

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

Department of the Treasury
Internal Revenue Service

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

▶ Attach to Form 1120S.
▶ See separate instructions.

OMB No. 1545-0130

2006

Name of corporation _____

Employer identification number _____

Part I Financial Information and Net Income (Loss) Reconciliation

- 1a** Did the corporation prepare a certified audited income statement for the period ending with or within this taxable year?
 Yes. Skip line 1b and complete lines 2 through 11 with respect to that income statement.
 No. Go to line 1b.
- b** Did the corporation prepare an income statement for that period?
 Yes. Complete lines 2 through 11 with respect to that income statement.
 No. Skip lines 2 through 3b and enter the corporation's net income (loss) per its books and records on line 4.

2 Enter the income statement period: Beginning ____ / ____ / ____ Ending ____ / ____ / ____

- 3a** Has the corporation's income statement been restated for the income statement period on line 2?
 Yes. (If "Yes," attach an explanation and the amount of each item restated.)
 No.

- 3b** Has the corporation's income statement been restated for any of the five income statement periods preceding the period on line 2?
 Yes. (If "Yes," attach an explanation and the amount of each item restated.)
 No.

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

Name of corporation

Employer identification number

Part II Reconciliation of Net Income (Loss) per Income Statement of the Corporation With Total Income (Loss) 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	Gross foreign distributions previously taxed			
5	Income (loss) from equity method U.S. corporations			
6	U.S. dividends not eliminated in tax consolidation			
7	Income (loss) from U.S. partnerships (attach schedule)			
8	Income (loss) from foreign partnerships (attach schedule)			
9	Income (loss) from other pass-through entities (attach schedule)			
10	Items relating to reportable transactions (attach details)			
11	Interest income			
12	Total accrual to cash adjustment			
13	Hedging transactions			
14	Mark-to-market income (loss)			
15	Cost of goods sold (attach Form 8916-A)			
16	Sale versus lease (for sellers and/or lessors)			
17	Section 481(a) adjustments			
18	Unearned/deferred revenue			
19	Income recognition from long-term contracts			
20	Original issue discount and other imputed interest			
21a	Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities			
b	Gross capital gains from Schedule D, excluding amounts from pass-through entities			
c	Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses			
d	Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses			
e	Abandonment losses			
f	Worthless stock losses (attach details)			
g	Other gain/loss on disposition of assets other than inventory			
22	Other income (loss) items with differences (attach schedule)			
23	Total income (loss) items. Combine lines 1 through 22			
24	Total expense/deduction items (from Part III, line 30)			
25	Other items with no differences			
26	Reconciliation totals. Combine lines 23 through 25			

Note. Line 26, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120S, Schedule K, line 18.

Name of corporation

Employer identification number

Part III Reconciliation of Net Income (Loss) per Income Statement of the Corporation With Total Income (Loss) 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 Equity-based compensation				
8 Meals and entertainment				
9 Fines and penalties				
10 Judgments, damages, awards, and similar costs				
11 Pension and profit-sharing				
12 Other post-retirement benefits				
13 Deferred compensation				
14 Charitable contribution of cash and tangible property				
15 Charitable contribution of intangible property				
16 Current year acquisition or reorganization investment banking fees				
17 Current year acquisition or reorganization legal and accounting fees				
18 Current year acquisition/reorganization other costs				
19 Amortization/impairment of goodwill				
20 Amortization of acquisition, reorganization, and start-up costs				
21 Other amortization or impairment write-offs				
22 Section 198 environmental remediation costs				
23a Depletion—Oil & Gas				
b Depletion—Other than Oil & Gas				
24 Depreciation				
25 Bad debt expense				
26 Interest expense				
27 Corporate owned life insurance premiums				
28 Purchase versus lease (for purchasers and/or lessees)				
29 Other expense/deduction items with differences (attach schedule)				
30 Total expense/deduction items. Combine lines 1 through 29. Enter here and on Part II, line 24				