

IRS News Release

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Treasury, IRS Streamline Reporting of Significant Book-Tax Differences

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WASHINGTON — The Treasury Department and the Internal Revenue Service today issued a revenue procedure that streamlines the disclosure by taxpayers of transactions with a significant book-tax difference. This revenue procedure eliminates the overlap between the revised return disclosure regulations finalized in February 2003 and the new Schedule M-3 that the IRS also issued today. In addition, this revenue procedure simplifies the reporting of book-tax differences by businesses that are not required to complete the new Schedule M-3.

Some taxpayers engaging in abusive transactions have benefited from the different rules for financial, or book, accounting and tax accounting by claiming tax benefits that have no corresponding financial cost. The new Schedule M-3 requires all C corporations under the jurisdiction of the IRS Large and Mid-Size Business Division (LMSB) to disclose detailed information about book-tax differences as part of their tax returns for 2004 and later taxable years. These corporations will be treated as satisfying the disclosure requirements under the return disclosure regulations by completing the new Schedule M-3. In addition, taxpayers that are not required to file the new schedule may satisfy their disclosure obligations by using the standardized reporting format contained in the new Schedule M-3 or by following the return disclosure regulations.

"Large book-tax differences frequently indicate the existence of an abusive transaction. The new Schedule M-3 will enable the IRS to identify quickly those differences that warrant additional scrutiny," said Acting Assistant Secretary for Tax Policy Greg Jenner. "By allowing all taxpayers to use the new Schedule M-3, the revenue procedure will simplify reporting and reduce taxpayer burden."

"The alternative reporting under the revenue procedure will provide taxpayers flexibility in deciding how to disclose significant book-tax differences and will encourage taxpayers to adopt the standard format of the new Schedule M-3 earlier," said Deborah M. Nolan, IRS Large and Mid-Size Business Division Commissioner.

Attachment:

- Revenue Procedure 2004-45 is attached.