	98	-130.4	376.1	-1.2	140.8	0.1%	-231.2	607.4	-1.3	0.1
30	214	-2,039.8	1,286.0	-1,140.4	-2,547.6	0.0%	-2,106.0	3,392.0	-1,204.1	63.7
31	4,068	-72,259.3	-74,744.6	363.1	-101,065.9	-13.4%	-86,452.4	11,707.8	-118.7	481.8
32	3,514	-17,505.2	-3,223.0	-254.0	-19,077.7	-0.6%	-9,191.5	5,968.5	-324.2	70.1
33	958	43.0	3.7	-458.0	-66.8	-0.1%	-34.0	37.7	-713.6	255.5
34	206	-394.4	-489.9	-65.7	-814.4	-0.1%	-886.5	396.5	-66.0	0.3
35	4,066	-535,349.5	-11,006.3	-3,030.0	-541,159.6	-2.5%	-58,306.8	47,300.5	-18,341.5	15,311.4
**		-771,596.9	-73,336.9	125,713.2	-762,026.9	9.4%	-224,503.1	151,166.2	-113,306.6	239,019.8
**		-3,883.7	-106.5	206.7	-3,472.8	0.0%	-210.5	104.0	-0.1	206.7
36	4,185	-775,480.6	-73,443.4	125,919.9	-765,497.7	9.5%	-224,713.7	151,270.2	-113,306.6	239,226.5
>>		56,941.5	-3,602.0	-136,654.1	-140,256.1	-25.3%	622.9	-4,224.9	32,978.2	-169,632.4
>>		-718,539.1	-77,045.4	-10,734.3	-765,499.7	-15.8%	-224,090.8	147,045.4	-80,328.4	69,594.1

**Table 9. Aggregate 2004 Schedule M-3 Data for U.S. Corporations With Reconcilable Data: Audited Financial Statement (Not SEC 10-K)**

Dollar amounts in millions. Table amounts may not add due to rounding. Advance file data. Values may differ from Final file and official SOI Publication 16 values.

Panel 1 of 3

Population Overview									
	Returns								13,544
Total Assets									5,695,533.2
Tax Less Credits									29,138.8
Tax Net Income									85,210.9
Estimated ICD									1,610.0
Other SOI Adjustments									-50.6
Part II Line 30 Col A									86,770.3
Tax Exempt Interest									1,958.0
Part I FINANCIAL STATEMENT DATA									
	Freq	Income	Neg	Pos	% Book Income	Neg	Pos		
4 Worldwide consolidated net income (loss)	13,344	82,208.8	-27,883.3	110,092.1	93.6%	-31.8%	125.4%		
5 Income(loss) from nonincludible foreign entities	1,501	-8,360.4	-12,267.3	3,906.8	-9.5%	-14.0%	4.5%		
6 Income(loss) from nonincludible U.S. entities	713	-10,407.7	-13,196.4	2,788.7	-11.9%	-15.0%	3.2%		
7 Income(loss) of other includible corporations	170	691.1	-801.4	1,492.5	0.8%	-0.9%	1.7%		
8 Adjust consolidation eliminations (because of lines 5-7)	705	6,592.1	-1,040.3	7,632.3	7.5%	-1.2%	8.7%		
9 Adjust book year to tax year	200	666.8	-165.4	832.2	0.8%	-0.2%	0.9%		
10 Other adjustments	540	16,282.1	-1,036.2	17,318.3	18.5%	-1.2%	19.7%		
** Entered on line 11 only (Books and Records)	183	130.3	-221.8	352.1	0.1%	-0.3%	0.4%		
** SUBTOTAL	.	87,803.0			100.0%				
** Amount to Reconcile	.	-16.8			-0.0%				
11 Net income per income statement of includible corporations	13,544	87,786.2	-27,913.8	115,700.0	100.0%				
** Amount to Reconcile	.	0.0			0.0%				
** Net income per Part II Line 30 Column A	.	87,786.2			72.5%				
** Reverse Federal tax expense	.	33,234.2			27.5%				
** Pretax book Income	.	121,020.4			100.0%				
** Temporary difference before Federal tax expense	.	-14,870.4	-145,931.5	131,061.1	-12.3%	-120.6%	108.3%		
** Permanent difference before Federal tax expense	.	-19,379.7	-46,452.9	27,073.1	-16.0%	-38.4%	22.4%		
** Net tax income per Part II Line 30 Column D	.	86,770.3			71.7%				
** SOI removed ICD	.	-1,610.0			-1.3%				
** Other SOI adjustments	.	50.6			0.0%				
** Tax net income reported by SOI	.	85,210.9			70.4%				

**Table 9. Aggregate 2004 Schedule M-3 Data for U.S. Corporations With Reconcilable Data: Audited Financial Statement (Not SEC 10-K)**

Dollar amounts in millions. Table amounts may not add due to rounding. Advance file data. Values may differ from Final file and official SOI Publication 16 values.

Panel 2 of 3												
	Part II INCOME ITEMS	Freq	Col A	Col B	Col C	Col D	Tot Diff	%PTB	Neg B	Pos B	Neg C	Pos C
01	Income (loss) from equity method foreign corporations	357	323.2	-230.9	-238.6	.	-469.5	-0.4%	-283.3	52.4	-382.2	143.6
02	Gross foreign dividends not previously taxed	342	1,266.4	-630.5	1,093.6	849.6	463.1	0.4%	-881.1	250.7	-58.8	1,152.3
03	Subpart F, QEF, and similar income inclusions	240	.	437.0	799.5	327.5	1,236.4	1.0%	-13.9	450.8	-1.8	801.2
04	Section 78 gross-up	247	.	123.3	771.6	244.1	894.9	0.7%	0.0	123.3	0.0	771.6
05	Gross foreign distributions previously taxed	51	72.1	-16.7	-98.9	-26.9	-115.6	-0.1%	-104.8	88.0	-117.2	18.3
06	Income (loss) from equity method U.S. corporations	670	5,672.2	-1,401.9	-4,210.3	.	-5,612.2	-4.6%	-1,701.6	299.7	-4,628.3	418.0
07	U.S. dividends not eliminated in tax consolidation	2,272	16,587.4	888.3	-13,924.5	3,020.9	-13,036.2	-10.8%	-528.1	1,416.4	-14,780.8	856.3
08	Minority interest for includible corporations	187	-134.1	23.5	483.8	.	507.4	0.4%	-8.1	31.6	-11.0	494.9
09	<b>Income (loss) from U.S. partnerships</b>	<b>2,436</b>	<b>5,442.3</b>	<b>2,235.0</b>	<b>115.4</b>	<b>6,682.8</b>	<b>2,350.4</b>	<b>1.9%</b>	<b>-3,588.1</b>	<b>5,823.1</b>	<b>-787.5</b>	<b>902.8</b>
10	Income (loss) from foreign partnerships	151	25.3	1,132.4	3.1	3.4	1,135.5	0.9%	-451.2	1,583.7	-69.9	72.9
11	Income (loss) from other pass-through entities	375	194.0	75.4	-40.3	134.0	35.1	0.0%	-168.9	244.3	-57.4	17.1
12	<b>Items relating to reportable transactions</b>	<b>104</b>	<b>-1,114.2</b>	<b>-4,118.4</b>	<b>-394.6</b>	<b>-1,323.0</b>	<b>-4,512.9</b>	<b>-3.7%</b>	<b>-4,566.7</b>	<b>448.3</b>	<b>-394.9</b>	<b>0.4</b>
13	<b>Interest income</b>	<b>7,552</b>	<b>85,943.4</b>	<b>939.1</b>	<b>-2,108.2</b>	<b>43,078.5</b>	<b>-1,169.1</b>	<b>-1.0%</b>	<b>-758.5</b>	<b>1,697.6</b>	<b>-2,130.1</b>	<b>21.9</b>
14	Total accrual to cash adjustment	418	949.6	275.0	13.3	1,195.0	288.2	0.2%	-130.5	405.4	-1.8	15.1
15	Hedging transactions	260	-721.7	727.6	9.7	-787.5	737.3	0.6%	-875.8	1,603.4	-1.3	11.0
16	Mark-to-market income (loss)	353	-428.7	-37.9	5.1	-3,099.2	-32.8	-0.0%	-1,413.3	1,375.4	-4.1	9.2
17	<b>Inventory valuation adjustments</b>	<b>4,780</b>	<b>-625,669.1</b>	<b>44,965.9</b>	<b>-365.0</b>	<b>-635,666.4</b>	<b>44,600.9</b>	<b>36.9%</b>	<b>-4,028.3</b>	<b>48,994.2</b>	<b>-510.9</b>	<b>145.8</b>
18	<b>Sale versus lease (for sellers and/or lessors)</b>	<b>130</b>	<b>2,231.6</b>	<b>3,519.7</b>	<b>-1,750.4</b>	<b>5,100.0</b>	<b>1,769.3</b>	<b>1.5%</b>	<b>-276.0</b>	<b>3,795.7</b>	<b>-1,751.0</b>	<b>0.7</b>
19	Section 481(a) adjustments	872	.	-333.2	-11.7	-210.7	-344.9	-0.3%	-836.9	503.7	-25.0	13.3
20	Unearned/deferred revenue	1,387	13,083.2	192.5	-8.0	13,393.9	184.5	0.2%	-810.3	1,002.8	-10.4	2.4
21	Income recognition from long-term contracts	205	6,338.1	-19.9	-20.3	5,036.6	-114.4	-0.0%	-114.4	94.6	-0.6	0.2
22	Original issue discount and other imputed interest	143	53.2	-80.2	-70.6	18.0	-150.8	-0.1%	-500.8	420.6	-87.5	16.9
23a	<b>Book disposition of assets other than inventory</b>	<b>6,496</b>	<b>4,255.9</b>	<b>-1,940.1</b>	<b>-3,253.3</b>	.	<b>-5,193.4</b>	<b>-4.3%</b>	<b>-4,777.1</b>	<b>2,837.1</b>	<b>-3,577.7</b>	<b>324.4</b>
23b	<b>Gross capital gains Sch. D, excluding flow-through</b>	<b>1,734</b>	.	<b>3,811.3</b>	<b>1,705.5</b>	<b>3,281.2</b>	<b>5,516.8</b>	<b>4.6%</b>	<b>-223.7</b>	<b>4,035.0</b>	<b>-21.0</b>	<b>1,726.5</b>
23c	Gross capital loss Sch. D, excluding flow-through	787	-2,495.4	-259.6	-2,085.1	-2,085.1	-2,755.0	-2.3%	-2,806.7	311.3	-260.5	0.9
23d	Net gain/loss reported on Form 4797, line 17	7,160	.	6,830.9	236.0	1,358.5	7,067.0	5.8%	-3,647.5	10,478.5	-143.8	379.9
23e	Abandonment losses	302	.	-419.8	-27.5	-144.6	-447.3	-0.4%	-452.6	32.7	-27.5	0.0
23f	Worthless stock losses	87	.	-165.1	-116.1	-84.6	-281.2	-0.2%	-168.2	3.1	-119.2	3.0
23g	Other dispositions excluding inventory	880	953.4	953.4	12.3	268.0	965.7	0.8%	-131.0	1,084.4	-26.2	38.5
24	Disallowed capital loss in excess of capital gains	564	.	671.7	1,516.2	1,643.9	2,188.0	1.8%	-34.5	706.2	0.0	1,516.2
25	Utilization of capital loss carryforward	536	.	-663.0	-118.5	-542.7	-781.4	-0.6%	-663.6	0.7	-118.5	0.0
26	<b>Other income (loss) items with differences</b>	<b>6,625</b>	<b>195,951.1</b>	<b>-44,114.9</b>	<b>-5,964.5</b>	<b>184,856.8</b>	<b>-50,079.4</b>	<b>-41.4%</b>	<b>-53,579.8</b>	<b>9,464.9</b>	<b>-9,114.2</b>	<b>3,149.6</b>
**	SUBTOTAL	.	-289,678.8	11,134.4	-26,195.9	-373,477.8	-15,061.5	-12.4%	-88,525.0	99,659.4	-39,220.9	13,025.0
**	Amount to Reconcile	.	-43,602.0	-5.5	0.5	14,794.2	-5.0	-0.0%	-6.2	0.7	0.0	0.5
27	Total income items (combine lines 1 thru 26)	12,490	-333,280.8	11,128.9	-26,195.5	-358,683.5	-15,066.6	-12.4%	-88,531.3	99,660.2	-39,220.9	13,025.4
28	Total expense items (from Part III line 36)	13,339	-206,129.5	-24,631.4	38,738.3	-196,617.4	.	.	.	.	.	.
**	Expense before Federal tax expense	.	.	.	.	.	-19,127.3	-15.8%	-57,279.2	31,380.9	-7,232.0	14,002.9
29	Other items with no differences	7,849	592,040.9	.	.	592,084.8	.	.	.	.	.	.
**	SUBTOTAL	.	52,630.6	-13,502.5	12,542.9	36,783.9	-56.3	-0.0%	-121.1	20.0	0.0	44.8
**	Amount to Reconcile	.	35,155.6	-101.1	44.8	49,986.4	.	.	.	.	.	.
30	Reconciliation totals (combine lines 27-29)	13,544	87,786.2	-13,603.5	12,587.6	86,770.3	.	.	.	.	.	.
>>	Reverse federal income tax expense	.	33,234.2	-1,266.9	-31,967.3	.	.	.	.	.	.	.
>>	<b>Pretax book income and M-3 differences</b>	.	<b>121,020.4</b>	<b>-14,870.4</b>	<b>-19,379.7</b>	<b>86,770.3</b>	<b>-34,250.1</b>	<b>-28.3%</b>	<b>-145,931.5</b>	<b>131,061.1</b>	<b>-46,452.9</b>	<b>27,073.1</b>
>>	<i>Percent of Pretax book</i>	.	<i>100.0%</i>	<i>-12.3%</i>	<i>-16.0%</i>	<i>71.7%</i>	<i>-28.3%</i>	<i>-120.6%</i>	<i>108.3%</i>	<i>108.3%</i>	<i>-38.4%</i>	<i>22.4%</i>



**Table 9. Aggregate 2004 Schedule M-3 Data for U.S. Corporations With Reconcilable Data: Audited Financial Statement (Not SEC 10-K)**

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Panel 3 of 3												
	Part III EXPENSE ITEMS (sign matches Part II)	Freq	Col A	Col B	Col C	Col D	Tot Diff	%PTB	Neg B	Pos B	Neg C	Pos C
01	U.S. current income tax expense	10,022	-14,757.5	810.7	29,134.4	.	29,945.1	24.7%	-156.8	967.5	-2,660.5	31,794.9
02	U.S. deferred income tax expense	5,150	-3,295.6	456.2	2,833.0	.	3,289.1	2.7%	-441.1	897.3	-3,860.7	6,693.7
03	State and local current income tax expense	7,613	-2,495.0	-105.9	118.6	-2,386.0	12.7	0.0%	-820.9	715.1	-232.9	351.4
04	State and local deferred income tax expense	2,667	-306.0	176.1	337.2	.	513.3	0.4%	-348.2	524.3	-98.6	435.8
05	Foreign current income tax expense (other than WH)	455	-380.7	34.3	1,515.6	-122.5	1,549.9	1.3%	-11.6	45.9	-323.2	1,838.8
06	Foreign deferred income tax expense	70	-131.2	6.9	-131.2	.	-124.2	-0.1%	-12.6	19.5	-144.2	13.0
07	Foreign withholding taxes	296	-63.2	2.3	69.7	-31.1	72.0	0.1%	-2.3	4.7	-8.0	77.7
08	Incentive stock options	198	.	57.7	-34.0	23.7	-46.3	0.0%	-46.3	104.0	-75.5	41.5
09	Nonqualified stock options	584	-186.7	191.1	-945.6	-364.1	-754.5	-0.6%	-142.1	333.2	-980.1	34.4
10	Other equity-based compensation	410	-217.0	-101.9	-412.5	-779.1	-514.4	-0.4%	-266.9	165.0	-455.6	43.1
11	Meals and entertainment	11,907	-1,903.8	11.4	1,304.9	-992.8	1,316.2	1.1%	-0.1	11.5	-1.5	1,306.4
12	Fines and penalties	3,373	-82.4	24.5	61.9	-8.5	86.4	0.1%	-0.4	24.9	-8.5	70.4
13	Punitive damages	23	-0.3	11.4	0.3	-5.0	11.7	0.0%	-5.0	16.5	0.0	0.3
14	Parachute payments	8	0.0	-0.1	49.3	-0.6	49.2	0.0%	-0.1	0.0	0.0	49.3
15	Compensation with section 162(m) limitation	81	-791.8	0.8	8.7	-787.5	9.5	0.0%	-2.1	2.9	0.0	8.7
16	Pension and profit-sharing	4,684	-5,150.4	-1,793.7	-21.2	-5,926.2	-1,814.9	-1.5%	-2,908.6	1,114.9	-56.7	35.5
17	Other post-retirement benefits	3,183	-3,484.9	1,132.2	-2,72.5	-2,979.5	859.7	0.7%	-237.3	1,369.5	-278.1	5.6
18	Deferred compensation	2,677	-4,921.5	1,327.9	-3.6	-4,397.4	1,324.4	1.1%	-412.1	1,740.0	-54.2	50.6
19	Charitable contribution of cash and tangible prop	5,685	-819.1	93.4	-104.1	-851.4	-10.7	-0.0%	-22.5	115.9	-116.6	12.6
20	Charitable contribution of intangible property	129	-31.5	-2.7	-10.9	-30.6	-13.6	-0.0%	-5.1	2.5	-12.0	1.0
21	Charitable contribution limitation	3,649	.	140.3	84.4	136.0	224.7	0.2%	-10.8	151.1	-0.3	84.7
22	Charitable contribution carryforward used	1,059	.	-196.2	-72.3	-97.4	-268.4	-0.2%	-197.8	1.6	-72.5	0.2
23	Current acq./reorg. investment banking fees	38	-7.4	-49.8	-10.8	-19.9	-60.6	-0.1%	-52.9	3.1	-23.8	12.9
24	Current acq./reorg. legal/accounting fees	172	-41.2	-0.8	13.3	-25.9	12.5	0.0%	-16.7	15.8	-8.6	21.9
25	Current acq./reorg. other costs	181	-81.3	10.3	-314.0	-43.1	-303.7	-0.3%	-40.7	51.0	-361.9	47.9
26	Amortization/impairment of goodwill	2,271	-4,395.9	-1,186.7	4,246.9	-1,734.2	3,060.2	2.5%	-2,296.6	1,109.9	-79.1	4,326.0
27	Amortization of acq./reorg. and startup costs	1,893	-355.2	-304.2	127.4	-523.7	-176.8	-0.1%	-563.5	259.3	-11.3	138.6
28	Other amortization or impairment write-offs	5,627	-6,266.0	3,055.2	146.9	-4,675.2	3,252.1	2.7%	-2,846.5	5,951.7	-30.2	177.0
29	Sec 198 environmental remediation costs	57	-17.6	-23.6	0.6	-42.1	-23.0	-0.0%	-37.3	13.8	0.0	0.6
30	Depletion	337	-909.1	204.7	-354.4	-1,095.4	-149.7	-0.1%	-429.9	634.6	-354.4	0.0
31	Depreciation	12,505	-24,411.8	-26,874.7	24.1	-39,612.7	-26,850.5	-22.2%	-30,069.6	3,194.9	-23.3	47.5
32	Bad debt expense	8,694	-3,929.9	-1,824.5	14.9	-3,536.8	-1,809.6	-1.5%	-4,373.0	2,548.5	-48.0	62.9
33	Corporate owned life insurance premiums	2,829	-71.0	-31.8	62.5	-17.1	30.7	0.0%	-67.0	35.2	-81.2	143.6
34	Purchase versus lease	179	-198.3	-110.1	0.1	-216.9	-109.9	-0.1%	-220.4	110.3	0.0	0.1
35	Other expense/deduct items with differences	11,727	-126,456.5	161.5	1,270.1	-125,079.9	1,431.6	1.2%	-10,808.2	10,969.7	-3,278.9	4,549.1
**	SUBTOTAL	.	-205,987.6	-24,647.5	38,737.7	-196,300.0	14,090.2	11.6%	-57,873.1	33,225.7	-13,740.3	52,478.0
**	Amount to Reconcile	.	1,127.7	16.1	0.6	-216.8	16.7	0.0%	-3.9	20.0	-12.9	13.5
36	Total expense items (combine lines 1-35)	13,337	-204,859.9	-24,631.4	38,738.3	-196,516.8	14,107.0	11.7%	-57,877.1	33,245.7	-13,753.2	52,491.5
>>	Reverse federal income tax expense	.	18,053.1	-1,266.9	-31,967.3	.	-33,234.2	-27.5%	597.9	-1,864.8	6,521.2	-38,488.6
>>	Total expense items before Federal tax expense	.	-188,806.7	-25,898.3	6,771.0	-196,516.8	-19,127.3	-15.8%	-57,279.2	31,380.9	-7,232.0	14,002.9

**Table 10. Aggregate 2004 Schedule M-3 Data for U.S. Corporations With Reconcilable Data: Columns A and D Reconcile**

Dollar amounts in millions. Table amounts may not add due to rounding. Advance file data. Values may differ from Final file and official SOI Publication 16 values.

Panel 1 of 3

Population Overview									
	Returns								15,169
	Total Assets								10,448,839.2
	Tax Less Credits								56,250.7
	Tax Net Income								164,440.6
	Estimated ICD								17,133.4
	Other SOI Adjustments								-55.2
	Part II Line 30 Col A								181,518.8
	Tax Exempt Interest								3,208.2
<b>Part I FINANCIAL STATEMENT DATA</b>									
4	Worldwide consolidated net income (loss)	12,225	192,238.2	-57,287.1	249,525.3	124.0%	-36.9%	160.9%	
5	Income(loss) from nonincludible foreign entities	1,724	-42,455.1	-65,567.5	23,112.5	-27.4%	-42.3%	14.9%	
6	Income(loss) from nonincludible U.S. entities	742	-12,765.2	-31,356.1	18,591.0	-8.2%	-20.2%	12.0%	
7	Income(loss) of other includible corporations	192	-47.6	-1,459.9	1,412.3	-0.0%	-0.9%	0.9%	
8	Adjust consolidation eliminations (because of lines 5-7)	803	25,641.6	-6,544.5	32,186.1	16.5%	-4.2%	20.8%	
9	Adjust book year to tax year	186	2,329.3	-2,771.9	2,607.2	1.5%	-0.2%	1.7%	
10	Other adjustments	612	-17,836.6	-51,375.5	33,538.9	-11.5%	-33.1%	21.6%	
**	Entered on line 11 only (Books and Records)	2,920	8,271.2	-6,248.0	14,519.2	5.3%	-4.0%	9.4%	
**	SUBTOTAL	.	153,375.9			100.2%			
**	Amount to Reconcile	.	-331.7			-0.2%			
11	Net income per income statement of includible corporations	15,169	155,044.1	-89,310.9	244,355.1	100.0%			
**	Amount to Reconcile	.	0.0			0.0%			
**	Net income per Part II Line 30 Column A	.	155,044.2			68.0%			
**	Reverse Federal tax expense	.	72,796.1			32.0%			
**	Pretax book income	.	227,840.3			100.0%			
**	Temporary difference before Federal tax expense	.	-3,807.4	-220,707.5	216,900.1	-1.7%	-96.9%	95.2%	
**	Permanent difference before Federal tax expense	.	-42,514.5	-117,658.6	75,144.0	-18.7%	-51.6%	33.0%	
**	Net tax income per Part II Line 30 Column D	.	181,518.8			79.7%			
**	SOI removed ICD	.	-17,133.4			-7.5%			
**	Other SOI adjustments	.	55.2			0.0%			
**	Tax net income reported by SOI	.	164,440.6			72.2%			

**Table 10. Aggregate 2004 Schedule M-3 Data for U.S. Corporations With Reconcilable Data: Columns A and D Reconcile**

Dollar amounts in millions. Table amounts may not add due to rounding. Advance file data. Values may differ from Final file and official SOI Publication 16 values.

Panel 2 of 3												
Part II INCOME ITEMS												
	Freq	Col A	Col B	Col C	Col D	Tot Diff	%PTB	Neg B	Pos B	Neg C	Pos C	
01	Income (loss) from equity method foreign corporations	404	4,106.2	-1,083.0	-2,872.4	.	-3,955.4	-1.7%	-1,141.4	58.3	-3,622.4	750.0
02	Gross foreign dividends not previously taxed	603	4,822.3	-92.5	3,639.7	8,530.6	3,547.1	1.6%	-881.3	788.7	-958.2	4,597.9
03	Subpart F, QEF, and similar income inclusions	442	.	1,914.9	4,168.1	6,082.7	6,083.0	2.7%	0.0	1,914.9	-15.4	4,183.5
04	Section 78 gross-up	353	.	401.0	4,237.2	4,638.2	4,638.3	2.0%	0.0	401.0	0.0	4,237.2
05	Gross foreign distributions previously taxed	88	1,024.4	-202.2	-957.7	-135.2	-1,159.9	-0.5%	-209.5	7.3	-1,087.1	129.3
06	Income (loss) from equity method U.S. corporations	880	23,244.9	-1,746.5	-21,507.8	.	-23,254.3	-10.2%	-2,354.6	608.1	-25,246.4	3,738.6
07	U.S. dividends not eliminated in tax consolidation	4,035	24,860.6	1,663.1	-11,914.3	14,610.9	-10,251.1	-4.5%	-639.4	2,302.5	-15,202.7	3,288.4
08	Minority interest for includible corporations	287	-265.5	50.9	230.7	.	281.6	0.1%	-18.5	69.4	-112.7	343.4
09	<b>Income (loss) from U.S. partnerships</b>	<b>3,408</b>	<b>15,571.4</b>	<b>7,896.3</b>	<b>1,682.2</b>	<b>25,049.8</b>	<b>9,578.5</b>	<b>4.2%</b>	<b>-462.7</b>	<b>1,550.1</b>	<b>-373.2</b>	<b>325.9</b>
10	Income (loss) from foreign partnerships	246	267.4	1,087.4	-47.4	1,410.2	1,040.0	0.5%	-462.7	1,550.1	-373.2	102.7
11	Income (loss) from other pass-through entities	424	559.4	-1,571.4	6.0	-1,006.0	-1,565.4	-0.7%	-1,828.5	257.1	-96.7	343.4
12	<b>Items relating to reportable transactions</b>	<b>177</b>	<b>2,160.0</b>	<b>-8,165.1</b>	<b>-1,593.5</b>	<b>-7,552.5</b>	<b>-9,758.6</b>	<b>-4.3%</b>	<b>-8,733.1</b>	<b>568.0</b>	<b>-2,343.2</b>	<b>749.7</b>
13	<b>Interest income</b>	<b>13,069</b>	<b>228,986.2</b>	<b>-1,998.4</b>	<b>-3,785.0</b>	<b>223,147.0</b>	<b>-5,783.4</b>	<b>-2.5%</b>	<b>-4,258.9</b>	<b>2,260.5</b>	<b>-3,929.3</b>	<b>144.3</b>
14	Total accrual to cash adjustment	465	85.3	165.5	11.2	-1,351.0	176.8	0.1%	-145.4	311.0	-1.7	13.0
15	Hedging transactions	362	-6,047.1	-769.6	63.8	-4,977.1	-705.9	-0.3%	-2,348.3	1,578.7	-5.4	69.2
16	Mark-to-market income (loss)	396	7,795.0	-544.9	-89.1	-1,045.8	-634.0	-0.3%	-1,686.5	1,141.6	-206.1	117.1
17	<b>Inventory valuation adjustments</b>	<b>6,510</b>	<b>-1,524,807.5</b>	<b>4,999.1</b>	<b>-273.5</b>	<b>-1,511,112.8</b>	<b>4,725.6</b>	<b>2.1%</b>	<b>-6,952.0</b>	<b>11,951.1</b>	<b>-903.4</b>	<b>629.9</b>
18	<b>Sale versus lease (for sellers and/or lessors)</b>	<b>157</b>	<b>3,726.8</b>	<b>10,768.5</b>	<b>13.1</b>	<b>13,903.6</b>	<b>10,781.6</b>	<b>4.7%</b>	<b>-2,132.2</b>	<b>10,981.7</b>	<b>0.0</b>	<b>13.1</b>
19	Section 481(a) adjustments	919	.	-352.0	-2.5	-376.7	-354.5	-0.2%	-2,114.8	1,762.8	-18.9	16.4
20	Unearned/deferred revenue	1,334	33,661.6	-196.6	198.2	33,648.7	1.6	0.0%	-2,774.7	2,578.1	-10.4	208.6
21	Income recognition from long-term contracts	196	8,974.1	70.8	0.0%	9,040.8	70.6	0.0%	-179.3	250.1	-0.3	0.1
22	Original issue discount and other imputed interest	163	106.0	126.4	18.1	216.4	144.4	0.1%	-185.5	311.9	-12.2	30.3
23a	<b>Book disposition of assets other than inventory</b>	<b>9,114</b>	<b>19,904.6</b>	<b>-14,940.9</b>	<b>-4,789.3</b>	.	<b>-19,730.1</b>	<b>-8.7%</b>	<b>-20,287.9</b>	<b>5,347.1</b>	<b>-5,816.2</b>	<b>1,026.9</b>
23b	<b>Gross capital gains Sch. D, excluding flow-through</b>	<b>2,584</b>	.	<b>17,336.4</b>	<b>2,292.8</b>	<b>19,973.7</b>	<b>19,629.3</b>	<b>8.6%</b>	<b>-175.0</b>	<b>17,511.4</b>	<b>-6.6</b>	<b>2,299.5</b>
23c	Gross capital loss Sch. D, excluding flow-through	1,289	.	-5,674.6	151.5	-5,739.8	-5,523.1	-2.4%	-6,050.4	375.7	-555.9	707.4
23d	Net gain/loss reported on Form 4797, line 17	8,644	.	6,862.5	820.9	7,720.8	7,683.4	3.4%	-7,619.2	14,481.7	-193.2	1,014.1
23e	Abandonment losses	345	.	-475.0	-13.6	-479.6	-488.6	-0.2%	-519.6	44.6	-29.0	15.3
23f	Worthless stock losses	95	.	-414.5	-327.2	-737.8	-741.8	-0.3%	-417.7	3.2	-327.2	0.0
23g	Other dispositions excluding inventory	1,151	.	1,464.9	496.0	1,970.7	1,960.9	0.9%	-222.9	1,687.8	-8.7	504.7
24	Disallowed capital loss in excess of capital gains	784	.	4,563.8	1,986.6	6,549.7	6,550.5	2.9%	-1.9	4,565.7	-72.7	2,059.3
25	Utilization of capital loss carryforward	746	.	-2,525.4	-556.4	-3,081.0	-3,081.8	-1.4%	-2,562.0	36.6	-556.5	0.1
26	<b>Other income (loss) items with differences</b>	<b>7,987</b>	<b>784,778.2</b>	<b>-6,139.6</b>	<b>-2,013.4</b>	<b>776,589.1</b>	<b>-8,152.9</b>	<b>-3.6%</b>	<b>-22,518.8</b>	<b>16,379.2</b>	<b>-17,168.6</b>	<b>15,155.3</b>
**	SUBTOTAL	.	-366,485.6	12,479.1	-30,727.0	-384,512.7	-18,247.8	-8.0%	-104,171.8	116,650.9	-80,373.3	49,646.4
**	Amount to Reconcile	.	-15.6	28.7	7.5	-48.3	36.2	0.0%	-4.3	33.0	0.0	7.5
27	Total income items (combine lines 1 thru 26)	15,169	-366,501.2	12,507.9	-30,719.5	-384,561.0	-18,211.6	-8.0%	-104,176.1	116,683.9	-80,373.4	49,653.9
28	Total expense items (from Part III line 36)	15,169	-1,057,580.9	-13,839.5	58,525.5	-1,012,857.3	-28,110.2	-12.3%	-116,531.3	100,216.2	-37,285.0	25,489.9
**	Expense before Federal tax expense	.	.	.	.	.	.	.	.	.	.	.
29	Other items with no differences	14,759	1,579,126.2	.	.	1,578,937.1	.	.	.	.	.	.
**	SUBTOTAL	.	155,044.2	-1,331.6	27,806.0	181,518.9	-0.2	-0.0%	-0.1	0.0	-0.2	0.1
**	Amount to Reconcile	.	0.0	-0.1	0.0	0.0	-0.2	-0.0%	-0.1	0.0	-0.2	0.1
30	Reconciliation totals (combine lines 27-29)	15,169	155,044.2	-1,331.7	27,806.0	181,518.8	-0.2	-0.0%	-0.1	0.0	-0.2	0.1
>>	Reverse federal income tax expense	.	72,796.1	-2,475.6	-70,320.5	.	.	.	.	.	.	.
>>	<b>Pretax book income and M-3 differences</b>	.	<b>227,840.3</b>	<b>-3,807.4</b>	<b>-42,514.5</b>	<b>181,518.8</b>	<b>-46,321.9</b>	<b>-20.3%</b>	<b>-220,707.5</b>	<b>216,900.1</b>	<b>-117,658.6</b>	<b>75,144.0</b>
>>	<i>Percent of Pretax book</i>	.	<i>100.0%</i>	<i>-1.7%</i>	<i>-18.7%</i>	<i>79.7%</i>	<i>-20.3%</i>	<i>-96.9%</i>	<i>95.2%</i>	<i>-51.6%</i>	<i>33.0%</i>	

**Table 10. Aggregate 2004 Schedule M-3 Data for U.S. Corporations With Reconcilable Data: Columns A and D Reconcile**

Dollar amounts in millions. Table amounts may not add due to rounding. Advance file data. Values may differ from Final file and official SOI Publication 16 values.

Panel 3 of 3										
Part III EXPENSE ITEMS (sign matches Part II)										
	Col A	Col B	Col C	Col D	Tot Diff	%PTB	Neg B	Pos B	Neg C	Pos C
Freq										
01	11,490	-64,950.7	1,096.8	63,794.0	64,890.8	28.5%	-335.7	1,432.5	-5,330.1	69,124.1
02	4,679	-7,795.0	1,378.8	6,526.5	7,905.3	3.5%	-562.5	1,941.3	-8,632.6	15,159.0
03	10,381	-8,656.3	145.4	-347.0	-8,804.6	-0.1%	-1,467.6	1,613.0	-1,210.0	863.0
04	2,393	-424.1	272.9	158.7	431.6	0.2%	-716.1	989.0	-463.9	622.6
05	649	-1,641.3	124.2	1,260.5	1,384.7	0.6%	-55.2	179.4	-473.5	1,734.0
06	144	-175.8	21.9	153.9	175.9	0.1%	-11.7	33.6	-219.3	373.2
07	490	-522.9	10.2	358.4	368.7	0.2%	-31.5	41.7	-59.5	417.9
08	585	-150.5	-150.5	-3,329.8	-2,761.6	-1.1%	-292.8	142.3	-2,442.1	112.3
09	1,375	-1,828.0	-610.9	-13,403.6	-14,014.5	-6.2%	-1,839.2	1,228.3	-13,456.2	52.7
10	803	-4,908.7	82.0	-1,381.8	-6,332.8	-0.6%	-1,230.8	1,312.8	-1,527.5	145.7
11	12,958	-5,929.3	15.2	2,301.7	2,317.0	1.0%	-0.5	15.7	-1.0	2,302.7
12	3,835	-828.2	7.4	663.9	671.3	0.3%	-0.6	8.0	-5.3	669.2
13	38	-29.5	-6.1	25.2	19.1	0.0%	-6.1	0.0	0.0	25.2
14	16	-17.8	0.8	11.3	12.1	0.0%	-0.3	1.1	-9.2	20.5
15	400	-2,676.5	4.6	385.5	390.1	0.2%	-18.0	22.6	-2.9	388.5
16	7,585	-19,968.3	-3,702.0	-23,905.1	-3,955.1	-1.7%	-7,360.6	3,658.6	-3,190.0	65.9
17	6,020	-11,024.2	2,428.6	-3,555.5	2,073.1	0.9%	-757.1	3,185.8	-3,673.3	11.7
18	2,401	-22,322.8	1,932.8	-97.7	1,835.1	0.8%	-508.9	2,441.7	-213.2	115.5
19	10,157	-2,810.2	-11.1	-494.9	-3,310.8	-0.2%	-93.6	82.5	-528.4	33.5
20	233	-128.0	-29.6	-31.4	-61.1	-0.0%	-0.0%	0.8	-32.5	1.1
21	4,221	425.6	263.0	666.3	688.6	0.3%	-33.8	459.5	-0.3	263.3
22	1,181	-157.7	-43.8	-197.9	-201.5	-0.1%	-162.9	5.2	-43.9	0.1
23	66	-46.9	-17.7	5.8	-58.7	-0.0%	-27.4	9.7	-19.2	25.0
24	224	-471.6	50.0	122.9	-298.6	0.1%	-61.8	111.8	-8.8	131.8
25	222	-976.5	377.5	72.8	-530.9	0.2%	-164.2	541.8	-32.4	105.3
26	2,424	-8,396.3	-4,986.3	5,402.4	-7,877.2	0.2%	-6,558.8	1,572.5	-300.9	5,703.4
27	1,748	-1,000.6	-363.6	68.5	-1,394.2	-0.1%	-799.4	435.8	-23.9	92.4
28	7,536	-29,554.1	7,970.0	-429.1	-21,962.8	3.3%	-7,649.5	15,619.5	-2,066.6	1,637.5
29	92	-150.6	-14.9	0.6	-167.8	-0.0%	-90.6	75.7	0.0	0.6
30	463	-3,510.7	822.1	-1,216.2	-3,922.5	-0.2%	-1,082.0	1,904.1	-1,224.7	8.5
31	14,190	-97,794.7	-48,729.4	357.5	-48,371.9	-21.2%	-53,934.5	5,205.1	-58.1	415.6
32	10,230	-24,055.9	-1,338.2	-535.8	-1,874.0	-0.8%	-4,889.4	3,551.2	-597.1	61.3
33	2,657	-70.4	20.4	-30.9	-80.6	-0.0%	-29.6	50.0	-179.9	149.1
34	178	-621.5	-380.3	-65.8	-1,167.5	-0.2%	-549.3	169.0	-66.0	0.2
35	12,791	-734,288.1	29,470.4	-2,392.1	-707,104.1	1.9%	-26,076.8	55,547.2	-11,332.2	8,940.2
**		-1,057,575.5	-13,840.6	58,524.7	-1,012,812.7	19.6%	-117,429.3	103,888.8	-51,247.6	109,772.3
**		-5.0	1.1	0.7	-9.4	0.0%	-0.1	1.2	0.0	0.7
36	15,169	-1,057,580.5	-13,839.5	58,525.4	-1,012,822.2	19.6%	-117,429.5	103,590.0	-51,247.6	109,773.0
>>		72,745.7	-2,475.6	-70,320.5	-72,796.1	-32.0%	898.2	-3,373.8	13,962.6	-84,283.1
>>		-984,834.8	-16,315.1	-11,795.1	-1,012,822.2	-12.3%	-116,531.3	100,216.2	-37,285.0	25,489.9



**Table 11. Aggregate 2004 Schedule M-3 Data for U.S. Corporations With Reconcilable Data: Columns A and D Blank**

Dollar amounts in millions. Table amounts may not add due to rounding. Advance file data. Values may differ from Final file and official SOI Publication 16 values.

Panel 1 of 3									
Population Overview									
	Returns								11,681
	Total Assets								20,133,044.5
	Tax Less Credits								85,371.4
	Tax Net Income								322,707.8
	Estimated ICD								33,999.2
	Other SOI Adjustments								-124.8
	Part II Line 30 Col A								356,582.2
	Tax Exempt Interest								7,307.5
Part I FINANCIAL STATEMENT DATA									
	Freq	Income	Neg	Pos	% Book Income	Neg	Pos		
4	Worldwide consolidated net income (loss)	333,166.9	-90,679.5	423,846.5	103.4%	-28.1%	131.5%		
5	Income(loss) from nonincludible foreign entities	-145,302.0	-218,447.9	73,145.9	-45.1%	-67.8%	22.7%		
6	Income(loss) from nonincludible U.S. entities	-65,765.9	-77,648.5	11,882.6	-20.4%	-24.1%	3.7%		
7	Income(loss) of other includible corporations	3,458.2	-891.9	4,350.1	1.1%	-0.3%	1.4%		
8	Adjust consolidation eliminations (because of lines 5-7)	140,090.4	-8,014.9	148,105.3	43.5%	-2.5%	46.0%		
9	Adjust book year to tax year	4,217.7	-1,026.2	5,243.9	1.3%	-0.3%	1.6%		
10	Other adjustments	50,746.9	-10,114.6	60,861.5	15.7%	-3.1%	18.9%		
**	Entered on line 11 only (Books and Records)	1,734.6	-6,441.2	8,175.9	0.5%	-2.0%	2.5%		
**	SUBTOTAL	322,346.8			100.0%				
**	Amount to Reconcile	-132.1			-0.0%				
11	Net income per income statement of includible corporations	322,214.7	-92,672.1	414,886.8	100.0%				
**	Amount to Reconcile	-0.6			-0.0%				
**	Net income per Part II Line 30 Column A	322,214.1			75.0%				
**	Reverse Federal tax expense	107,451.5			25.0%				
**	Pretax book Income	429,665.6			100.0%				
**	Temporary difference before Federal tax expense	-68,005.9	-415,419.0	347,413.1	-15.8%	-96.7%	80.9%		
**	Permanent difference before Federal tax expense	-5,077.5	-187,066.8	181,989.3	-1.2%	-43.5%	42.4%		
**	Net tax income per Part II Line 30 Column D	356,582.2			83.0%				
**	SOI removed ICD	-33,999.2			-7.9%				
**	Other SOI adjustments	124.8			0.0%				
**	Tax net income reported by SOI	322,707.8			75.1%				

**Table 11. Aggregate 2004 Schedule M-3 Data for U.S. Corporations With Reconcilable Data: Columns A and D Blank**

Dollar amounts in millions. Table amounts may not add due to rounding. Advance file data. Values may differ from Final file and official SOI Publication 16 values.

Panel 2 of 3												
Part II INCOME ITEMS												
	Freq	Col A	Col B	Col C	Col D	Tot Diff	%PTB	Neg B	Pos B	Neg C	Pos C	
01	387	0.0	-2,235.3	-2,210.4	.	-4,445.7	-1.0%	-2,397.7	162.4	-3,109.2	898.8	
02	364	0.0	2,841.1	6,279.1	0.0	9,120.2	2.1%	-1,419.6	4,260.7	-5,871.4	12,150.4	
03	533	.	6,450.3	18,397.3	0.0	24,847.6	5.8%	-19.5	6,469.8	-17.8	18,415.1	
04	424	.	454.4	17,137.8	0.0	17,592.2	4.1%	0.0	454.4	-0.3	17,138.1	
05	106	.	-4,776.9	-10,024.1	0.0	-14,801.0	-3.4%	-4,858.9	82.0	-10,056.8	32.7	
06	613	0.0	-5,490.7	-9,618.1	.	-15,108.8	-3.5%	-6,791.4	1,300.7	-11,372.8	1,754.7	
07	966	0.0	1,366.8	24,973.1	0.0	26,339.9	6.1%	-2,396.7	3,763.5	-9,419.5	34,392.7	
08	227	0.0	15.1	316.5	.	331.5	0.1%	-64.6	79.7	-210.3	526.7	
09	2,210	0.0	4,052.1	5,459.5	0.0	9,511.6	2.2%	-14,033.3	18,085.4	-1,629.2	7,088.7	
10	245	0.0	302.1	21.0	0.0	323.1	0.1%	-1,688.4	1,990.5	-300.9	322.0	
11	433	0.0	88.7	-246.6	0.0	-157.9	-0.0%	-387.5	476.2	-359.9	113.4	
12	159	0.0	-25,070.5	-7,412.2	0.0	-32,482.7	-7.6%	-25,446.8	376.2	-7,589.2	177.0	
13	2,812	0.0	-1,274.8	-8,139.2	0.0	-9,414.0	-2.2%	-6,914.7	5,639.9	-8,711.0	571.8	
14	404	0.0	20.5	-5.9	0.0	14.7	0.0%	-114.5	135.0	-8.2	2.3	
15	287	0.0	190.4	-282.2	0.0	-91.7	-0.0%	-5,376.1	5,566.5	-387.9	105.7	
16	396	0.0	1,585.9	-798.6	0.0	787.3	0.2%	-2,639.6	4,225.5	-799.0	0.4	
17	3,325	0.0	42,744.7	-497.3	0.0	42,247.4	9.8%	-6,771.6	49,516.3	-2,162.0	1,664.6	
18	150	0.0	19,719.1	-1,762.7	0.0	17,956.5	4.2%	-734.3	20,453.4	-1,769.7	7.1	
19	1,003	.	-209.2	22.4	0.0	-186.8	-0.0%	-2,402.2	2,193.0	-14.5	37.0	
20	1,893	0.0	729.6	-98.1	0.0	631.5	0.1%	-3,842.0	4,571.5	-144.4	46.4	
21	166	0.0	-6.9	21.1	0.0	14.3	0.0%	-258.3	251.4	-1.2	22.3	
22	244	0.0	182.5	4.2	0.0	186.6	0.0%	-2,008.8	2,191.3	-87.9	92.0	
23a	4,159	0.0	-32,428.3	-2,773.3	.	-35,201.6	-8.2%	-38,633.6	6,205.3	-3,693.1	919.8	
23b	1,375	.	25,849.9	7,108.5	0.0	32,958.4	7.7%	-261.4	26,111.3	-198.8	7,307.3	
23c	640	.	-8,215.5	-1,492.0	0.0	-9,707.5	-2.3%	-8,677.9	462.4	-1,524.1	32.1	
23d	5,474	.	17,032.9	925.6	0.0	17,958.5	4.2%	-6,748.1	23,781.1	-191.9	1,117.5	
23e	337	.	-959.1	-54.4	0.0	-1,013.5	-0.2%	-1,349.5	390.4	-60.5	6.1	
23f	124	.	-676.3	-1,285.9	0.0	-1,962.3	-0.5%	-683.0	6.6	-1,287.2	1.2	
23g	839	.	1,418.1	187.9	0.0	1,606.0	0.4%	-408.4	1,826.6	-15.4	203.3	
24	628	.	8,783.5	1,237.7	0.0	10,021.1	2.3%	-19.7	8,803.2	-20.4	1,258.1	
25	533	.	-3,034.9	-1,900.0	0.0	-4,934.9	-1.1%	-3,035.0	0.1	-1,900.1	0.0	
26	5,221	0.0	-53,848.8	-51,604.4	0.0	-105,453.2	-24.5%	-82,487.5	28,638.6	-61,554.7	9,950.3	
**	.	0.0	-4,399.4	-18,113.5	0.0	-22,513.0	-5.2%	-232,870.4	228,471.0	-134,469.2	116,355.7	
**	.	0.0	-5.2	65.1	0.0	59.9	0.0%	-5.6	0.4	0.0	65.1	
27	9,736	0.0	-4,404.6	-18,048.5	0.0	-22,453.1	-5.2%	-232,876.1	228,471.4	-134,469.2	116,420.8	
**	.	0.0	-58,605.1	115,423.8	0.0	56,818.7	11.8%	-182,237.5	118,922.3	-52,429.2	65,111.0	
29	0	0.0	.	.	0.0	.	.	.	.	.	.	
**	.	0.0	-63,009.7	97,375.4	0.0	34,365.7	5.4%	-305.4	19.3	-168.4	456.9	
**	.	322,214.1	-286.1	288.6	356,582.2	2.5	0.0%	.	.	.	.	
30	11,681	322,214.1	-63,295.8	97,663.9	356,582.2	.	.	.	.	.	.	
>>	.	107,451.5	-4,710.1	-102,741.4	.	.	.	.	.	.	.	
>>	.	429,665.6	-68,005.9	-5,077.5	356,582.2	-73,083.3	-17.0%	-415,419.0	347,413.1	-187,066.8	181,989.3	
>>	.	100.0%	-15.8%	-1.2%	83.0%	-17.0%	.	-96.7%	80.9%	-43.5%	42.4%	

**Table 11. Aggregate 2004 Schedule M-3 Data for U.S. Corporations With Reconcilable Data: Columns A and D Blank**

Dollar amounts in millions. Table amounts may not add due to rounding. Advance file data. Values may differ from Final file and official SOI Publication 16 values.

Panel 3 of 3												
	Part III EXPENSE ITEMS (sign matches Part II)	Freq	Col A	Col B	Col C	Col D	Tot Diff	%PTB	Neg B	Pos B	Neg C	Pos C
01	U.S. current income tax expense	8,221	0.0	5,145.0	96,990.1	.	102,135.1	23.8%	-152.0	5,297.0	-9,402.6	106,392.7
02	U.S. deferred income tax expense	4,125	0.0	-434.9	5,751.3	.	5,316.4	7.2%	-1,626.5	1,191.6	-19,032.3	24,783.6
03	State and local current income tax expense	5,059	0.0	431.4	-141.0	0.0	290.4	0.1%	-2,581.0	3,012.4	-1,426.0	1,285.1
04	State and local deferred income tax expense	2,183	0.0	-747.6	164.1	.	-583.5	-0.1%	-2,084.4	1,336.8	-622.0	786.1
05	Foreign current income tax expense (other than WH)	562	0.0	481.5	12,070.6	0.0	12,552.2	2.9%	-132.1	613.6	-323.7	12,394.4
06	Foreign deferred income tax expense	118	0.0	-139.1	64.6	.	-74.5	-0.0%	-221.6	82.6	-442.3	506.9
07	Foreign withholding taxes	336	0.0	-170.1	2,002.5	0.0	1,832.4	0.4%	-186.3	16.2	-125.3	2,127.8
08	Incentive stock options	770	.	-208.4	-3,257.3	0.0	-3,465.6	-0.8%	-442.0	233.6	-3,368.8	111.6
09	Nonqualified stock options	1,498	0.0	-1,070.8	-23,932.2	0.0	-25,003.0	-5.8%	-2,889.6	1,818.8	-24,196.2	264.0
10	Other equity-based compensation	989	0.0	1,474.2	-3,062.0	0.0	-1,587.8	-0.4%	-821.6	2,295.8	-3,629.6	567.7
11	Meals and entertainment	10,050	0.0	0.2	3,022.5	0.0	3,022.6	0.7%	-12.4	12.6	-7.5	3,030.0
12	Fines and penalties	3,498	0.0	67.6	1,296.8	0.0	1,364.4	0.3%	-0.6	68.1	-24.9	1,321.8
13	Punitive damages	21	0.0	972.5	0.8	0.0	973.3	0.2%	-1.5	974.0	0.0	0.8
14	Parachute payments	25	0.0	5.0	90.3	0.0	95.3	0.0%	-6.3	11.3	0.0	90.3
15	Compensation with section 162(m) limitation	316	0.0	15.2	755.2	0.0	770.5	0.2%	-3.8	19.1	-3.7	758.9
16	Pension and profit-sharing	1,904	0.0	-11,634.5	-1,005.3	0.0	-12,639.8	-2.9%	-17,835.2	6,200.6	-1,100.6	95.3
17	Other post-retirement benefits	978	0.0	831.5	-1,351.2	0.0	-519.7	-0.1%	-3,593.3	4,426.8	-1,359.1	7.9
18	Deferred compensation	3,092	0.0	2,080.3	-98.1	0.0	1,982.1	0.5%	-2,456.9	4,537.1	-250.9	152.8
19	Charitable contribution of cash and tangible prop	1,429	0.0	126.5	-391.9	0.0	-265.4	-0.1%	-150.5	277.0	-423.3	31.4
20	Charitable contribution of intangible property	46	0.0	-20.8	-44.0	0.0	-64.8	-0.0%	-22.9	2.2	-45.1	1.1
21	Charitable contribution limitation	3,251	.	608.1	234.5	0.0	842.6	0.2%	-42.4	650.4	-2.4	237.0
22	Charitable contribution carryforward used	844	.	-483.8	-141.6	0.0	-625.5	-0.1%	-485.0	1.1	-141.7	0.0
23	Current acq./reorg. investment banking fees	60	0.0	-58.4	20.5	0.0	-37.9	-0.0%	-96.5	38.1	-56.5	77.0
24	Current acq./reorg. legal/accounting fees	240	0.0	25.2	254.4	0.0	279.6	0.1%	-74.8	100.0	-10.6	265.1
25	Current acq./reorg. other costs	258	0.0	112.9	112.8	0.0	225.7	0.1%	-454.2	567.0	-375.6	488.4
26	Amortization/impairment of goodwill	2,511	0.0	-5,539.8	3,410.0	0.0	-2,129.8	-0.5%	-8,002.8	2,463.0	-940.5	4,350.4
27	Amortization of acq./reorg. and startup costs	1,871	0.0	-26.1	120.3	0.0	94.3	0.0%	-875.0	848.9	-53.7	174.1
28	Other amortization or impairment write-offs	4,169	0.0	22,692.2	19,208.9	0.0	41,901.1	9.8%	-9,121.8	31,814.1	-329.9	19,538.8
29	Sec 198 environmental remediation costs	89	0.0	396.1	-1.2	0.0	394.9	0.1%	-182.7	578.8	-1.3	0.1
30	Depletion	289	0.0	1,045.8	-763.5	0.0	282.3	0.1%	-1,408.7	2,454.5	-844.8	81.3
31	Depreciation	9,834	0.0	-60,434.7	25.1	0.0	-60,409.7	-14.1%	-70,960.2	10,525.5	-126.7	151.7
32	Bad debt expense	6,714	0.0	-4,774.2	-146.5	0.0	-4,920.7	-1.1%	-10,724.9	5,950.7	-230.4	83.9
33	Corporate owned life insurance premiums	2,530	0.0	-57.9	-303.3	0.0	-361.2	-0.1%	-73.6	15.7	-591.5	288.1
34	Purchase versus lease	267	0.0	-185.4	-16.5	0.0	-201.9	-0.0%	-587.2	401.8	-16.7	0.2
35	Other expense/deduct items with differences	9,672	0.0	-9,032.9	4,281.9	0.0	-4,751.0	-1.1%	-45,493.9	36,461.0	-11,349.2	15,631.1
**	SUBTOTAL	.	0.0	-58,508.2	115,221.6	0.0	56,713.3	13.2%	-183,806.0	125,297.8	-80,855.7	196,077.3
**	Amount to Reconcile	.	0.0	-96.9	202.2	0.0	105.4	0.0%	-210.0	113.2	-8.4	210.6
36	Total expense items (combine lines 1-35)	11,341	0.0	-58,605.1	115,423.8	0.0	56,818.7	13.2%	-184,016.1	125,411.0	-80,864.1	196,287.9
>>	Reverse federal income tax expense	.	0.0	-4,710.1	-102,741.4	.	-107,451.5	-25.0%	1,778.5	-6,488.6	28,435.0	-131,176.3
>>	Total expense items before Federal tax expense	.	0.0	-63,315.2	12,682.4	0.0	-50,632.8	-11.8%	-182,237.5	118,922.3	-52,429.2	65,111.6

# Exhibit 1: 2004 Form 1120 Schedule M-3

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

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

OMB No. 1545-0123

2004

Department of the Treasury  
Internal Revenue Service

▶ Attach to Form 1120.  
▶ See separate instructions.

Name of corporation (common parent, if consolidated return)

Employer identification number

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

- 1a** Did the corporation file SEC Form 10-K for its income statement period ending with or within this tax year?
  - Yes.** Skip lines 1b and 1c and complete lines 2a through 11 with respect to that SEC Form 10-K.
  - No.** Go to line 1b.
- b** Did the corporation prepare a certified audited income statement for that period?
  - Yes.** Skip line 1c and complete lines 2a through 11 with respect to that income statement.
  - No.** Go to line 1c.
- c** Did the corporation prepare an income statement for that period?
  - Yes.** Complete lines 2a through 11 with respect to that income statement.
  - No.** Skip lines 2a through 10 and enter the corporation's net income (loss) per its books and records on line 11.
- 2a** Enter the income statement period: Beginning \_\_\_\_ / \_\_\_\_ / \_\_\_\_ Ending \_\_\_\_ / \_\_\_\_ / \_\_\_\_
- b** Has the corporation's income statement been restated for the income statement period on line 2a?
  - Yes.** (If "Yes," attach an explanation and the amount of each item restated.)
  - No.**
- c** Has the corporation's income statement been restated for any of the five income statement periods preceeding the period on line 2a?
  - Yes.** (If "Yes," attach an explanation and the amount of each item restated.)
  - No.**
- 3a** Is any of the corporation's voting common stock publicly traded?
  - Yes.**
  - No.** If "No," go to line 4.
- b** Enter the symbol of the corporation's primary U.S. publicly traded voting common stock . . . . .
- c** Enter the nine-digit CUSIP number of the corporation's primary publicly traded voting common stock . . . . .

<b>4</b> Worldwide consolidated net income (loss) from income statement source identified in Part I, line 1	<b>4</b>	
<b>5a</b> Net income from nonincludible foreign entities (attach schedule) . . . . .	<b>5a</b>	(            )
<b>b</b> Net loss from nonincludible foreign entities (attach schedule and enter as a positive amount) . . . . .	<b>5b</b>	
<b>6a</b> Net income from nonincludible U.S. entities (attach schedule) . . . . .	<b>6a</b>	(            )
<b>b</b> Net loss from nonincludible U.S. entities (attach schedule and enter as a positive amount) . . . . .	<b>6b</b>	
<b>7a</b> Net income of other includible corporations (attach schedule) . . . . .	<b>7a</b>	
<b>b</b> Net loss of other includible corporations (attach schedule) . . . . .	<b>7b</b>	(            )
<b>8</b> Adjustment to eliminations of transactions between includible corporations and nonincludible entities (attach schedule) . . . . .	<b>8</b>	
<b>9</b> Adjustment to reconcile income statement period to tax year (attach schedule) . . . . .	<b>9</b>	
<b>10</b> Other adjustments to reconcile to amount on line 11 (attach schedule) . . . . .	<b>10</b>	
<b>11</b> <b>Net income (loss) per income statement of includible corporations.</b> Combine lines 4 through 10 . . . . .	<b>11</b>	

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## Exhibit 1: 2004 Form 1120 Schedule M-3 (Continued)

Schedule M-3 (Form 1120) 2004

Page **2**

Name of corporation (common parent, if consolidated return)	Employer identification number .....
Name of subsidiary (if consolidated return)	Employer identification number .....

**Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return**

Income (Loss) Items	(a) Income (Loss) per Income Statement (optional)	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return (optional)
1 Income (loss) from equity method foreign corporations				
2 Gross foreign dividends not previously taxed . . .				
3 Subpart F, QEF, and similar income inclusions . . .				
4 Section 78 gross-up . . . . .				
5 Gross foreign distributions previously taxed . . .				
6 Income (loss) from equity method U.S. corporations . . .				
7 U.S. dividends not eliminated in tax consolidation . . .				
8 Minority interest for includible corporations . . .				
9 Income (loss) from U.S. partnerships (attach schedule) . . .				
10 Income (loss) from foreign partnerships (attach schedule)				
11 Income (loss) from other pass-through entities (attach schedule) . . . . .				
12 Items relating to reportable transactions (attach details)				
13 Interest income . . . . .				
14 Total accrual to cash adjustment . . . . .				
15 Hedging transactions . . . . .				
16 Mark-to-market income (loss) . . . . .				
17 Inventory valuation adjustments . . . . .				
18 Sale versus lease (for sellers and/or lessors) . . . . .				
19 Section 481(a) adjustments . . . . .				
20 Unearned/deferred revenue . . . . .				
21 Income recognition from long-term contracts . . . . .				
22 Original issue discount and other imputed interest				
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and flow-through entities				
23b Gross capital gains from Schedule D, excluding amounts from flow-through entities . . . . .				
23c Gross capital losses from Schedule D, excluding amounts from flow-through entities, abandonment losses, and worthless stock losses . . . . .				
23d Net gain/loss reported on Form 4797, line 17, excluding amounts from flow-through entities, abandonment losses, and worthless stock losses				
23e Abandonment losses . . . . .				
23f Worthless stock losses (attach details) . . . . .				
23g Other gain/loss on disposition of assets other than inventory				
24 Disallowed capital loss in excess of capital gains . . . . .				
25 Utilization of capital loss carryforward . . . . .				
26 Other income (loss) items with differences (attach schedule)				
27 <b>Total income (loss) items.</b> Combine lines 1 through 26 . . . . .				
28 <b>Total expense/deduction items</b> (from Part III, line 36) . . . . .				
29 Other income (loss) and expense/deduction items with no differences . . . . .				
30 <b>Reconciliation totals.</b> Combine lines 27 through 29 . . . . .				

**Note.** Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

Schedule M-3 (Form 1120) 2004

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## Exhibit 1: 2004 Form 1120 Schedule M-3 (Continued)

Schedule M-3 (Form 1120) 2004

Page **3**

Name of corporation (common parent, if consolidated return)	Employer identification number :
Name of subsidiary (if consolidated return)	Employer identification number :

**Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return—Expense/Deduction Items**

Expense/Deduction Items	(a) Expense per Income Statement (optional)	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return (optional)
1 U.S. current income tax expense . . . . .				
2 U.S. deferred income tax expense . . . . .				
3 State and local current income tax expense . . . . .				
4 State and local deferred income tax expense . . . . .				
5 Foreign current income tax expense (other than foreign withholding taxes) . . . . .				
6 Foreign deferred income tax expense . . . . .				
7 Foreign withholding taxes . . . . .				
8 Incentive stock options . . . . .				
9 Nonqualified stock options . . . . .				
10 Other equity-based compensation . . . . .				
11 Meals and entertainment . . . . .				
12 Fines and penalties . . . . .				
13 Punitive damages . . . . .				
14 Parachute payments . . . . .				
15 Compensation with section 162(m) limitation . . . . .				
16 Pension and profit-sharing . . . . .				
17 Other post-retirement benefits . . . . .				
18 Deferred compensation . . . . .				
19 Charitable contribution of cash and tangible property . . . . .				
20 Charitable contribution of intangible property . . . . .				
21 Charitable contribution limitation . . . . .				
22 Charitable contribution carryforward used . . . . .				
23 Current year acquisition or reorganization investment banking fees . . . . .				
24 Current year acquisition or reorganization legal and accounting fees . . . . .				
25 Current year acquisition/reorganization other costs . . . . .				
26 Amortization/impairment of goodwill . . . . .				
27 Amortization of acquisition, reorganization, and start-up costs . . . . .				
28 Other amortization or impairment write-offs . . . . .				
29 Section 198 environmental remediation costs . . . . .				
30 Depletion . . . . .				
31 Depreciation . . . . .				
32 Bad debt expense . . . . .				
33 Corporate owned life insurance premiums . . . . .				
34 Purchase versus lease (for purchasers and/or lessees) . . . . .				
35 Other expense/deduction items with differences (attach schedule) . . . . .				
36 <b>Total expense/deduction items.</b> Combine lines 1 through 35. Enter here and on Part II, line 28 . . . . .				

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