

A First Look at 2007 Schedule M-3 Reporting by Large Corporations

By Charles E. Boynton, Portia DeFilippes, Ellen J. Legel, and Todd J. Reum

Charles E. Boynton (charles.e.boynton@irs.gov) is a program manager and senior program analyst with the Office of Planning, Analysis, Inventory, and Research (PAIR), IRS Large Business & International Division (LB&I). He was a Stanley S. Surrey Senior Research Fellow at Treasury's Office of Tax Analysis (OTA), and was a member of the Treasury-IRS Schedule M-3 team at its formation in 2003. Portia DeFilippes (portia.defilippes@do.treas.gov) is a financial economist in OTA's Economic Modeling and Computer Application Division. She has been a coauthor on many corporate tax studies. Ellen J. Legel (ellen.j.legel@irs.gov) is a senior economist and Schedule M-3 analyst with PAIR. She has held various positions with the IRS Statistics of Income Division (SOI), most recently as a senior staff economist and management official with the Corporation Tax Branch. At SOI she was lead analyst for the Schedule M-3 from 2004-2009. Todd J. Reum (todd.j.reum@irs.gov) is an economist at SOI's Corporate Branch. He has held various positions, most recently as a corporate tax program lead analyst with responsibilities that include Schedule M-3.

The authors thank SOI for making data from the 2006 and 2007 SOI final corporate file available. They

thank the managements of their respective agencies for the support of their research: PAIR; OTA; and SOI. They also thank Robert Adams, Thomas Brandt, James Clarkson, Amy Dunbar, Petro Lisowsky, Barbara Livingston, Bunn Martin, John Miller, Lillian Mills, Don McPartland, Heather Parisi, George Plesko, Darla Riggan, David Stanley, Kenneth Szefflinski, Erin Towery, and William Wilson for support, encouragement, comments, suggestions, and assistance. The opinions expressed are those of the authors and do not necessarily represent positions of the U.S. Department of the Treasury or the Internal Revenue Service.

The 2006 and 2007 Form 1120 Schedule M-3 data set developed for this study is available as a ZIP file in an Excel format on request from charles.e.boynton@irs.gov. The data set also includes forms 1120-L, 1120-PC, and 1120-S Schedule M-3 data. The study emphasizes the importance of the largest corporations to the U.S. corporate tax system and also the importance of "mixed groups," tax consolidated groups with a non-insurance parent and one or more insurance subsidiaries.

Copyright 2011 Charles E. Boynton, Portia DeFilippes, Ellen J. Legel, and Todd J. Reum.
All rights reserved.

Table of Contents

I.	Introduction	689
	A. Overview	689
	B. Organization of This Report	690
	C. Pretax Benchmark and Sign Conventions	690
	D. Pretax Book Income Versus Tax Income	691
	E. Source of the 1994-2007 Tax Return Data	691
II.	Introduction of Schedule M-3 in 2004	692
	A. Why Introduce Schedule M-3?	692
	B. The Structure of Schedule M-3	693
	C. Aggregate Schedule M-3 Data for 2007	694
III.	2006/2007 Supporting Documentation	701

	A. Identifying Supporting Documentation	701
	B. Large Differences on Part I, Line 10	702
	C. Large Differences on Part II, Line 25	702
	D. Large Differences on Part III, Line 35	703
	E. Suggested Changes to Documentation	704
	References	704

I. Introduction

A. Overview

For tax years 2006 and later, the new Schedule M-3 reconciliation of book income and tax income is required for most corporations with total assets of

\$10 million or more. Schedule M-3, which was introduced for many corporations in 2004, replaced four decades of use of the Schedule M-1 reconciliation.¹

The goal for Schedule M-3 is to encourage general tax compliance by all corporate taxpayers by promoting transparency with the IRS and by assisting the IRS to identify returns and issues for possible audit when tax compliance risk is present.

This is the fifth part in a series of reports by the authors researching the differences between book income and tax income as reported on U.S. corporate income tax returns.² The first two reports analyze corporate Form 1120 Schedule M-1 reporting for tax years 1990-2003. The third report in this series analyzes advance file data for the 2004 corporate Form 1120 Schedule M-3. The fourth report analyzes final data for the 2005 corporate Form 1120 Schedule M-3 and updates the prior 2004 report using final 2004 data. This fifth report analyzes final data for the 2006 and 2007 corporate Form 1120 Schedule M-3 as well as earlier data from 1994 through 2005.

B. Organization of This Report

In Table 1A we summarize 2006 and 2007 Schedule M-3 data and other tax data for corporations filing the Form 1120, "U.S. Corporate Income Tax Return," for tax years ending July 2006 through June 2007 (Statistics of Income 2006 file) and July 2007 through June 2008 (SOI 2007 file), reporting end-of-year total assets of \$10 million or more on

the Form 1120 Schedule L balance sheet, and meeting specified minimum data and reconciliation tests.³ In tables 1B, 1C, and 2 through 5, we present and analyze 2007 Form 1120 tax return and Schedule M-3 data. Tables 1A, 1B, and 1C present Schedule M-3 data in the format of an aggregate Schedule M-3 following the rows and columns of that reconciliation form. Tables 2 through 5 are distribution tables that partition with various rows a fixed set of 20 columns of data corresponding to 20 rows highlighted in tables 1A, 1B, and 1C. Table 6 reconciles our data sample for 2007 with the SOI 2007 corporate file, and the discussion summarizes our minimum data and reconciliation requirements. Table 7 presents combined schedules M-1 and M-3 data for 1994 through 2007. These data are summarized graphically in figures 1, 2, and 3. The report concludes with a special section by two of the authors (Legel and Reum) examining the content of attachments for the Schedule M-3 Parts II and III "other with difference" lines and the Part I other adjustments line.

C. Pretax Benchmark and Sign Conventions

We calculate all book income versus tax income differences 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 — that is, book income before the recognition of federal income tax expense compared with tax income for federal income tax — consistent with the book income versus tax income differences literature since Talisman (2000). To do this for the total amounts and differences reported on Schedule M-3, Part II, line 30, we must back out federal income tax expense from the columns (a), (b), and (c) reconciliation amounts reported by taxpayers on that line.

The book-tax literature before the introduction of Schedule M-3 defines the sign of the difference between pretax book income and tax income as "book minus tax" resulting in a *positive* difference if the book amount is *higher* than the tax amount. Schedule M-3 effectively reverses this convention by the nature of its reconciliation rules. For Schedule M-3, the temporary and permanent adjustment amounts reported in columns (b) and (c) of Parts II and III are the amounts that are *added* to column (a) book income to determine column (d) tax income. The sum of columns (a), (b), and (c) must equal

¹The current paper repeats some material from Boynton, DeFilippes, and Legel (2005, 2006a, 2006b, and 2008), Boynton and Wilson (2006), and Boynton and Livingston (2010), used with permission. Our tax return table values may not add up because of rounding. The IRS Statistics of Income division corporate data file for year *t* includes all tax years ending between July of calendar year *t* and June of calendar year *t* + 1. Effective for tax years ending on or after December 31, 2004, Schedule M-3 replaced Schedule M-1 for corporations filing Form 1120 and reporting total assets of \$10 million or more on Form 1120 Schedule L. Effective for tax years ending on or after December 31, 2006, for corporations with total assets of \$10 million or more, Schedule M-3 applies to Form 1120-S for S corporations, to Form 1120-C for cooperative associations, to Form 1120-L for life insurance companies, and to Form 1120-PC for property and casualty insurance companies. Effective for tax years ending on or after December 31, 2006, Schedule M-3 also applies to Form 1065 for partnerships with total assets of \$10 million or more and to some other partnerships. Effective for tax years ending on or after December 31, 2007, a special Schedule M-3 applies to Form 1120-F for foreign corporations with effectively connected U.S. income and total assets of \$10 million or more. Schedule M-1 continues to apply to Form 1120-RIC for regulated investment companies, to Form 1120-REIT for real estate investment trusts, and to all corporations with total assets of less than \$10 million.

²See Boynton, DeFilippes, and Legel (2005, 2006a, 2006b, and 2008).

³The minimum data and reconciliation tests for this 2007 Schedule M-3 study are discussed as part of the discussion of Table 6.

column (d) for Schedule M-3 reconciliation. Stated differently, the total book-tax adjustment in columns (b) and (c) must equal column (d) tax income minus column (a) book income (tax minus book). A *positive* total difference in columns (b) and (c) of Schedule M-3 Parts II and III means that the tax amount is *higher* than the book amount. A *negative* total difference in columns (b) and (c) of Schedule M-3 Parts II and III means that the tax amount is *lower* than the book amount.

A reference to a negative pretax difference in our text, tables, and figures in all cases means that pretax book income is higher than tax income.

D. Pretax Book Income Versus Tax Income

Figure 1 compares pretax book income from Form 1120 schedules M-1 or M-3 and Form 1120, page 1, line 28 tax net income for 1994-2007 for corporations filing Form 1120 with \$10 million or more in assets and filing either a Schedule M-1 or Schedule M-3. The period 1994-2003 is the 10-year period preceding the 2004 introduction of Schedule M-3 for many corporations. The data for Figure 1 is extracted from Table 7.

Figure 1 shows that Form 1120 Schedule M-1 pretax book income exceeded Form 1120, page 1, line 28 tax net income from 1994 through 2000, fell below tax net income in 2001 (a year that included the disruptions associated with the September 11 attacks), and rose above tax net income in 2002 and 2003. Pretax book income continued above tax net income in 2004 when the Form 1120 Schedule M-3 was introduced. It remained above tax net income through 2006 and fell below tax net income in 2007, the onset of a historic recession. Pretax book income may be expected to fall below tax net income during an economic downturn because financial accounting is quicker to recognize losses than tax income.

Figure 2 shows 1994-2007 Form 1120 schedules M-1 and M-3 book-tax difference as tax net income minus pretax book income following the Schedule M-3 sign convention. The book-tax-difference adjustment to pretax book income for 1994-2000 is negative because pretax book income exceeds tax net income as shown in Figure 1. The book-tax-difference adjustment is positive in 2001, negative in 2002-2006, and positive in 2007. From 1994 to 1995, pretax book income and tax net income rise approximately the same amount, and the book-tax-difference adjustment is approximately the same. From 1996 to 1999, pretax book income is rising faster than tax net income (in fact, tax net income falls in 1998), and the book-tax-difference adjustment is increasingly negative. In 2000 pretax income falls slightly and tax net income rises slightly, both acting to decrease the negative amount of the book-tax-difference adjustment. In 2001, a year that includes repercussions from the collapse of the tech

bubble and the turmoil of September 11, tax net income falls but pretax book plummets, and the book-tax-difference adjustment turns positive. In 2002 and 2003 pretax book income increases dramatically and tax net income increases less dramatically, leading to a marked increase in the negative book-tax-difference adjustment. In 2004 Schedule M-3 replaces Schedule M-1, and the increase in pretax book income is small compared with the increase in tax net income, leading to a less negative book-tax-difference adjustment. In 2005 tax income dramatically increases, perhaps because of the one-year foreign dividend repatriation holiday. Foreign dividends included in tax net income in 2005 were subject to an 85 percent special deduction before inclusion in taxable income. Pretax book income also increased, but less dramatically than tax net income, resulting in a reduction in the negative book-tax-difference adjustment. In 2006 both pretax book income and tax net income fell, but tax income fell more, resulting in an increase in the negative book-tax-difference adjustment. In 2007 both pretax book income and tax net income fell, but pretax book income fell more and the book-tax-difference adjustment turned positive.

Figure 3 expresses the aggregate book-tax-difference adjustment as a percentage of aggregate pretax book income.⁴ From 1994 to 1997, the book-tax-difference adjustment was relatively steady at about -20 percent of pretax book income. From 1998 to 2000, it was dramatically greater at more than -30 percent of pretax book income, reflecting a fall in tax net income in 1998 followed by slow growth in 1999 and 2000 and a general rise in pretax book income for 1998 and 1999 followed by a slight fall in 2000. The turmoil of 2001 shows a sharp positive peak in the book-tax-difference adjustment, to more than +20 percent of pretax book, followed by a return to negative adjustments in 2002 at about -20 percent of pretax book, falling to approximately -40 percent of pretax book in 2003. In 2005 and 2006 the negative book-tax-difference adjustment is approximately -10 percent of pretax book income. In 2007 the positive book-tax-difference adjustment is approximately +10 percent of pretax book income.

E. Source of the 1994-2007 Tax Return Data

A statistical sample of tax return data is electronically encoded annually by SOI for use by Treasury's Office of Tax Analysis (OTA) and the Joint Committee on Taxation. The Office of Planning, Analysis,

⁴As shown in Figure 1, aggregate pretax book income is positive in the years 1994-2007 for corporations filing Form 1120 with \$10 million or more in assets. As shown in Figure 2, the aggregate book-tax-difference adjustment for these corporations may be negative or positive in any given year.

Inventory, and Research (PAIR) within the IRS Large Business and International Division also receives a copy of the file.⁵ These data include Schedule M-1 data and, beginning with 2004, Schedule M-3 data. The annual SOI corporate file is issued to OTA, JCT, and LB&I in two versions in the second calendar year following the July-June tax year (in calendar 2009 for tax year 2007 — that is, for corporate tax years ending July 2007 to June 2008). The advance file is prepared May 1, and the final file is prepared October 1. The advance file contains several placeholder records and uses tentative weights. The final file has very few placeholder records and uses final weights. Placeholder records (generally return data from the prior tax year) represent returns that are for some reason not yet available at the time the SOI file is issued but are desired for statistical purposes.⁶

Researchers using SOI data may report only aggregate tax data for a minimum of three taxpayers to protect taxpayer confidentiality.⁷ For statistical reasons, SOI prefers that reported aggregate data are reported for 10 or more taxpayers whenever possible.⁸

SOI annually summarizes selected tax return data from the final corporate file in Publication 16, *Corporate Income Tax Returns*. Corporate tax data in the 2007 final file prepared September 30, 2009, are summarized in the 2007 SOI Publication 16 published in 2010. Our tax return table values may not add and may differ from official 2007 SOI Publication 16 values because of rounding.⁹

⁵Use of the SOI file by PAIR and LB&I is limited under a formal memorandum of understanding between SOI and LB&I to research studies. SOI file data is not used for IRS audit case building.

⁶Placeholder data is 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 SOI directly from the taxpayer on a voluntary basis on a limited number of critical variables.

⁷For a discussion of the requirement of three or more taxpayers for aggregate data, see Office of Management and Budget Working Paper 22 (Rev. 2005) and IRS Publication 1075 (Rev. 2007).

⁸Beginning with SOI data for tax year 2008 and all studies of SOI data prepared after May 2011, a requirement of five or more taxpayers applies.

⁹SOI Publication 16 tables have not presented Schedule M-1 or Schedule M-3 data to date, and it is not planned for SOI Publication 16 to present Schedule M-3 data. Before the publication of this report and the publication of Boynton, DeFilippes and Legel (2005 and 2006a), only Plesko (2002) (for 1996-1998) and Plesko-Shumofsky (2005) (for 1995-2001) presented Schedule M-1 data for the SOI Publication 16 population. SOI has posted Schedule M-3 data on its website for tax years 2004, 2005, 2006, and 2007, available at <http://www.irs.gov/taxstats/>

(Footnote continued in next column.)

SOI Publication 16 data may be downloaded at <http://www.irs.gov/taxstats/bustaxstats/article/0,,id=112834,00.html>.

See the discussion of our Table 6 for our reconciliation to the posted SOI 2007 Schedule M-3 data.

II. Introduction of Schedule M-3 in 2004

A. Why Introduce Schedule M-3?

A Treasury report in 1999 and Treasury testimony in 2000 by Assistant Secretary for Tax Policy Jonathan Talisman noted the growing difference from 1991 to 1997 between pretax book income on Schedule M-1 and tax net income on page 1 of Form 1120. Both the report and the testimony viewed the 1990s' widening difference between book income and tax income as a possible indicator of corporate tax shelter activity, but it also noted the difficulty in interpreting Schedule M-1 book-tax difference data.¹⁰ Mills and 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.¹¹ The Mills and

[bustaxstats/article/0,,id=205351,00.html](http://www.irs.gov/taxstats/bustaxstats/article/0,,id=205351,00.html). See our discussion of our Table 6 for our reconciliation to the posted SOI 2007 Schedule M-3 data.

¹⁰See Treasury Department (1999) and Talisman (2000). See also Mills (1998) cited by Treasury (1999, at 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."

¹¹See Mills and Plesko (2003) for the proposed redesign of Schedule M-1. For discussions of problems in interpreting Schedule M-1 book-tax reconciliation data and problems with the related Schedule L book balance sheet data, see Boynton, Dobbins, DeFilippes, and Cooper (2002); Mills, Newberry, and Trautman (2002); Boynton, DeFilippes, Lisowsky, and Mills (2004); Boynton, DeFilippes, and Legel (2005, 2006a, 2006b, and 2008); and Boynton and Wilson (2006). For discussions of the problems in reconciling financial accounting income and tax income, see McGill and Outslay (2002), Hanlon (2003), Plesko (2003), McGill and Outslay (2004), Plesko (2004), Hanlon and Shevlin (2005), and Lisowsky and Trautman (2007). For a summary of the research through May 2007 on book-tax differences and on Schedule M-1 and Schedule M-3, see Weiner (2007). For early discussions of book-tax differences, see Boynton, Dobbins, and Plesko (1992); Mills (1998); Plesko (2002); and Plesko and Shumofsky (2005). For a discussion of the relationship between financial accounting of current federal income tax expense and Form 1120 tax liability, see Lisowsky (2009). For a discussion of tax shelters and financial accounting, see Lisowsky (2010). For a discussion of Financial Accounting Standards Board Interpretation No. 48 uncertain tax positions and Schedule M-3 data, see Dunbar, Philips, and Plesko (2009); Lisowsky, Robinson, and Schmidt (2010); and Blouin, DeBacker, and Sikes (2010). For a discussion of deferred taxes and the FAS 109 tax footnote, see Poterba, Rao, and Seidman (2011); and Raedy, Seidman, and Shackelford (2011).

Plesko (2003) Schedule M-1 recommendations are largely reflected in Schedule M-3, particularly in Part I.¹²

B. The Structure of Schedule M-3

Part I of Schedule M-3 reconciles worldwide consolidated financial statement income with income-per-income statements of includable corporations (members of the tax return consolidation group listed on Form 851), also known as book income. Parts II and III reconcile income per income statements of includable corporations (book income) with tax net income on Form 1120, page 1, line 28. Differences between book income and tax income are characterized as temporary or permanent. In brief, temporary differences are items of income or expense that are recognized for both financial and tax reporting but appear in different time periods. Permanent differences are items of income or expense that are recognized for either financial or tax reporting, but not both. A more detailed discussion of temporary and permanent differences follows below.

The goal of the Schedule M-3 is greater transparency and uniform organization in the comparison of book income and tax income data made 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.

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 income). Schedule M-1 never defined book income. It was left to taxpayers to define book income for themselves.

Schedule M-3, Part I, line 11 and Part II, line 30, column (a) (which must be equal to Part I, line 11) define the financial income of the tax consolidated group, that is, book income, and is what should have been reported on Schedule M-1, line 1 (but may not have been what some reported). The important intermediary steps in Schedule M-3, Part I, help delineate book-tax differences related to consolidation differences only (Part I, lines 4 through 11) versus book-tax differences related to income and expenses for the tax reporting group only (parts II and III, respectively). Schedule M-3 Part I is one of the revisions proposed by Mills and Plesko (2003).

¹²For a discussion of the development of Schedule M-3, see Boynton and Mills (2004).

Parts II and III reconcile financial net income of includable corporations (book income) 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 for the tax consolidated group. 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.

The detail required by parts II and III is 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 those required for book purposes. There are four basic categories of temporary differences:

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

By their very nature, temporary differences involve issues regarding the correct year under book rules and tax rules for the item's inclusion in income or deduction (expense).¹³

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

¹³Temporary differences are important in tax administration because they may identify that an item is being included in the wrong tax year. For example, deferring the recognition of \$1 billion of income for 30 years (or accelerating the recognition of \$1 billion of deductions by 30 years) involves a substantial time value of money change in the value of the tax due.

periods. In financial statement reporting under generally accepted accounting principles, permanent differences are not considered in the Statement of Financial Accounting Standards No. 109 computation of deferred tax assets and liabilities, but do have a direct impact on the effective tax rate. Therefore, permanent differences may substantially influence reported financial earnings per share computations and in the case of public companies, stock prices. Accordingly, permanent differences of a given size may represent a greater audit risk than temporary differences of the same size.

Schedule M-3's introduction of detailed reporting requirements for temporary and permanent differences is another significant improvement over Schedule M-1 as well as an important enhancement to overall transparency.

C. Aggregate Schedule M-3 Data for 2007

1. Changes in aggregate Schedule M-3 data between 2007 and 2006: Table 1A. In Table 1A we summarize 2006 and 2007 Schedule M-3 data and other tax data for corporations filing the Form 1120 for tax years ending July 2006 through June 2007 (SOI 2006 file) and July 2007 through June 2008 (SOI 2007 file), reporting end-of-year total assets of \$10 million or more on the Form 1120 Schedule L balance sheet, and meeting specified minimum data and reconciliation tests.¹⁴ In tables 1B and 1C we present detailed 2007 Form 1120 Schedule M-3 Part II and Part III data. Tables 1A, 1B, and 1C present Schedule M-3 data in the format of an aggregate Schedule M-3, following the rows and columns of that reconciliation form.

*Note that on Schedule M-3, a negative total pretax difference adjustment occurs if tax income is below book income.*¹⁵

In tables 1A, 1B, and 1C, and in Tables 2 through 5, the sign of Schedule M-3 Part III expense/deduction data has been changed to agree with the effect of those expense/deduction items on net income reported in Part II — in particular, the effect on Part II line 30. If an expense/deduction item reduces net income, it is shown as a negative amount.¹⁶

¹⁴The minimum data and reconciliation tests for this 2007 Schedule M-3 study are discussed as part of the discussion of Table 6.

¹⁵See Part I.C for a discussion of sign conventions for the difference between tax income and pretax book income.

¹⁶Schedule M-3 instruction require that column (a) book expense and column (d) tax deduction amounts that reduce net book income and reduce net tax income be shown on Part III as positive amounts. However, some taxpayers fail to follow the instructions. See the discussion of Table 6 for a discussion of problems with taxpayer reporting and how we deal with the problems.

Table 1A shows that consolidated worldwide financial income reported on Schedule M-3 Part I, line 4, for 42,395 corporations for 2007 is \$804,393 million, down from \$1,008,973 million in 2006 for 40,713 corporations, a decrease of \$204,580 million.¹⁷

Net foreign non-includable entity income of \$487,686 million removed on Part I, line 5 is up from the \$302,431 million removed in 2006, an increase of \$185,255 million removed. Approximately 12 percent of the Form 1120 Schedule M-3 filers in 2007 reported an adjustment on Part I, line 5. Those corporations reported approximately 72 percent of the assets reported on Form 1120 returns with Schedule M-3 — that is, the corporations with those adjustments tended to be larger corporations in terms of assets.

Net U.S. non-includable entity income removed on Part I, line 6 was \$111,934 million, down from \$127,762 million, a decrease of \$15,828 million removed. Net income added for other includable entities (included for U.S. tax income but not reported for financial accounting income) is \$11,550 million, up from \$9,629 million in 2006, an increase of \$1,921 million added.

After all adjustments reported in Schedule M-3, Part I, lines 4 through 10, net income-per-income statement of includable corporations (book income) is \$573,171 million, down from \$856,450 million in 2006. That represents a decrease of \$283,279 million in book income compared with a decrease of \$204,580 million in worldwide consolidated financial income. The smaller decrease in worldwide consolidated income reflects the increase in foreign entity income included in consolidated worldwide income but not included in book income.

To determine 2007 and 2006 pretax book income, we add back federal income tax expense. Pretax book income is \$845,410 million, down from \$1,172,369 million in 2006, a decrease of \$326,959 million compared with the \$283,279 million decrease in book income. The larger decrease in pretax book income is because the federal income tax expense added back fell to \$272,231 million from \$315,916 million in 2006, a decrease of \$43,685 million in the expense added back.

The total temporary and permanent difference adjustment added to book income to determine tax net income on Part II, lines 1 through 5, for income

¹⁷The difference in the number of corporations in 2007 and 2006 in Table 1A reflect the difference in the number of corporations filing Schedule M-3 that file a Schedule M-3 that pass our minimum data and reconciliation tests. The minimum data and reconciliation tests for this 2007 Schedule M-3 study are discussed as part of the discussion of Table 6.

from foreign corporations is \$104,893 million compared with \$80,161 million in 2006, an increase of \$24,732 million. Approximately 8 percent of the Form 1120 Schedule M-3 filers in 2007 reported an adjustment on Part II, lines 1 through 5. Those corporations reported approximately 71 percent of the assets reported on Form 1120 returns with Schedule M-3 — that is, the corporations with those adjustments tended to be larger corporations in terms of assets.

The total temporary and permanent difference adjustment added to book income to determine tax net income on Part II, lines 9 through 11, for income from U.S. and foreign partnerships and other passthroughs is \$37,348 million compared with \$50,319 million in 2006, a decrease of \$12,971 million.

The total temporary and permanent difference adjustment added to book income to determine tax net income on Part II, line 12 for reportable transactions is negative \$21,374 million compared with negative \$29,528 million in 2006, a decrease of \$8,154 million in the negative adjustment.

The total temporary and permanent difference adjustment added to book income to determine tax net income on Part II, line 25 for “other with difference” income and loss items is negative \$49,662 million compared with negative \$145,496 million in 2006, a decrease of \$95,834 million in the negative adjustment.

The total temporary and permanent difference adjustment added to book income to determine tax net income on Part III, lines 9 and 10, for stock options and other equity compensation is negative \$51,830 million compared with negative \$44,588 million in 2006, an increase of \$7,242 million in the negative adjustment.

The total temporary and permanent difference adjustment added to book income to determine tax net income on Part III, line 35 for “other with difference” expense/deduction items is negative \$12,923 million compared with negative \$81,935 million in 2006, a decrease of \$69,012 million in the negative adjustment.

The total temporary and permanent pretax difference adjustment (after reversing federal income tax expense) added to pretax book income of \$845,410 million to determine tax net income on Part II, line 30 of \$984,630 million is positive \$139,220 million compared with negative \$72,034 million in 2006, a decrease of \$211,254 million in the negative adjustment.

On the SOI corporate file for 2007, SOI reports tax net income on Form 1120, page 1, line 28 of \$918,438 million for 2007 for the corporations in our Form 1120 Schedule M-3 study meeting our minimum data and reconciliation requirements. The differ-

ence with the \$984,630 million reported by the corporations on Schedule M-3, Part II, line 30, column (d) results from the SOI’s elimination of intercompany dividends (ICD) of \$88,353 million and other SOI adjustments adding \$22,161 million.¹⁸

2. Tax net income and 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 ICD in tax net income on Form 1120, page 1, line 28, the reconciliation target for Schedule M-3.*¹⁹ 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 be included on Schedule M-3, Part II, line 30, column (d).

Any accounting adjustment that makes an increase to tax net income on Part II, line 30, column (d) that is not balanced by a similar increase to book income on Part II, line 30, column (a) will *decrease* the reported negative difference between book income and tax income on Schedule M-3 if book income is higher than tax income before the adjustment. It will increase the reported positive difference if book income is lower than tax income before the adjustment.²⁰ The reduction in that reported negative difference, or the increase in the reported positive difference, may be a motivation for improperly including ICD in tax net income when it is not included in book income.²¹

¹⁸Note 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.

¹⁹It is improper to include intercompany dividends 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 (mixed groups) may be required for book income accounting (under statutory accounting rules for insurance companies), and tax income accounting (under federal income tax consolidation rules for insurance companies) to include specified intercompany dividends in book income and in tax income. See the 2004 through 2010 Form 1120 instructions for Schedule M-3, Part I, lines 10 and 11; and Part II, lines 7 and 25 (line 26 before 2006). In April 2006 Form 8916 was announced to supplement Schedule M-3 for mixed groups, including tax consolidation groups with a Form 1120 parent and an insurance subsidiary. Effective for tax years ending on or after December 31, 2006, Form 8916 is used by mixed groups to reconcile tax net income on Schedule M-3 with taxable income on the tax return. See the discussion of Table 3 for more on the economic importance of mixed groups.

²⁰A similar effect exists on Schedule M-1. See Boynton, DeFilippes, and Legel (2005 and 2006a).

²¹As previously discussed, corporations with insurance subsidiaries are subject to statutory accounting rules for book

(Footnote continued on next page.)

In general, ICD should be eliminated in determining tax net income. SOI removes all ICD amounts that it identifies in tax net income in the SOI corporate file.²² 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 differ (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 SOI from line 28.²³

SOI has included information on the ICD adjustment on the 1999-2003 files and the 2005, 2006, and 2007 files as the variable DIV_AFFIL_ADJ. The ICD information was not included for the Schedule M-3 population on the 2004 file. We estimate the ICD adjustment for 2004 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.

3. Aggregate 2007 Schedule M-3 Part II and III data detail: Tables 1B and 1C. In tables 1B and 1C we present detailed 2007 Form 1120 Schedule M-3 Part II and Part III data in the format of an aggregate Schedule M-3 following the rows and columns of that reconciliation form.

*Note that on Schedule M-3, a negative total pretax difference adjustment occurs if tax income is below book income.*²⁴

In Table 1C, the sign of Schedule M-3 Part III expense/deduction data has been changed to agree with the effect of those expense/deduction items on net income reported in Part II — in particular, the effect on Part II, line 30. If an expense/deduction item reduces net income, it is shown as a negative amount.²⁵

income and special rules for tax income for those insurance subsidiaries that include ICD in both book income and tax income.

²²On 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 ICD editing by SOI for 1990-2003 tax years in Boynton, DeFilippes, and Legel (2005 and 2006a). 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.

²³SOI 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.

²⁴See Part I.C for a discussion of sign conventions for the difference between tax income and pretax book income.

²⁵Schedule M-3 instructions require that column (a) book expense and column (d) tax deduction amounts that reduce net

(Footnote continued in next column.)

In Table 1B, Schedule M-3, Part II, lines 1 through 5 report various adjustments to book income related to income from foreign corporations needed to determine tax income. Book income of \$77,950 million is increased \$104,893 million (approximately 135 percent) to tax income of \$182,815 million. The total temporary difference adjustment is positive \$8,934 million, and the total permanent difference adjustment is positive \$95,960 million. Subpart F requires immediate recognition of specified income of controlled foreign corporations. The subpart F temporary difference adjustment is positive \$11,559 million, and the total permanent difference adjustment is positive \$51,042 million. Approximately 8 percent of the Form 1120 Schedule M-3 returns in 2007 reported an adjustment on Part II, lines 1 through 5. Those corporations reported approximately 71 percent of the assets reported on Form 1120 returns with Schedule M-3 — that is, the corporations with those adjustments tended to be larger corporations in terms of assets.

In Table 1B, Schedule M-3, Part II, lines 9 through 11 report various adjustments to book income related to income from U.S. and foreign partnerships and passthroughs needed to determine tax income. Book income of \$98,041 million is increased \$37,348 million (approximately 38 percent) to tax income of \$135,415 million. The total temporary difference adjustment is positive \$17,460 million, and the total permanent difference adjustment is positive \$19,888 million.

In Table 1B, Schedule M-3, Part II, line 12 reports the amount of adjustments to book income related to reportable transactions needed to determine tax income. Book income of negative \$4,819 million is increased negative \$21,374 million (approximately 444 percent) to tax income of negative \$26,194 million. The total temporary difference adjustment is negative \$10,623 million, and the total permanent difference adjustment is negative \$10,751 million.

In Table 1B, Schedule M-3, Part II, line 25 reports the amount of adjustments to book income related to “other with difference” income and loss items needed to determine tax income. Book income of positive \$17,251,641 million is decreased negative \$49,662 million (less than 1 percent) to tax income of negative \$17,201,984 million. The total temporary difference adjustment is negative \$33,129 million, and the total permanent difference adjustment is negative \$16,532 million.

book income and reduce net tax income be shown on Part III as positive amounts. However, some taxpayers fail to follow the instructions. See the section on Table 6 for a discussion of problems with taxpayer reporting and how we deal with the problems.

In Table 1B, following Part II, line 30, reporting total book income and tax income, federal income tax expense of \$272,231 million is reversed. The reversal generates total pretax income of \$845,410 million, a pretax temporary difference adjustment of positive \$53,475 million, and a pretax permanent difference adjustment of \$85,745 million, for a total pretax difference adjustment of positive \$139,220 million (approximately 16 percent of pretax book) and tax income of \$984,630 million.

In Table 1C, Schedule M-3, Part III, lines 9 and 10 report various adjustments to book expense related to stock options and equity compensation needed to determine the tax deduction. Book expense of negative \$64,973 million is increased negative \$51,830 million (approximately 80 percent) to a tax deduction of negative \$116,803 million. The total temporary difference adjustment is positive \$8,770 million, and the total permanent difference adjustment is negative \$60,600 million.

In Table 1C, Schedule M-3, Part III, line 35 reports the amount of adjustments to book expense related to "other with difference" expense/deduction items needed to determine the tax deduction. Book expense of negative \$1,913,034 million is increased negative \$12,923 million (approximately 1 percent) to the tax deduction of negative \$1,926,125 million. The total temporary difference adjustment is negative \$26,075 million, and the total permanent difference adjustment is positive \$13,152 million.

4. Distribution of aggregate 2007 Schedule M-3 data for 2007.

a. Distribution by asset size and financial statement type: Table 2. Table 2 reports aggregate 2007 Schedule M-3 data and other tax return data distributed by asset size and financial statement type (SEC 10K/Public, Audited not SEC, and Unaudited or Books and Records).²⁶ There are 5,418 SEC 10K/Public corporations among the 42,395 corporations in 2007 filing Form 1120 Schedule M-3 and meeting our minimum data and reconciliation requirements.²⁷ The 5,418 returns that we classify as SEC 10K/Public report 75 percent of the assets reported by the 42,395 corporations. The 42,395 include 247 corporations reporting total assets of \$20 billion or

more each. Those 247 report 72 percent of the assets of the 42,395 corporations. The 247 include 180 corporations that are SEC 10K/Public and report \$20 billion or more each in assets. Those 180 large public corporations report 61 percent of the assets of the 42,395.

The 180 SEC 10K/Public corporations reporting assets of \$20 billion or more report 42 percent of the tax after credits of the 42,395 — 69 percent of the foreign tax credit, 54 percent of the tax net income, and 58 percent of the consolidated worldwide financial accounting income. The 180 large public corporations report 71 percent of the net foreign entity non-includable income removed on Schedule M-3 Part I, line 5 and 65 percent of the net U.S. entity non-includable income removed on Part I, line 6.

The 180 SEC 10K/Public corporations reporting assets of \$20 billion or more report 30 percent of the other includable entity income included on Part I, line 7. Other includable income on Part I, line 7 includes income from entities not included for some reason in the consolidated worldwide financial accounting income reported to shareholders, entities involved in off-balance-sheet transactions, special purpose entities or investment vehicles, variable interest entities, and disregarded entities. Interestingly, 62 percent of the income included on Part I, line 7 is reported by 29 private corporations reporting assets of \$20 billion or more with audited non-SEC financial statements.

The 180 large public corporations report 54 percent of total book income after all Schedule M-3, Part I adjustments and 49 percent of pretax book income. Pretax book income is book income with federal income tax expense reversed for comparability with tax income. The 180 large public corporations report 54 percent of the pretax temporary difference, 111 percent of the pretax permanent difference, and 55 percent of the tax income.²⁸

The 180 large public corporations report 62 percent of the total temporary and permanent book-tax differences reported on Part II, lines 1 through 5 related to income from foreign corporations. The 180 report 76 percent of the total temporary and permanent book-tax differences on Part II, lines 9 through 11 related to foreign and U.S. partnerships and passthroughs; 74 percent of the total differences for Part II, line 12 reportable transactions; 12 percent

²⁶We define "SEC 10K/Public" to include any tax return on which Schedule M-3, Part I, line 1a indicated that an SEC 10K financial statement was prepared or on which Part I, line 3a indicated that the corporation had publicly traded common stock. Some firms indicate the first without the second, which may mean publicly traded debt or a reporting error. Other firms report the second without the first, suggesting a reporting error. We make use of the presence of either indicator.

²⁷The minimum data and reconciliation tests for this 2007 Schedule M-3 study are included as part of the discussion of Table 6.

²⁸The aggregate pretax permanent difference is the sum of negative amounts for some corporations and positive for others among the total 42,395 corporations. The aggregate pretax permanent difference for the 180 corporations contains relatively more of the positive than the negative differences and is, as a net positive amount, larger than the net positive amount for all 42,395 corporations.

of the total differences on Part II, line 25 “other with difference” income/loss; 43 percent of the total differences on Part III, lines 9 and 10 related to stock options and equity compensation; and 172 percent of the total difference on Part III, line 35 “other with difference” expense/deduction.

The 29 private corporations reporting assets of \$20 billion or more with audited non-SEC financial statements report 26 percent of the total temporary and permanent book-tax difference reported on Part II, line 25 “other with differences” income/loss.

b. Distribution by asset size and return type:

Table 3. Table 3 reports aggregate 2007 Schedule M-3 data and other tax return data distributed by asset size and tax return type. There are three Form 1120 corporate tax return types for our Schedule M-3 2007 study: consolidate (without insurance company subsidiaries), mixed group (consolidated with insurance company subsidiaries), and unconsolidated. There are 20,735 consolidate corporations, 444 mixed group corporations, and 21,216 unconsolidated corporations among the 42,395 corporations filing Form 1120 Schedule M-3 in 2007 and meeting our minimum data and reconciliation requirements.²⁹ The 20,735 consolidated corporations report 41 percent of the assets reported by the 42,395. The 444 mixed group corporations report 52 percent of the assets reported by the 42,395.

Understanding the role of the 444 mixed group corporations is extraordinarily important to an understanding of the evolving U.S. and multinational corporate landscape. Those corporations have a non-insurance parent, usually with a non-insurance principal business, but are distinguished by augmenting their corporate structure with one or more captive insurance company subsidiaries.

The 42,395 corporations meeting our data and reconciliation requirements include 247 corporations reporting total assets of \$20 billion or more each. Those 247 report 72 percent of the assets of the 42,395 corporations. The 247 include 153 corporations that are consolidated, 89 that are mixed group, and five that are unconsolidated. The 153 large consolidated corporations report 19 percent of the assets of the 42,395. The 89 large mixed group corporations report 49 percent of the assets of the 42,395.

The 153 consolidated corporations and 89 mixed group corporations reporting assets of \$20 billion or more report, respectively, 21 and 25 percent of the after-credits tax of the 42,395 corporations, 28 and

45 percent of the FTC, 24 and 32 percent of the tax net income, and 30 and 33 percent of the consolidated worldwide financial accounting income. The 153 large consolidated corporations and 89 large mixed group corporations report, respectively, 42 and 30 percent of the net foreign entity non-includable income removed on Schedule M-3, Part I, line 5, and 16 and 53 percent of the net U.S. entity non-includable income removed on Part I, line 6.

The 153 consolidated and 89 mixed group corporations reporting assets of \$20 billion or more report, respectively, 16 and 78 percent of the other includable entity income included on Part I, line 7.

The 153 large consolidated and 89 large mixed group corporations report, respectively, 34 and 31 percent of total book income after all Schedule M-3, Part I, adjustments, and 31 and 28 percent of pretax book income. The 153 large consolidated and 89 large mixed group corporations report, respectively, negative 19 and negative 7 percent of the pretax temporary difference, negative 19 and positive 99 percent of the pretax permanent difference, and 24 and 33 percent of the tax income.

The 153 large consolidated and 89 large mixed group corporations report, respectively, 14 and 49 percent of the total temporary and permanent book-tax differences reported on Part II, lines 1 through 5 related to income from foreign corporations. The 153 large consolidated and 89 large mixed group corporations report, respectively, negative 14 percent and positive 70 percent of the total temporary and permanent book-tax differences on Part II, lines 9-11 related to foreign and U.S. partnerships and passthroughs; 17 and 50 percent of the total differences for Part II, line 12 reportable transactions; negative 5 percent and positive 87 percent of the total differences on Part II, line 25, “other with differences” income/loss; 27 and 20 percent of the total differences on Part III, lines 9 and 10 related to stock options and equity compensation; and 90 and 164 percent of the total difference on Part III, line 35 “other with differences” expense/deduction.³⁰

c. Distribution by industry and SEC 10K/Public or Not Public status: Table 4. Table 4 reports aggregate 2007 Schedule M-3 data and other tax return data distributed by selected major industry and sub-industry groupings and by SEC 10K/Public or Not

²⁹The minimum data and reconciliation tests for this 2007 Schedule M-3 study are discussed as part of the discussion of Table 6.

³⁰The aggregate pretax temporary and permanent difference is the sum of negative amounts for some corporations and positive for others among the total 42,395 corporations. The aggregate pretax temporary and permanent difference for the 89 mixed group corporations contains relatively more of the negative than the positive differences and is, as a net negative amount, larger than the net negative amount for all 42,395 corporations.

Public status within each industry.³¹ Totals are presented for (1) manufacturing (rows a-h), (2) finance/holding (rows i-l), and (3) other (rows m-s). There are 9,303 manufacturing corporations, 11,233 finance/holding corporations, and 21,859 other corporations among the 42,395 corporations filing Form 1120 Schedule M-3 in 2007 and meeting our minimum data and reconciliation requirements.³² The 9,303 manufacturing corporations report 20 percent of the assets reported by the 42,395 filers. The 11,233 finance/holding corporations report 59 percent of the assets reported by the 42,395.

The 9,303 manufacturing corporations and 11,233 finance/holding corporations report, respectively, 33 and 22 percent of the tax after credits of the 42,395 corporations; 72 and 9 percent of the FTC; 45 and 16 percent of the tax net income; and 51 and 13 percent of the consolidated worldwide financial accounting income. The manufacturing and finance/holding corporations report, respectively, 78 and 7 percent of the net foreign entity non-includable income removed on Schedule M-3 Part I, line 5, and 36 and 41 percent of the net U.S. entity non-includable income removed on Part I, line 6.

The manufacturing and finance/holding corporations report, respectively, positive 95 and negative 1 percent of the other includable entity income included on Part I, line 7.

The manufacturing and finance/holding corporations report, respectively, 55 and 7 percent of total book income after all Schedule M-3 Part I adjustments, and 49 and 9 percent of pretax book income. They report, respectively, 42 and 118 percent of the pretax temporary difference, negative 19 and positive 55 percent of the pretax permanent difference, and 43 and 19 percent of the tax income.

³¹The industries listed in Table 4 are listed in SOI publications in the following industries, major codes, and sector codes: (A) Petroleum Refineries: Ind. 324110; (B) Pharmaceuticals: Ind. 325410; (C) Computers/Electronics: Major code 334; (D) Electrical Equipment: Major code 335; (E) Transportation Equipment: Major code 336; (F) Fabricated Metal and Machinery: Major code 332 and 333; (G) Food / Beverage Mfg: Major code 311 and 312; (H) Other Manufacturing: Major code 313, 315, 316, 321, 322, 323, 325, 326, 327, 331, 337, and 339, and Ind. 325125; (I) NonBank Holding Company: Ind. 551112; (J) Bank & Bank Holding Company: Ind. 551111, and Major code 521; (K) Securities/Commodities: Major code 523; (L) Other Financial: Major code 522, 524, and 525, and sector 53; (M) Trade: Sector code 41; (N) Information: Sector code 51; (O) Utilities: Sector code 22; (P) Transport/Warehousing: Sector code 48; (Q) Mining: Sector code 21; (R) Construction: Sector code 23; and (S) Service/Agriculture/Other: the remainder of the industries not listed above. See the discussion of Table 2 for a definition of SEC 10K/Public status.

³²The minimum data and reconciliation tests for this 2007 Schedule M-3 study are discussed as part of the discussion of Table 6.

The manufacturing and finance/holding corporations report, respectively, 51 and 34 percent of the total temporary and permanent book-tax differences reported on Part II, lines 1 through 5 related to income from foreign corporations. They report, respectively, 78 percent and 9 percent of the total temporary and permanent book-tax differences on Part II, lines 9 through 11 related to foreign and U.S. partnerships and passthroughs; 45 and 27 percent of the total differences for Part II, line 12 reportable transactions; positive 110 percent and negative 10 percent of the total differences on Part II, line 25 "other with differences" income/loss; 42 and 18 percent of the total differences on Part III, lines 9 and 10 related to stock options and equity compensation; and negative 55 and negative 116 percent of the total difference on Part III, line 35 "other with differences" expense/deduction.

d. Distribution by stock option and equity compensation status: Table 5. Table 5 reports aggregate 2007 Schedule M-3 data and other tax return data distributed, first, by the rank of the corporation in reporting stock option negative pretax permanent differences (in terms of the effect on tax net income) on Part III, line 9, column (c).³³

*Note that on Schedule M-3, a negative total pretax difference adjustment occurs if tax income is below book income.*³⁴

In tables 1A and 1C, and in tables 2 through 5, the sign of Schedule M-3, Part III expense/deduction data has been changed to agree with the effect of those expense/deduction items on net income reported in Part II, in particular, the effect on Part II, line 30. If an expense/deduction item reduces net income, it is shown as a negative amount.³⁵

A negative pretax permanent difference (under the sign convention for this report) for stock options would occur if a stock option exercise resulted in a claimed tax deduction by the corporation without having been expensed currently or previously for financial accounting by the corporation. In 2005 financial accounting standards required expensing

³³On the 2005 and later Schedule M-3 form, incentive stock options are combined with non-qualified stock options as simply stock options on Part III, line 9.

³⁴See Part I.C for a discussion of sign conventions for the difference between tax income and pretax book income.

³⁵Schedule M-3 instructions require that column (a) book expense and column (d) tax deduction amounts that reduce net book income and reduce net tax income be shown on Part III as positive amounts. However, some taxpayers fail to follow the instructions. See the discussion of Table 6 for a discussion of problems with taxpayer reporting and how we deal with the problems.

of stock options at the time of grant.³⁶ The 42,395 corporations in 2007 filing Form 1120 Schedule M-3 and meeting our minimum data and reconciliation requirements report (see Part III, lines 9 and 10 in Table 1C) aggregate stock option and equity compensation book expense of negative \$64,973 million and tax deductions of negative \$116,809 million.³⁷ The total temporary and permanent difference of negative \$51,830 million is comprised of a positive \$8,770 million temporary difference and a negative \$60,600 million permanent difference.

The top 250 corporations in terms of negative pretax permanent difference for stock options in 2007 report 72 percent of the stock option and equity compensation total temporary and permanent differences reported on Part III, lines 9 and 10, by the 42,395 corporations meeting our minimum data and reconciliation requirements. Those 250 corporations report 45 percent of the total assets, 36 percent of the total tax after credits, 63 percent of the total FTC, 45 percent of the net tax income, and 54 percent of consolidated worldwide income. They report 63 percent of the net foreign entity non-includable income removed on Schedule M-3 Part I, line 5, and 52 percent of the net U.S. entity non-includable income removed on Part I, line 6. They also report 70 percent of the other includable entity income included on Part I, line 7.

The top 250 corporations in terms of negative pretax permanent difference for stock options in 2007 report 56 percent of total book income after all Schedule M-3, Part I adjustments and 50 percent of pretax book income. They report 13 percent of the pretax temporary difference, 27 percent of the pretax permanent difference, and 46 percent of the tax income.

The top 250 corporations in terms of negative pretax permanent difference for stock options in 2007 report 53 percent of the total temporary and permanent book-tax differences reported on Part II, lines 1 through 5 related to income from foreign corporations. They report, respectively, 30 percent of the total temporary and permanent book-tax differences on Part II, lines 9 through 11 related to foreign and U.S. partnerships and passthroughs; 50 percent of the total differences for Part II, line 12 reportable transactions; 20 percent of the total differences on Part II, line 25 “other with differences”

³⁶FAS 123R requires the expensing of stock options effective for quarterly or annual reporting periods beginning after June 15, 2005.

³⁷The minimum data and reconciliation tests for this 2007 Schedule M-3 study are discussed as part of the discussion of Table 6.

income/loss; and 51 percent of the total difference on Part III, line 35 “other with differences” expense/deduction.

Table 5 also reports aggregate 2007 Schedule M-3 data and other tax return data distributed by the amount and sign of the amounts reported on Part III, lines 9 and 10 as permanent differences and as tax deductions for stock options and equity compensation.

e. Reconciliation of 2007 Schedule M-3 first-look data with the SOI file: Table 6. Distribution Table 6 for 2007 identifies the population of tax returns on the 2007 SOI final corporate file potentially subject to the requirement to include the 2007 Form 1120 Schedule M-3. The first requirement is that the corporation file a Form 1120 and report assets of \$10 million or more on Form 1120 Schedule L.³⁸ The second requirement is that the tax year ends during the period July 2007 through June 2008. The 2007 SOI final file contains records statistically representing 45,550 tax returns for corporations filing Form 1120 with total assets of \$10 million or more.³⁹ These 45,550 tax returns include 950 returns either with no Schedule M-3 data or with a tax year ending before July 2007. SOI sometimes includes a placeholder record if the desired tax return is unavailable.⁴⁰ The 45,550 returns also include 2,205 returns that have Schedule M-3 data and a year-end of July 2007 through July 2008 but fail to pass specified minimum data reconciliation tests. Removing the 950 returns with no Schedule M-3 data or an incorrect tax year and removing the 2,205 returns that have data reconciliation problems leaves the 42,395 minimally reconcilable returns that are used in tables 1A, 1B, 1C, and 2 through 5. The 42,395 returns are also used in Table 7 as returns with 2007 Schedule M-3 data.⁴¹

³⁸Some companies with assets less than \$10 million voluntarily filed Schedule M-3. We do not analyze that data.

³⁹The 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). In 2004 SOI essentially selected all corporate tax returns with assets of \$10 million or more and sampled smaller corporation returns. In 2005, 2006, and 2007, SOI essentially selected all corporate returns with assets of \$50 million or more and sampled smaller corporation returns.

⁴⁰See Part I.E for a fuller discussion of the sources of placeholder data.

⁴¹Our classification of a return as having or not having minimally reconcilable Schedule M-3 data is solely for the purposes of this report and does not affect classification of the return for audit purposes.

The 2,205 returns we eliminate for data reconciliation problems failed one or more of the following tests: Part II, line 30 contains no nonzero amount; Part II, line 30, columns (a), (b), and (c) do not reconcile with column (d) within 1 percent of the maximum nonzero absolute value amount on Part II, line 30; Part II, line 30, column (a) does not reconcile with Part I, line 11 within 1 percent of the maximum nonzero absolute value amount on Part II, line 30⁴²; Part II, line 27 contains no nonzero amount; Part III, line 36 contains no nonzero amount; Part II, line 27 and Part III, line 36 do not reconcile after the required sign change within 1 percent of the maximum nonzero absolute value amount on Part II, line 30.

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. Some returns that initially fail our tests on Part II, line 27 and Part III, line 36 are corrected by us if we determined that the taxpayer reported expenses and deductions on Part III as negative amounts and carried those amounts to Part II, line 27 without a sign change where those amounts could appropriately be added. Some of the returns are very large in terms of total assets. For aggregation purposes, we changed the sign of amounts on Part III of those returns so that expenses and deductions were reported as positive amounts before aggregation. This was done before we changed the sign of all Part III expense and deduction data. For some of the corrected returns, we determined that the taxpayer reported expenses and deductions on Part III as positive amounts and carried those amounts to Part II, line 27 without a sign change where the taxpayer then *subtracted* the Part II, line 27 column amounts to determine Part II, line 30. For aggregation purposes, we changed the sign of amounts on Part II, line 27 so that those amounts could be added.⁴³

f. Table 7: Combined schedules M-1 and M-3 data 1994-2007. Table 7 presents Schedule M-1 data, Schedule M-3 data, and other tax return data for all

⁴²We 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 nonzero, 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.

⁴³After all sign corrections described here, an additional sign change was made for the presentation of data. Negative income (loss) differences in Part II reduce Part II, line 30, column (d) tax net income. We change the sign of all Part III data to show expense/deduction differences that reduce Part II, line 30, column (d) tax net income as negative differences consistent with the sign convention in Part II. See the discussion of Table 1A and Table 5.

1994-2003 Form 1120 returns filing a complete Schedule M-1, all 2004-2007 Form 1120 returns filing a complete Schedule M-1 and failing to file a Schedule M-3 meeting the data and reconciliation requirements for this report, and all 2004-2007 Form 1120 returns filing a Schedule M-3 meeting the data and reconciliation requirements for this report. Table 7 is the source for the data used for figures 1, 2, and 3.

III. 2006/2007 Supporting Documentation

A. Identifying Supporting Documentation

Two of the authors (Legel and Reum) reviewed Schedule M-3 reporting documentation for all relevant SOI tax returns reporting either positive or negative amounts of more than \$500 million in absolute value on Part I, line 10a, b, and c other adjustments; Part II, line 25 other income (loss) items with differences; and Part III, line 35 other expense/deduction items with differences. In aggregate, those tax returns comprise more than a million pages.

The search used Structured Query Language queries of the SOI attachments file and verification of large amounts for the “other” lines on parts I, II, and III using the secure IRS Employee User Portal. Those attachments were sometimes filed with the consolidated Schedule M-3 and otherwise with the subsidiary companies’ Schedules M-3. The review included finding the supporting documentation for the “other” line, finding the specific descriptions for amounts greater than the absolute value of \$500 million (\$1 billion for Part I, line 10) in the “other” lines attachments, or 40 percent of the total other differences amount reported on Part II, line 25, columns (b) and (c) and Part III, line 35, columns (b) and (c). Those large differences were categorized by employee identification number, return type, industry code, total assets, corporation name, the positive or negative temporary or permanent difference amounts (both as amounts and as percentages of the corresponding positive or negative aggregate temporary or permanent difference for Part II, line 25 or Part III, line 35), and a description itemizing the type of income (loss) or expense/deduction. The positive or negative temporary or permanent amounts selected were collated from largest to smallest (absolute value). We found that corporations might have separate difference amounts in the attachments larger than the total difference amount for the “other” total line because of large offsetting amounts within the attachments. We compare the individual company itemized differences that are greater than the absolute value of \$100 million with their respective total difference amounts reported on Part II, line 25 and Part III, line 35. Some companies did not provide attachment data. In our

analysis of the “other” lines on the 2006/2007 Schedule M-3, we excluded amounts found in the insurance subsidiary companies.

As in the past, several large items reported on the “other” lines should in fact have been reported on more specific Schedule M-3 lines. A couple of examples are “intercompany dividends” and “R&D expenses” (a new expense item that will be reported as “Research & Development Costs” on Part III, line 35 in 2010). The authors suggest that future instructions for the Schedule M-3 “other” lines note some of those reporting errors as examples of inappropriate categorization. Finally, there are recurring large amounts that are correctly reported on “other” lines but are labeled as “miscellaneous income” and “other income” or as “miscellaneous expense” and “other expense” that could usefully be reported on current or new Schedule M-3 lines if a better description is given.

B. Large Differences on Part I, Line 10

The authors identified items in 2006 in the supporting attachments to Part I, line 10a, b, and c with absolute values of \$500 million or more reported for Part I, line 10a, b, and c, for all corporations with reconcilable Schedules M-3 meeting the data requirements for this report.⁴⁴ Line 10a accounts for approximately 96 percent of the aggregate positive differences of \$89 billion and 99 percent of the aggregate negative differences of negative \$73 billion. Line 10b yields 84 percent of aggregate positive differences of \$5 billion and 93 percent of aggregate negative differences of approximately negative \$7 billion. Lastly, line 10c yields 81 percent of an aggregate positive difference of \$35 billion and 63 percent of aggregate negative differences of negative \$10 billion.

In 2007 the authors reviewed supporting attachments to Part I, line 10a with absolute values of \$500 million or more. Those returns account for approximately 93 percent of the aggregate positive differences of \$66 billion and 94 percent of the aggregate negative differences of negative \$19 billion reported for Part I, line 10a for all corporations with reconcilable Schedules M-3 meeting the data requirements for this report. Given the above thresholds, line 10b yields 97 percent of aggregate positive differences of \$21 billion and 76 percent of aggregate negative differences of approximately negative \$8 billion. Lastly, Part I, line 10c yields 97 percent of an aggregate positive difference of \$42 billion and 76 percent of aggregate negative differences of negative \$10 billion.

⁴⁴See the discussion of Table 6 for a discussion of the data and reconciliation requirements for this report.

In 2006 and 2007 Part I, line 10a is generally used appropriately to report the addition of intercompany dividends if required by statutory accounting for insurance subsidiaries (STAT), but it is found to contain large amounts from consolidated corporations that do not have insurance subsidiaries. For line 10b, GAAP to STAT adjustments and intercompany dividends were most prevalent. Intercompany dividends and adjustments for consolidated companies without insurance subsidiaries are dominantly shown on line 10c. The instruction for Part I, line 10 items clearly states that normally, and except when statutory accounting for insurance subsidiaries applies, intercompany dividends should be eliminated and not reported as part of Part I, line 4a consolidated worldwide income and not reported as part of Part I, line 11 book income.

Many of the tax return attachment amounts for Part I, line 10a, b, and c reported large (more than \$500 million absolute value) amounts but did not adequately describe the items. In 2006 in Part I, line 10a, 7 percent of positive amounts had no attachments and all had attachments for the negative items. In Part I, line 10b, 100 percent of positive amounts had no attachments and 50 percent of the negative amounts had no attachment information. In Part I, line 10c, 82 percent of positive amounts had no attachments and 89 percent of the negative amounts had no attachments.

A similar pattern of reporting occurs in 2007. Part I, line 10a shows 51 percent of positive amounts had no attachments and 16 percent for the negative items. In Part I, line 10b, 15 percent of positive amounts had no attachments and 0 percent had attachments for the negative items. Finally, in Part I, line 10c, 63 percent of positive amounts had no attachments and 71 percent of the negative amounts had no attachments, although they were required. The proportion of tax returns with Part I, line 10 attachments improved in 2006/2007 compared with 2004/2005. All returns, however, are required to submit attachment amounts and descriptions for lines 10a, b, and c.

C. Large Differences on Part II, Line 25

In 2006 returns that reported Part II, line 25 that had more than \$500 million in negative permanent income differences (NPID) yielded 15 returns that comprised \$5.9 trillion in total assets (33 percent of the total assets that reported NPID). Moreover, those returns contributed 61 percent of the total NPID of negative \$46 billion that is reported on Part II, line 25 for all corporations with reconcilable Schedules M-3 meeting the data requirements for this report. The absolute amounts on those returns are 77 percent of the total difference for the line. Seven companies had “miscellaneous income/other income” or “intercompany dividends/

income" that could have been placed on existing lines. In 2007 returns that reported Part II, line 25 that had more than \$500 million in NPID yielded 17 returns that comprised \$1.5 trillion in total assets (8 percent of the total assets that reported NPID). Moreover, those returns contributed 56 percent of the total NPID of negative \$42 billion that is reported on Part II, line 25 for all corporations with reconcilable Schedules M-3 meeting the data requirements for this report. The absolute amounts on those returns are 96 percent of the total difference for the line. Seven companies had "miscellaneous/income" or "intercompany dividends/income" that could have been placed on existing lines.

In 2006 returns that reported Part II, line 25 that had more than \$500 million in positive permanent income differences (PPID) yielded 11 returns that comprised \$727 billion in total assets (5 percent of the total assets that reported PPID). Moreover, those returns contributed 53 percent of the total PPID of \$27 billion that is reported on Part II, line 25 for all corporations with reconcilable Schedules M-3 meeting the data requirements for this report. The absolute amounts on those returns are 96 percent of the total difference for the line. At least half the companies had "miscellaneous" or "intercompany income." In 2007 returns that reported Part II, line 25 that had more than \$500 million in PPID yielded 6 returns that comprised \$240 billion in total assets (1.4 percent of the total assets that reported PPID). Moreover, those returns contributed 52 percent of the total PPID of \$26 billion that is reported on Part II, line 25 for all corporations with reconcilable Schedules M-33 meeting the data requirements for this report. The absolute amounts on those returns are 132 percent of the total difference for the line. At least half the companies had "miscellaneous income."

In 2006 returns that reported Part II, line 25 that had more than \$500 million in negative temporary income differences (NTID) yielded 27 returns that comprised \$8.4 trillion in total assets (43 percent of the total assets that reported NTID). Moreover, those returns contributed 84 percent of the total NTID of negative \$174 billion that is reported on Part II, line 25 for all corporations with reconcilable Schedules M-3 meeting the data requirements for this report. The absolute amounts on those returns are 100 percent of the total difference for the line. Nine companies had "miscellaneous" or "other" income. In 2007 returns that reported Part II, line 25 that had more than \$500 million in NTID yielded 26 returns that comprised \$5.6 trillion in total assets (33 percent of the total assets that reported NTID). Moreover, those returns contributed 71 percent of the total NTID of negative \$92 billion that is reported on Part II, line 25 for all corporations with

reconcilable Schedules M-3 meeting the data requirements for this report. The absolute amounts on those returns are 141 percent of the total difference for the line. Six companies had "miscellaneous income," and a few had no descriptive attachments.

In 2006 returns that reported Part II, line 25 that had more than \$500 million in positive temporary income differences (PTID) yielded 13 returns that comprised \$3 trillion in total assets (15 percent of the total assets that reported PTID). Moreover, those returns contributed 37 percent of the total PTID of \$48 billion that is reported on Part II, line 25 for all corporations with reconcilable Schedules M-3 meeting the data requirements for this report. The absolute amounts on those returns are 95 percent of the total difference for the line. Five companies had "miscellaneous income" and "gross sales" as large significant amounts. In 2007 returns that reported Part II, line 25 that had more than \$500 million in PTID yielded 21 returns that comprised \$11 trillion in total assets (43 percent of the total assets that reported PTID). Moreover, those returns contributed 42 percent of the total PTID of \$59 billion that is reported on Part II, line 25 for all corporations with reconcilable Schedules M-3 meeting the data requirements for this report. The absolute amounts on those returns are 101 percent of the total difference for the line. Nine companies had "miscellaneous or other income" and several others listed "gross sales" as large significant amounts.

D. Large Differences on Part III, Line 35

In 2006 returns that reported Part II, line 35 that had more than \$500 million in positive permanent expense differences (PPED) yielded 9 returns that comprised \$961 billion in total assets (5 percent of the total assets that reported PPED). Moreover, those returns contributed 35 percent of the total PPED of \$35 billion that is reported on Part II, line 35 for all corporations with reconcilable Schedules M-3 meeting the data requirements for this report. The absolute amounts on those returns are 86 percent of the total difference for the line. Five companies had "miscellaneous expense." In 2007 returns that reported Part II, line 35 that had more than \$600 million in PPED yielded nine returns that comprised \$2.4 trillion in total assets (12 percent of the total assets that reported PPED). Moreover, those returns contributed 41 percent of the total PPED of \$29 billion that is reported on Part II, line 35 for all corporations with reconcilable Schedules M-3 meeting the data requirements for this report. The absolute amounts on those returns are 89 percent of the total difference for the line. Five companies had "miscellaneous expense" or "intercompany expense."

In 2006 returns that reported Part II, line 35 that had more than \$500 million in negative permanent

expense differences (NPED) yielded 10 returns that comprised \$183 billion in total assets (0.8 percent of the total assets that reported NPED). Moreover, those returns contributed 42 percent of the total NPED of negative \$29 billion that is reported on Part II, line 35 for all corporations with reconcilable Schedules M-3 meeting the data requirements for this report. The absolute amounts on those returns are 85 percent of the total difference for the line. Five companies had “R&D expense” or “other expenses.” In 2007 returns that reported Part II, line 35 that had more than \$500 million in NPED yielded 18 returns that comprised \$1.8 trillion in total assets (7 percent of the total assets that reported NPED). Moreover, those returns contributed 57 percent of the total NPED of negative \$42 billion that is reported on Part II, line 35 for all corporations with reconcilable Schedules M-3 meeting the data requirements for this report. The absolute amounts on those returns are 99 percent of the total difference for the line. Five companies had “miscellaneous/other expense” or “R&D expense.”

In 2006 returns that reported Part II, line 35 that had more than \$500 million in negative temporary expense differences (NTED) yielded 10 returns that comprised \$553 billion in total assets (4 percent of the total assets that reported NTED). Moreover, those returns contributed 23 percent of the total NTED of negative \$55 billion that is reported on Part II, line 35 for all corporations with reconcilable Schedules M-3 meeting the data requirements for this report. The absolute amounts on those returns are 56 percent of the total difference for the line. Five companies had “miscellaneous expense” or “R&D expense.” In 2007 returns that reported Part II, line 35 that had more than \$500 million in NTED yielded 18 returns that comprised \$9.2 trillion in total assets (39 percent of the total assets that reported NTED). Moreover, those returns contributed 36 percent of the total NTED of negative \$78 billion that is reported on Part II, line 35 for all corporations with reconcilable Schedules M-3 meeting the data requirements for this report. The absolute amounts on those returns are 102 percent of the total difference for the line. Seven companies had “miscellaneous income.”

In 2006 returns that reported Part II, line 35 that had more than \$500 million in positive temporary expense differences (PTED) yielded 44 returns that comprised \$13.4 trillion in total assets (45 percent of the total assets that reported PTED). Moreover, those returns contributed 58 percent of the total PTED of \$132 billion that is reported on Part II, line 35 on Table F1.1 for all corporations with reconcilable Schedules M-3 meeting the data requirements for this report. The absolute amounts on those returns are 69 percent for the top 13 returns of the

total difference for the line. Many companies had “miscellaneous expense.” In 2007 returns that reported Part II, line 35 that had more than \$700 million in PTED yielded 26 returns that comprised \$1.9 trillion in total assets (8 percent of the total assets that percent reported PTED). Moreover, those returns contributed 43 percent of the total PTED of \$105 billion that is reported on Part II, line 35 for all corporations with reconcilable Schedules M-3 meeting the data requirements for this report. The absolute amounts on those returns are 97 percent of the total difference for the line. Five companies had “miscellaneous income” and 13 companies had “intangible drilling costs.”

E. Suggested Changes to Documentation

Authors Legel and Reum suggest that the instructions for Schedule M-3 be clarified for mixed group corporations to report the Form 1120 Schedule M-3 income and expense items on the consolidated Form 1120 Schedule M-3 instead of the sub-consolidated Form 1120 Schedule M-3. Based on the authors' experience, searching for attached supporting documentation would be faster if the schedules were attached to the consolidated Schedule M-3, not to the subsidiary Schedules M-3 with the consolidated amount for the “separately stated and adequately disclosed” item shown followed by the allocation to appropriate subsidiaries.

References

Blouin, Jennifer, Jason DeBacker, and Stephanie Sikes, “Temporary and Permanent Book-Tax Differences: Complements or Substitutes?” *IRS Research Bulletin: Proceedings of the 2010 IRS Research Conference*.

Boynton, Charles, Portia DeFilippes, and Ellen Legel, “Prelude to Schedule M-3: Schedule M-1 Corporate Book-Tax Difference Data 1990-2003,” *Tax Notes*, Dec. 19, 2005, p. 1579, *Doc 2005-23937*, 2005 TNT 243-20.

Boynton, Charles, Portia DeFilippes, and Ellen Legel, “Distribution of Schedule M-1 Corporate Book-Tax Difference Data 1990-2003 for Three Large-Size and Three Industry Groups,” *Tax Notes*, Apr. 10, 2006, p. 177, *Doc 2006-5433*, 2006 TNT 69-17 (2006a).

Boynton, Charles, Portia DeFilippes, and Ellen Legel, “A First Look at 2004 Schedule M-3 Reporting by Large Corporations,” *Tax Notes*, Sept. 11, 2006, p. 943, *Doc 2006-15859*, 2006 TNT 176-135 (2006b).

Boynton, Charles, Portia DeFilippes, and Ellen Legel, “A First Look at 2005 Schedule M-3 Corporate Reporting,” *Tax Notes*, Nov. 3, 2008, p. 563, *Doc 2008-22309*, 2008 TNT 214-23.

Boynton, Charles, Portia DeFilippes, Petro Lisowsky, and Lillian Mills, “Consolidation

Anomalies in Form 1120 Corporate Tax Return Data," *Tax Notes*, July 26, 2004, p. 405, *Doc 2004-13689*, 2004 TNT 144-32.

Boynton, Charles, Paul Dobbins, Portia DeFilippes, and Michael Cooper, "Consolidation Issues in SOI 1997 Form 1120 Book Data Compared to matched COMPUSTAT Data," Unpublished Working Paper. Washington, D.C.: Office of Tax Analysis, Treasury Department, May 2002.

Boynton, Charles, Paul Dobbins, and George Plesko, "Earnings Management and the Corporate Alternative Minimum Tax," *J. of Acct. Res.* 30 Supplement (1992): 131-153.

Boynton, Charles, and Barbara Livingston, "Partnerships With Reportable Entity Partners," *Tax Notes*, Aug. 30, 2010, p. 949, *Doc 2010-16762*, 2010 TNT 168-6.

Boynton, Charles, and Lillian Mills, "The Evolving Schedule M-3: A New Era of Corporate Show and Tell?" *Nat'l Tax J.* 57 no. 3 (Sept. 2004): 757-772.

Boynton, Charles, and William Wilson, "A Review of Schedule M-3, The Internal Revenue Service's New Book-Tax Reconciliation Tool," *Petroleum Acct. and Fin. Mgmt. J.* 25 no. 1 (Spring 2006): 1-6, available at <http://www.irs.gov/businesses/corporations/article/0,,id=163246,00.html>.

Dunbar, Amy, John Phillips, and George Plesko, "The Effect of FIN 48 on Firms' Tax Reporting Behavior," University of Connecticut Working Paper, 2009.

Hanlon, Michelle, "What Can We Infer About a Firm's Taxable Income From Its Financial Statements?" *Nat'l Tax J.* 56 no. 4 (Dec. 2003): 831-863.

Hanlon, Michelle, and Terry Shevlin, "Book-Tax Conformity for Corporate Income: An Introduction to the Issues," in *Tax Pol'y and the Econ.* No. 19, edited by James M. Poterba, National Bureau of Economic Research, Cambridge, Mass. (2005).

IRS, Publication 1075, *Tax Information Security Guidelines for Federal, State, and Local Agencies and Entities* (Rev. 2007).

Lisowsky, Petro, "Inferring U.S. Tax Liability From Financial Statement Information," *J. of the Am. Tax'n Assoc.* 2009, vol. 31, no. 1, 29-63.

Lisowsky, Petro, "Seeking Shelter: Empirically Modeling Tax Shelters Using Financial Statement Information," *The Acct. Rev.* 85 no. 5 (2010): 1693-1720.

Lisowsky, Petro, Leslie Robinson, and Andrew Schmidt, "Do Publicly Disclosed Tax Reserves Tell Us About Privately Disclosed Tax Shelters?" University of Illinois at Urbana-Champaign Working Paper, 2010.

Lisowsky, Petro, and William B. Trautman, "Book-Tax Consolidation, Rates of Return, and Capital Structure," *Tax Notes*, Dec. 10, 2007, p. 1043, *Doc 2007-25903*, 2007 TNT 238-32.

McGill, Gary, and Edmund Outslay, "Did Enron Pay Taxes?: Using Accounting Information to Decipher Tax Status," *Tax Notes*, Aug. 19, 2002, p. 1125, *Doc 2002-19158*, 2002 TNT 161-50.

McGill, Gary, and Edmund Outslay, "Lost in Translation: Detecting Tax Shelter Activity in Financial Statements," *Nat'l Tax J.* 57 no. 3 (Sept. 2004): 739-756.

Mills, Lillian, "Book-Tax Differences and Internal Revenue Service Adjustments," *J. of Acct. Res.* 36 no. 2 (Autumn, 1998): 343-356.

Mills, Lillian, and George Plesko, "Bridging the Gap: A Proposal for More Informative Reconciling of Book and Tax Income," *Nat'l Tax J.* 56 no. 4 (Dec. 2003): 865-893.

Mills, Lillian, Kaye Newberry, and William Trautman, "Trends in Book-Tax Income and Balance Sheet Differences," *Tax Notes*, Aug. 19, 2002, p. 1109, *Doc 2002-19155*, 2002 TNT 161-49.

Office of Management and Budget, "Report on Statistical Disclosure Limitation Mythology" Working Paper 22 (rev. 2005).

Plesko, George A., "Reconciling Corporate Book and Tax Net Income, Tax Years 1996-1998," *Statistics of Income Bulletin* 21 no. 4 (Spring, 2002): 1-16.

Plesko, George A., "An Evaluation of Alternative Measures of Corporate Tax Rates," *J. of Acct. and Econ.* 35 (2003): 201-226.

Plesko, George A., "Corporate Tax Avoidance and the Properties of Corporate Earnings," *Nat'l Tax J.* 57 no. 3 (Sept. 2004): 729-737.

Plesko, George A., and Nina L. Shumofsky, "Reconciling Corporate Book and Tax Net Income, Tax Years 1995-2001," Data Release, *Statistics of Income Bulletin* 24 no. 4 (Spring 2005): 103-108.

Poterba, James, Nirupama Rao, and Jeri Seidman, "Deferred Tax Positions and Incentives for Corporate Behavior Around Corporate Tax Changes," *Nat'l Tax J.* 64 no. 1 (2011): 27-58.

Raedy, Jana, Jeri Seidman, and Douglas Shackelford, "Is There Information Content in the Tax Footnote?" University of North Carolina and University of Texas Working Paper, 2011.

Talisman, Jonathan, "Corporate Tax Shelters and the Corporate Tax Base," 4-6, in "Penalty and Interest Provisions, Corporate Tax Shelters," Testimony of Jonathan Talisman, Assistant Secretary (Tax Policy), Treasury Department, before the Senate Finance Committee, Washington, D.C., Mar. 8, 2000, *Doc 2000-6994*, 2000 TNT 47-63.

Treasury Department, "Evidence of Growth in Corporate Tax Shelters," in *The Problem of Corporate Tax Shelters: Discussion, Analysis, and Legislative Proposals*. Washington, D.C.: Government Printing Office, July 1999: 31-33.

Weiner, Joann M., "Closing the Other Tax Gap: The Book-Tax Income Gap," *Tax Notes*, May 28, 2007, p. 849, Doc 2007-11679, 2007 TNT 104-46.

Figure 1. Pretax Book Income and Tax Net Income: U.S. Corporations Filing Form 1120 With Total Assets of \$10 Million or More: Combined Schedules M-1 and M-3 Data: 1994-2007



Figure 2. Book-Tax Difference = Tax Net Income Minus Pretax Book Income: U.S. Corporations Filing Form 1120 With Total Assets of \$10 Million or More: Combined Schedules M-1 and M-3 Data: 1994-2007

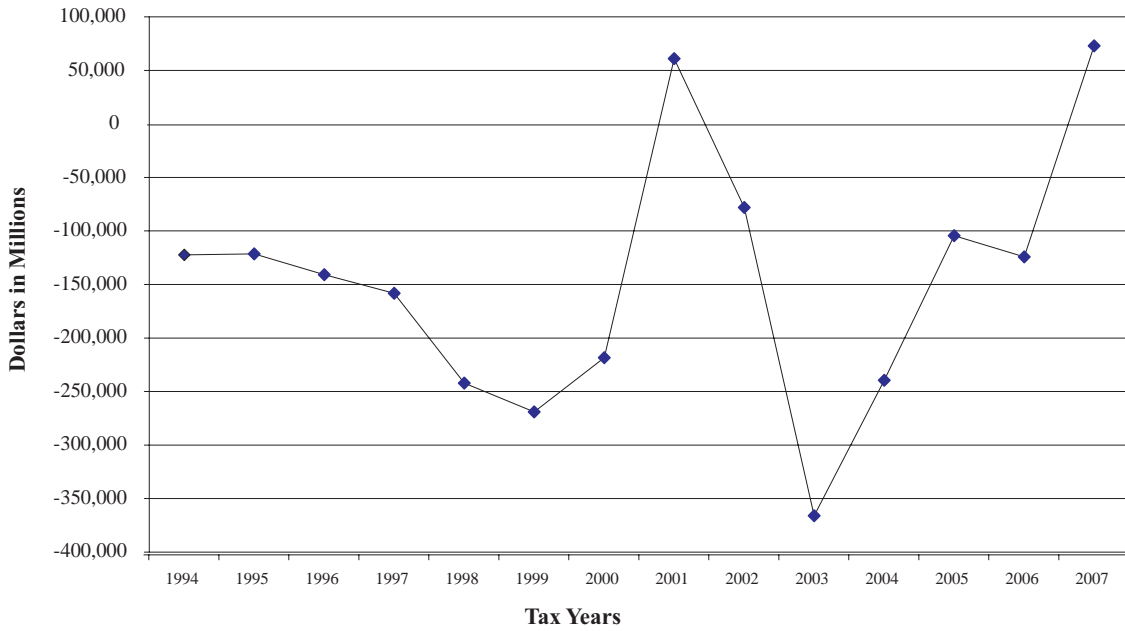
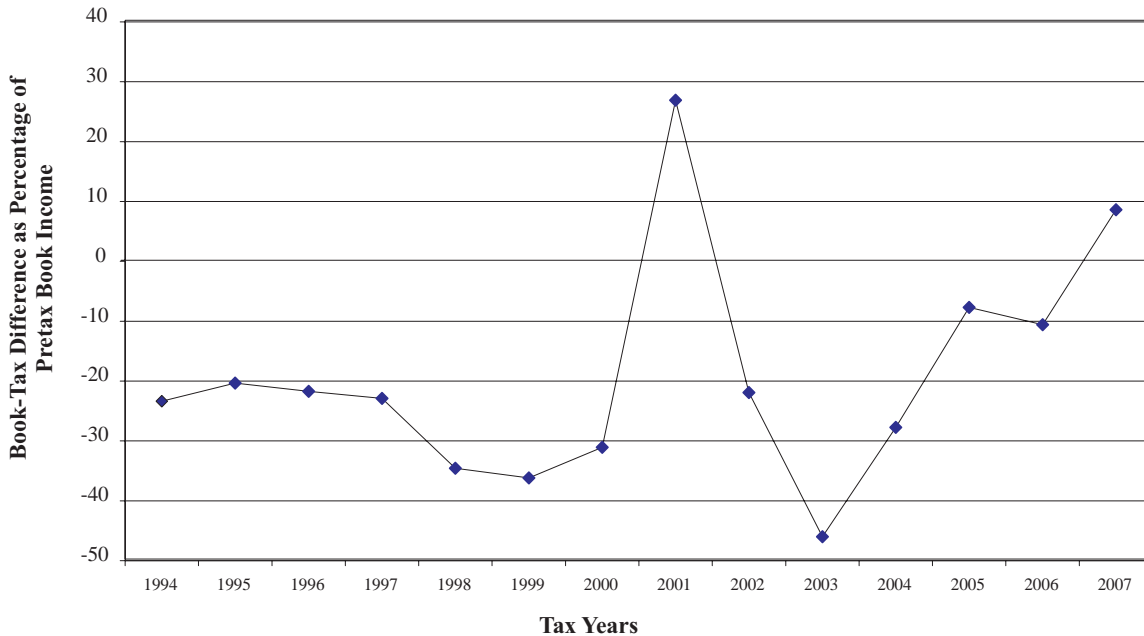


Figure 3. Book-Tax Difference = Tax Net Income Minus Pretax Book Income as Percentage of Pretax Book Income: U.S. Corporations Filing Form 1120 With Total Assets of \$10 Million or More: Combined Schedules M-1 and M-3 Data: 1994-2007



© Tax Analysts 2011. All rights reserved. Tax Analysts does not claim copyright in any public domain or third party content.

Table 1A. U.S. Corporations With Reconciled Form 1120 Schedule M-3: Summary of 2007 vs. 2006													
Population Overview (Dollars in millions)													
Table amounts may not add to totals due to rounding.													
Part I: Financial Information	Year 2007						Year 2006						Change
	Frequency	Percent	Assets	Percent	Income	Frequency	Percent	Assets	Percent	Income			
Total Frequency/Assets	42,395		47,344,964			40,713		44,266,617					
04 Worldwide consolidated net income (loss)	42,232	100	47,255,568	100	804,393	40,498	99	44,168,582	100	1,008,973		-204,580	
05 (Income) Loss — non-includable foreign entities	5,252	12	34,114,184	72	-487,686	5,093	13	31,041,478	70	-302,431		-185,255	
05a Net income from non-includable foreign entities	4,259	10	33,281,411	70	-725,941	4,076	10	30,207,164	68	-565,414		-160,527	
05b Net loss from non-includable foreign entities	3,410	8	29,633,931	63	238,255	3,321	8	27,532,991	62	262,983		-24,728	
06 (Income) Loss — non-includable U.S. entities	2,409	6	31,692,693	67	-111,934	2,265	6	29,711,826	67	-127,762		15,828	
06a Net income from non-includable U.S. entities	1,773	4	30,064,442	64	-150,231	1,680	4	27,946,594	63	-154,808		4,577	
06b Net loss from non-includable U.S. entities	1,248	3	26,062,055	55	38,297	1,149	3	24,105,703	54	27,047		11,250	
07 Income (loss) of other entities	435	1	11,126,178	24	11,550	438	1	12,039,442	27	9,629		1,921	
07a Income (loss) of other disregarded entities	113	0	5,232,356	11	3,958								
07b Income (loss) of other includable entities	341	1	6,699,015	14	7,592								
08 Adjustments to eliminations (for lines 5 through 7)	2,311	5	20,182,468	43	260,099	2,198	5	16,171,561	37	223,392		36,707	
** Summary of lines 5 through 8	6,844	16	36,691,074	77	-327,972	6,589	16	33,557,544	76	-197,171		-130,801	
09 Adjustment to reconcile to tax year	651	2	4,330,383	9	5,387	638	2	4,146,463	9	-194		5,581	
10a Statutory intercompany dividend adjustment	178	0	5,727,877	12	46,342	130	0	5,139,782	12	16,027		30,315	
10b Other statutory accounting adjustments	124	0	12,759,298	27	12,912	82	0	13,513,425	31	-1,466		14,378	
10c Other adjustments to reconcile to line 11	995	2	18,160,984	38	31,509	1,037	3	15,793,443	36	24,793		6,716	
** Summary of lines 10a, 10b, 10c	1,183	3	24,665,681	52	90,764	1,153	3	24,173,856	55	39,353		51,411	
** Subtotal	42,256	100	47,263,368	100	572,571	40,532	100	44,188,809	100	850,960		-278,389	
** Amount to reconcile	4,142	10	26,372,337	56	599	3,942	10	24,782,179	56	5,489		-4,890	

Table 1A. U.S. Corporations With Reconciled Form 1120 Schedule M-3: Summary of 2007 vs. 2006 (continued)

Part I: Financial Information	Population Overview (Dollars in millions)														Change
	Year 2007							Year 2006							
	Frequency	Percent	Assets	Percent	Income	Frequency	Percent	Assets	Percent	Income					
11 Net income per income statement of included corporations	42,387	100	47,342,858	100	573,171	40,709	100	44,266,070	100	856,450	-283,279				
** Amount to Reconcile	325	1	2,829,957	6	8	364	1	4,537,121	10	3	5				
** Net income per Part II Line 30 Column A	42,387	100	47,342,858	100	573,179	40,709	100	44,266,070	100	856,452	-283,273				
** Reverse Federal tax expense	33,065	78	46,510,074	98	272,231	32,025	79	43,490,368	98	315,916	-43,685				
** Pretax book Income	42,385	100	47,342,635	100	845,410	40,705	100	44,265,841	100	1,172,369	-326,959				
P2 PreTaxDif: Lines 01-05 Foreign corporate income/loss	3,477	8	33,449,576	71	104,893	3,283	8	31,330,052	71	80,161	24,732				
P2 PreTaxDif: Lines 06-08 U.S. corporate income/loss	9,652	23	39,704,516	84	-119	9,641	24	37,465,700	85	-79,667	79,548				
P2 PreTaxDif: Lines 09-11 Partner/pass-thru inc/lo	10,007	24	41,950,123	89	37,348	9,462	23	39,246,724	89	50,319	-12,971				
P2 PreTaxDif: Line 12 Reportable transactions	250	1	22,982,241	49	-21,374	315	1	22,839,159	52	-29,528	8,154				
P2 PreTaxDif: Line 13 Interest income	32,737	77	46,741,628	99	-24,741	32,265	79	43,707,525	99	-38,834	14,093				
P2 PreTaxDif: Line 15 Hedging transactions	1,104	3	28,900,236	61	2,463	1,041	3	27,478,379	62	980	1,483				
P2 PreTaxDif: Line 16 Mark-to-market income/loss	1,274	3	28,042,376	59	-2,813	1,124	3	26,163,251	59	-3,856	1,043				
P2 PreTaxDif: Line 17 Cost of goods sold	24,853	59	28,671,845	61	25,730	22,522	55	24,885,936	56	105,160	-79,430				
P2 PreTaxDif: Line 18 Sale vs. lease adjustments	262	1	12,297,427	26	26,396	301	1	12,698,931	29	29,822	-3,426				
P2 PreTaxDif: Line 19 Section 481(a) adjustments	2,692	6	23,010,516	49	-306	2,271	6	21,937,330	50	-3,920	3,614				
P2 PreTaxDif: Lines 23a-24 asset disposition	26,333	62	45,309,019	96	3,345	25,926	64	42,456,005	96	43,501	-40,156				
P2 PreTaxDif: Line 25 Other income/loss with differences	19,809	47	44,430,794	94	-49,662	19,682	48	41,570,006	94	-145,496	95,834				
P2 PreTaxDif: Non-parent subgroups totals	455	1	23,504,297	50	10,144	399	1	18,846,029	43	3,795	6,349				
P2 PreTaxDif: The Rest, Part II	6,325	15	34,572,529	73	5,094	6,155	15	31,942,038	72	8,270	-3,176				
P3 PreTaxDif: Lines 03-04 State plus local income tax exp	28,765	68	43,822,764	93	-5,514	27,328	67	40,546,206	92	-3,749	-1,765				

Table 1A. U.S. Corporations With Reconciled Form 1120 Schedule M-3: Summary of 2007 vs. 2006 (continued)													
Population Overview (Dollars in millions)													
Table amounts may not add to totals due to rounding.													
Part I: Financial Information	Year 2007						Year 2006						Change
	Frequency	Percent	Assets	Percent	Income	Frequency	Percent	Assets	Percent	Income			
P3 PreTaxDif: Lines 05-06 Foreign income tax exp	2,339	6	29,816,806	63	24,815	2,134	5	29,039,292	66	28,991		-4,176	
P3 Pretax difference: Line 08 Interest expense	31,266	74	46,330,097	98	8,297	28,454	70	42,347,136	96	6,197		2,100	
P3 Pretax difference: Lines 9-10 Stock options & equity comp	7,953	19	38,053,984	80	-51,830	7,229	18	36,150,922	82	-44,588		-7,242	
P3 Pretax difference: Lines 16-18 Pension, profit share, etc.	20,904	49	44,224,997	93	-8,685	20,532	50	41,369,069	93	1,090		-9,775	
P3 Pretax difference: Lines 23-25 Acquisition/reorganization costs	1,170	3	16,552,860	35	-5,501	1,140	3	16,628,008	38	2,203		-7,704	
P3 Pretax difference: Lines 26-31 Depreciation, amortization, & impair	38,806	92	46,270,843	98	49,107	37,530	92	43,308,758	98	-10,386		59,493	
P3 Pretax difference: Lines 32 Bad debt	25,664	61	43,840,646	93	30,240	25,120	62	40,958,358	93	6,503		23,737	
P3 Pretax difference: Line 35 Other expenses/deductions with differences	33,258	78	46,231,388	98	-12,923	32,282	79	43,334,579	98	-81,935		69,012	
P3 Pretax difference: The rest Part III	38,958	92	46,393,613	98	-6,727	37,369	92	43,324,510	98	-1,125		-5,602	
— Pretax difference: summary of above	41,640	98	47,138,318	100	137,678	39,902	98	44,077,469	100	-76,082		213,760	
— Amount to reconcile P2 Lines 01-25 to Line 26	25,192	59	43,737,986	92	99	25,280	62	40,014,380	90	-779		878	
— Amount to reconcile P2 Lines 26-28 to Parent Subgroup	38,373	91	46,737,569	99	1,542	37,261	92	43,749,728	99	-46,428		47,970	
— Amount to reconcile P2 Subgroups to Line 30	1,531	4	17,762,959	38	-147	6,170	15	19,298,665	44	46,807		-46,954	
— Amount to reconcile P3 Lines 01-35 to Line 36	32,194	76	43,807,181	93	47	31,169	77	41,886,350	95	4,447		-4,400	
— Subtotal summary above & amounts to reconcile	41,702	98	47,151,287	100	139,220	40,009	98	44,087,737	100	-72,035		211,255	
** Pretax difference: all other	28,044	66	28,798,576	61	0	27,101	67	32,965,202	74	0		0	
** Total pretax difference before federal tax expense	41,702	98	47,151,287	100	139,220	40,006	98	44,087,702	100	-72,034		211,254	
** Amount to reconcile	22,738	54	22,774,774	48	-1	21,523	53	22,869,262	52	0		-1	
** Net tax income per Part II Line 30 Column D	42,277	100	47,335,173	100	984,630	40,607	100	44,245,711	100	1,100,335		-115,705	
** SOI removed ICD	328	1	12,399,951	26	-88,353	251	1	13,652,840	31	-70,760		-17,593	

Table 1A. U.S. Corporations With Reconciled Form 1120 Schedule M-3: Summary of 2007 vs. 2006 (continued)

Population Overview (Dollars in millions)
Table amounts may not add to totals due to rounding.

Part I: Financial Information	Year 2007				Year 2006				Change
	Frequency	Percent	Assets	Income	Frequency	Percent	Assets	Income	
** Other SOI adjustments	812	2	15,623,561	22,161	847	2	16,356,845	18,492	3,669
** Tax net income reported by SOI	42,274	100	47,333,368	918,438	40,607	100	44,245,711	1,048,066	-129,628
*** Reverse negative tax net income	14,157	33	10,334,220	200,161	11,992	29	3,599,917	134,869	65,292
*** Positive tax net income	28,117	66	36,999,149	1,118,598	28,616	70	40,645,795	1,182,936	-64,338
*** Net operating loss deduction	8,198	19	26,629,377	-88,751	8,652	21	29,987,810	-119,654	30,903
** Special deductions	6,979	16	37,154,657	-16,833	7,101	17	35,173,196	-25,807	8,974
** Amount to reconcile	5,653	13	26,051,615	10,568	5,694	14	25,106,788	8,094	2,474
*** Taxable income	23,496	55	39,754,635	1,023,583	23,781	58	37,991,960	1,045,568	-21,985
Tax before credits	26,792	63	43,019,701	360,373	27,166	67	41,195,270	367,801	-7,428
Foreign tax credit	2,872	7	26,467,854	-78,183	2,649	7	25,423,122	-72,106	-6,077
General business credit	5,312	13	28,941,223	-13,509	4,952	12	33,290,435	-13,216	-293
Other tax credits	4,572	11	27,239,446	-2,600	4,552	11	29,937,147	-4,411	1,811
Tax less credits	26,450	62	41,659,937	266,081	26,877	66	40,769,477	278,068	-11,987

Table 1B. U.S. Corporations With Reconciled Form 1120 Schedule M-3: 2007 Part II Detail

Population Overview (Dollars in millions)										
Table amounts may not add to totals due to rounding.										
Part II: Income Items	Frequency	Percent	Assets	Percent	Column A Book	Column B Temporary	Column C Permanent	Column D Tax	Total Difference	Total Diff As % of A
Total Frequency / Assets	42,395		47,344,964							
01 Income (loss) from equity method foreign corps	1,085	3	18,505,923	39	3,087	-3,726	663	0	-3,063	-99
02 Gross foreign dividends not previously taxed	1,823	4	28,061,664	59	39,997	4,793	27,228	72,017	32,021	80
03 Subpart F, QEF, and similar income inclusions	1,698	4	30,258,093	64	0	11,559	51,042	62,597	62,600	N/A
04 Section 78 gross-up	1,431	3	25,217,201	53	0	2,259	45,942	48,201	48,201	N/A
05 Gross foreign distributions previously taxed	221	1	10,600,332	22	34,866	-5,951	-28,915	0	-34,866	-100
— Summary of lines 1 through 5	3,477	8	33,449,576	71	77,950	8,934	95,960	182,815	104,893	135
06 Income (loss) from equity method U.S. corps	1,875	4	18,708,982	40	7,664	-5,555	-381	0	-5,937	-77
07 U.S. dividends not eliminated in tax consolidtn	8,404	20	38,034,836	80	112,954	-4,825	8,102	116,220	3,277	3
08 Minority interest for includable corporations	673	2	15,596,635	33	-2,533	69	2,472	0	2,541	-100
— Summary of lines 6 through 8	9,652	23	39,704,516	84	118,085	-10,312	10,194	116,220	-119	0
09 Income (loss) from U.S. partnerships	9,107	21	41,193,709	87	84,093	10,840	18,738	113,700	29,578	35
10 Income (loss) from foreign partnerships	708	2	23,786,726	50	12,042	6,424	994	19,463	7,419	62
11 Income (loss) from other passthrough entities	1,203	3	22,296,002	47	1,905	196	156	2,252	352	18
— Summary of lines 9 through 11	10,007	24	41,950,123	89	98,041	17,460	19,888	135,415	37,348	38
— Summary of lines 1 through 11	17,031	40	44,555,183	94	294,075	16,081	126,042	434,451	142,123	48
12 Items relating to reportable transactions	250	1	22,982,241	49	-4,819	-10,623	-10,751	-26,194	-21,374	444
13 Interest income	32,737	77	46,741,628	99	1,616,269	-4,929	-19,812	1,591,539	-24,741	-2
dd Tax-exempt interest per COMP_TX_EXMT_INTRST	6,595	16	30,003,023	63	16,095	0	-16,095	0	-16,095	-100
dd Interest income excluding tax-exempt interest	32,476	77	46,716,614	99	1,600,173	-4,929	-3,717	1,591,539	-8,646	-1
14 Total accrual to cash adjustment	1,113	3	323,897	1	1,563	-42	-60	1,467	-101	-6
15 Hedging transactions	1,104	3	28,900,236	61	-41,345	110	2,353	-38,883	2,463	-6
16 Mark-to-market income (loss)	1,274	3	28,042,376	59	163,120	-2,798	-15	160,300	-2,813	-2
17* Cost of goods sold	24,853	59	28,671,845	61	-170,633,221	33,322	-7,592	-170,607,434	25,730	0
18 Sale vs. lease (for sellers and/or lessors)	262	1	12,297,427	26	15,578	26,384	13	41,973	26,396	169
19 Section 481(a) adjustments	2,692	6	23,010,516	49	0	-429	124	-307	-306	N/A
20 Unearned/deferred revenue	4,493	11	31,822,774	67	84,145	6,532	108	90,789	6,640	8
21 Income recognition from long-term contracts	608	1	922,725	2	122,784	-799	15	121,784	-784	-1
22 Original issue discount & other imputed interest	443	1	18,141,680	38	10,877	-464	-196	10,216	-661	-6
23a Income statement disposition of assets other than inventory	23,546	56	43,801,068	93	132,057	-94,379	-37,511	0	-131,889	-100
23b Gross capital gains Schedule D, excluding flow-through entity	6,967	16	38,986,383	82	0	97,263	22,732	120,062	119,995	N/A

Table 1B. U.S. Corporations With Reconciled Form 1120 Schedule M-3: 2007 Part II Detail (continued)

Population Overview (Dollars in millions)										
Table amounts may not add to totals due to rounding.										
Part II: Income Items	Frequency	Percent	Assets	Percent	Column A Book	Column B Temporary	Column C Permanent	Column D Tax	Total Difference	Total Diff As % of A
22c Gross capital losses Schedule D, excluding flow-thru entit	3,055	7	25,109,134	53	0	-10,476	-7,321	-17,798	-17,797	N/A
23d Net gain/loss reported on Form 4797, line 17	22,171	52	42,502,060	90	0	37,306	-947	36,629	36,359	N/A
23e Abandonment losses	913	2	5,282,112	11	0	-3,394	-121	-3,513	-3,515	N/A
23f Worthless stock losses	206	0	6,914,088	15	0	-954	-1,847	-2,860	-2,802	N/A
23g Other gain/loss on disposition of asset other than inventory	2,708	6	10,037,579	21	0	4,816	173	4,979	4,988	N/A
— Summary of lines 23a through 23g	26,085	62	45,302,949	96	132,057	30,182	-24,842	137,498	5,340	4
24 Capital loss limitation and carryforward used	2,817	7	12,440,522	26	0	-1,669	-326	-2,315	-1,995	N/A
— Summary of lines 23a - 24 (issue with Form 8916)?	26,333	62	45,309,019	96	132,057	28,513	-25,168	135,183	3,345	3
25 Other income (loss) items with differences	19,809	47	44,430,794	94	17,251,641	-33,129	-16,532	17,201,984	-49,662	0
— Summary of lines 1 through 25	40,575	96	47,281,212	100	-150,987,151	57,727	48,529	-150,883,008	106,256	0
— Amount to reconcile above to Line 26	25,192	59	43,737,986	92	4,142	100	-1	7,308	99	2
26 Total income items (combine lines 1 thru 25)	40,580	96	47,281,349	100	-150,983,009	57,827	48,528	-150,875,700	106,355	0
27 Total expense/deduction items (from Part III line 36)	42,395	100	47,344,964	100	-4,672,331	-10,775	304,332	-4,379,491	293,557	-6
28 Other items with no differences	40,263	95	43,852,380	93	156,218,115	0	0	156,218,186	0	0
— Summary of lines 26 through 28	42,391	100	47,344,920	100	562,775	47,052	352,860	962,996	399,912	71
** Amount to reconcile to Parent Subgroup totals	38,373	91	46,737,569	99	-2,073	79	1,464	-1,468	1,542	-74
29a 1120 subgroup reconciliation totals (26+27+28)	42,379	100	47,344,433	100	560,690	47,131	354,316	961,508	401,446	72
29b PC insurance subgroup reconciliation totals	417	1	22,250,091	47	11,746	8,465	741	20,953	9,206	78
29c Life insurance subgroup reconciliation totals	52	0	11,183,438	24	1,011	861	85	1,957	946	94
— Summary of lines 29a through 29c	42,379	100	47,344,433	100	573,447	56,457	355,142	984,417	411,598	72
** Parent Subgroup totals	42,379	100	47,344,433	100	560,702	47,131	354,324	961,528	401,455	72
** Non-parent Subgroups totals	455	1	23,504,297	50	12,745	9,326	818	22,889	10,144	80
** Amount to reconcile	1,531	4	17,762,959	38	-268	-60	-87	213	-147	55
30 Reconciliation totals (combine 29a through 29c)	42,395	100	47,344,964	100	573,179	56,397	355,054	984,630	411,451	72
>> Reverse federal income tax expense	33,105	78	46,531,307	98	272,231	-2,922	-269,309	0	-272,231	-100
>> Pretax book income and M-3 difference	42,395	100	47,344,964	100	845,410	53,475	85,745	984,630	139,220	16
LT Pretax book income and M-3 difference, Negative	18,680	44	15,758,947	33	708,647	-196,790	-165,149	346,707	-361,939	-51
GE Pretax book income and M-3 difference, greater than or equal to zero	23,715	56	31,586,017	67	136,763	250,265	250,894	637,923	501,159	366

Table 1C. U.S. Corporations With Reconciled Form 1120 Schedule M-3: 2007 Part III Detail

Population Overview (Dollars in millions)										
Table amounts may not add to totals due to rounding.										
Part III: Expense Items (sign matches Part II)	Frequency	Percent	Assets	Percent	Column A Book	Column B Temporary	Column C Permanent	Column D Tax	Total Difference	Total Diff As % of A
Total Assets	42,395		47,344,964							
01 U.S. current income tax expense	30,815	73	45,664,243	96	-277,861	1,562	276,875	0	278,437	-100
02 U.S. deferred income tax expense	15,896	37	31,672,249	67	6,257	1,360	-7,566	0	-6,206	-99
— Summary of lines 1 and 2	33,105	78	46,531,307	98	-271,603	2,922	269,309	0	272,231	-100
03 State and local current income tax expense	27,936	66	43,707,648	92	-34,110	-3,375	37	-37,427	-3,339	10
04 State and local deferred income tax expense	8,159	19	24,850,441	52	2,162	-1,042	-1,133	0	-2,175	-101
— Summary of lines 3 and 4	28,765	68	43,822,764	93	-31,948	-4,417	-1,096	-37,427	-5,514	17
05 Foreign current income tax expense (other than WH)	2,258	5	29,385,643	62	-26,905	-2,913	27,933	-1,885	25,020	-93
06 Foreign deferred income tax expense	464	1	17,479,800	37	205	-764	559	0	-205	-100
— Summary of lines 5 and 6	2,339	6	29,816,806	63	-26,700	-3,677	28,492	-1,885	24,815	-93
— Summary of lines 1 through 6	36,994	87	46,972,899	99	-330,251	-5,173	296,705	-39,312	291,532	-88
07 Foreign withholding taxes	1,533	4	24,274,845	51	-4,803	-23	4,192	-635	4,170	-87
08 Interest expense	31,266	74	46,330,097	98	-1,531,782	-1,447	9,744	-1,523,510	8,297	-1
09 Stock option expense	7,050	17	36,085,141	76	-33,367	929	-51,315	-83,756	-50,386	151
10 Other equity-based compensation	2,811	7	32,597,113	69	-31,606	7,841	-9,285	-33,053	-1,444	5
— Summary of lines 9 and 10	7,953	19	38,053,984	80	-64,973	8,770	-60,600	-116,809	-51,830	80
11 Meals and entertainment	36,079	85	45,952,922	97	-20,260	16	8,281	-11,987	8,297	-41
12 Fines and penalties	13,029	31	38,150,618	81	-1,156	16	1,141	-3	1,157	-100
13 Punitive damages	368	1	6,481,460	14	-1,412	-1,238	-21	-2,670	-1,259	89
14 Parachute payments	85	0	3,568,108	8	-629	-15	604	-40	589	-94
15 Compensation with section 162(m) limitation	1,321	3	24,628,895	52	-12,400	-3	1,961	-10,441	1,959	-16
16 Pension and profit-sharing	18,312	43	42,066,679	89	-62,685	-8,121	-1,589	-72,392	-9,709	15
17 Other post-retirement benefits	2,471	6	29,772,045	63	-17,395	-751	-1,304	-19,456	-2,055	12
18 Deferred compensation	6,296	15	36,005,922	76	-45,501	2,967	112	-42,423	3,079	-7
— Summary of lines 16 through 18	20,904	49	44,224,997	93	-125,581	-5,904	-2,781	-134,271	-8,685	7
19 Charitable contribution of cash and tangible property	26,081	62	44,669,970	94	-10,724	-174	-1,417	-12,311	-1,592	15
20 Charitable contribution of intangible property	228	1	1,825,217	4	-201	-17	-443	-661	-460	229
21 Charitable contribution limitation/carryforward	13,437	32	12,644,856	27	0	1,323	267	1,585	1,590	N/A
— Summary of lines 19 through 21	28,362	67	44,913,896	95	-10,924	1,131	-1,593	-11,388	-462	4
22 Domestic production activities deduction	7,270	17	13,942,298	29	0	-153	-19,175	-19,309	-19,329	N/A
23 Current year acquisition/reorganization invest banking fees	229	1	2,506,055	5	-873	-166	-68	-1,107	-234	27
24 Current year acquisition/reorganization legal plus accounting fees	644	2	8,193,236	17	-1,852	181	606	-1,065	787	-42
25 Current year acquisition/reorganization other costs	688	2	12,015,241	25	-4,758	-3,069	-2,985	-10,812	-6,054	127

Table 1C. U.S. Corporations With Reconciled Form 1120 Schedule M-3: 2007 Part III Detail (continued)

Population Overview (Dollars in millions)										
Table amounts may not add to totals due to rounding.										
Part III: Expense Items (sign matches Part II)	Frequency	Percent	Assets	Percent	Column A Book	Column B Temporary	Column C Permanent	Column D Tax	Total Difference	Total Diff As % of A
— Summary of lines 23 through 25	1,170	3	16,552,860	35	-7,483	-3,055	-2,446	-12,984	-5,501	74
26 Amortization /impairment of goodwill	7,126	17	32,383,822	68	-75,292	-9,496	56,043	-28,716	46,547	-62
27 Amortization of acquisition reorganization, start-up costs	4,245	10	26,443,086	56	-5,720	991	516	4,217	1,507	-26
28 Other amortization or impairment write-offs	19,066	45	42,598,184	90	-104,060	18,888	3,242	-81,904	22,130	-21
29 Section 198 environmental remediation costs	192	0	1,730,930	4	-330	-191	-50	-571	-241	73
30 Depletion	1,213	3	7,221,533	15	-19,015	6,376	-4,247	-16,880	2,129	-11
31 Depreciation	37,903	89	46,047,287	97	-327,147	-23,434	469	-338,575	-22,965	7
— Summary of lines 26 through 31	38,806	92	46,270,843	98	-531,564	-6,866	55,973	-470,862	49,107	-9
32 Bad debt expense	25,664	61	43,840,646	93	-114,681	30,605	-365	-84,446	30,240	-26
33 Corporate-owned life insurance premiums	7,791	18	16,008,500	34	-61	9	-449	-506	-440	721
34 Purchase versus lease	438	1	8,078,448	17	-1,394	-1,409	-1	-2,804	-1,410	101
35 Other expense/deduction items with differences	33,258	78	46,231,388	98	-1,913,034	-26,075	13,152	-1,926,125	-12,923	1
— Summary of lines 3 through 35	42,226	100	47,257,884	100	-4,400,792	-13,736	35,014	-4,368,108	21,278	0
— Summary of lines 1 through 35	42,388	100	47,344,876	100	-4,672,395	-10,814	304,323	-4,368,108	293,509	-6
** Amount to reconcile	32,194	76	43,807,181	93	65	38	9	-11,383	47	72
36 Total expense /deduction items (also on Part II)	42,395	100	47,344,964	100	-4,672,331	-10,775	304,332	-4,379,490	293,557	-6
>> Reverse federal income tax expense	33,074	78	46,510,502	98	271,603	-2,922	-269,309	0	-272,231	-100
>>> Part III expense items before tax expense	42,235	100	47,258,784	100	-4,400,727	-13,697	35,023	-4,379,490	21,326	0

Table 2A. U.S. Corporations With Reconciled Form 1120 Schedule M-3: 2007: Asset Size by Financial Statement Type

Dollar amounts in millions. Table amounts may not add to totals due to rounding.

Asset Size by Financial Statement Type	Returns		Total Assets		Tax After Credits		Foreign Tax Credit		Tax Net Income		Worldwide Income (PIL4)		Net Foreign (Income) Loss Removed (PIL5)		Net U.S. (Income) Loss Removed (PIL6)		Net Oth. Includable Inc. (Loss) (PIL7)		Total Book Income (PIL11)	
	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%
All	42,395	100	47,344,964	100	266,081	100	78,183	100	918,438	100	804,393	100	-487,686	100	-111,934	100	11,550	100	573,171	100
a. SEC 10-K/Public	5,418	13	35,549,188	75	188,279	71	67,639	87	732,238	80	679,596	84	-457,794	94	-94,438	84	4,365	38	454,831	79
b. Audited	17,228	41	5,519,272	12	41,972	16	4,906	6	109,468	12	66,549	8	-14,809	3	-7,494	7	6,624	57	83,420	15
c. Unaudited/Books	19,748	47	6,276,504	13	35,829	13	5,639	7	76,731	8	58,248	7	-15,083	3	-10,002	9	561	5	34,920	6
	247	0	34,138,103	72	124,723	47	57,357	74	523,360	57	507,455	63	-352,669	72	-78,180	70	10,891	94	368,398	64
a. ≥ \$20 billion or more	180	0	28,967,128	61	111,774	42	53,833	69	496,034	54	470,777	58	-344,266	71	-72,667	65	3,412	30	310,050	54
b. Audited	29	0	2,156,793	4	7,697	3	2,516	3	26,467	3	24,951	4	-3,557	1	-3,822	3	7,145	62	51,378	9
c. Unaudited/Books	38	0	3,014,183	6	5,252	2	1,008	1	859	0	11,728	2	-4,846	1	-1,690	2	335	3	6,969	1
All	560	1	5,281,799	11	53,819	20	11,149	14	181,128	20	160,169	20	-69,371	14	-11,950	11	417	4	122,467	21
c. ≥ \$.5 billion - < \$20 billion	338	1	3,302,814	7	36,995	14	7,570	10	122,933	13	119,721	15	-63,838	13	-9,396	8	853	7	88,567	15
b. Audited	87	0	738,361	2	6,142	2	449	1	17,201	2	13,835	2	-3,209	1	-1,488	1	-475	-4	8,418	1
c. Unaudited/Books	135	0	1,240,625	3	10,683	4	3,130	4	40,995	4	26,613	3	-2,325	0	-1,066	1	38	0	25,483	4
All	1,913	5	4,067,910	9	44,485	17	6,877	9	138,573	15	116,778	15	-51,781	11	-15,816	14	380	3	76,284	13
a. SEC 10-K/Public	1,036	2	2,290,974	5	28,472	11	5,301	7	95,568	10	87,238	11	-41,755	9	-11,248	10	169	1	61,077	11
b. Audited	462	1	939,049	2	9,043	3	830	1	26,297	3	15,027	2	-5,447	1	-94	0	62	1	13,861	2
c. Unaudited/Books	415	1	837,886	2	6,970	3	746	1	16,709	2	14,513	2	-4,578	1	-4,474	4	150	1	1,346	0
All	1,772	4	1,249,610	3	12,059	5	1,058	1	31,352	3	16,666	2	-6,443	1	-956	1	-231	-2	11,049	2
a. SEC 10-K/Public	732	2	522,874	1	6,108	2	590	1	16,506	2	11,653	1	-4,456	1	-1,001	1	-98	-1	7,571	1
b. Audited	642	2	447,551	1	3,606	1	307	0	9,131	1	4,773	1	-1,535	0	41	0	-144	-1	3,535	1
c. Unaudited/Books	398	1	279,185	1	2,344	1	161	0	5,716	1	239	0	-452	0	4	0	10	0	-58	0
All	2,530	6	890,815	2	9,081	3	939	1	20,264	2	12,549	2	-5,558	1	-2,388	2	80	1	7,802	1
a. SEC 10-K/Public	702	2	253,722	1	2,779	1	230	0	5,646	1	1,982	0	-2,783	1	478	0	96	1	81	0
b. Audited	1,181	3	410,188	1	4,173	2	411	1	11,313	1	5,530	1	-595	0	-380	0	-18	0	5,370	1
c. Unaudited/Books	647	2	226,906	0	2,129	1	298	0	3,305	0	5,037	1	-2,181	0	-2,486	2	2	0	2,351	0
All	5,035	12	799,725	2	8,358	3	411	1	15,925	2	3,810	0	-1,751	0	119	0	23	0	2,592	0
a. SEC 10-K/Public	879	2	145,731	0	1,638	1	98	0	1,392	0	-2,809	0	-1,048	0	409	0	2	0	-3,239	-1
b. Audited	2,620	6	414,414	1	4,625	2	221	0	11,159	1	5,051	1	-295	0	-367	0	30	0	4,674	1
c. Unaudited/Books	1,536	4	239,580	1	2,095	1	92	0	3,374	0	1,567	0	-409	0	78	0	-9	0	1,178	0
All	5,363	13	379,330	1	4,948	2	237	0	4,743	1	-2,567	0	279	0	-997	1	-84	-1	-2,976	-1
a. SEC 10-K/Public	546	1	39,261	0	262	0	9	0	-2,448	0	-4,705	-1	605	0	19	0	-67	-1	-3,928	-1
b. Audited	2,727	6	193,798	0	2,898	1	110	0	5,489	1	1,541	0	-114	0	-750	1	-19	0	831	0
c. Unaudited/Books	2,090	5	146,270	0	1,789	1	118	0	1,703	0	598	0	-212	0	-266	0	2	0	121	0
All	7,574	18	266,756	1	3,952	1	100	0	1,822	0	-5,152	-1	-320	0	-757	1	9	0	-6,139	-1
a. SEC 10-K/Public	484	1	17,867	0	176	0	9	0	-2,007	0	-2,317	0	-275	0	-650	1	0	0	-3,149	-1
b. Audited	3,426	8	121,825	0	2,087	1	49	0	2,678	0	-1,555	0	88	0	-51	0	13	0	-1,429	0
c. Unaudited/Books	3,665	9	127,063	0	1,689	1	43	0	1,151	0	-1,281	0	-133	0	-75	0	-4	0	-1,560	0
All	17,401	41	270,916	1	4,655	2	55	0	1,270	0	-5,315	-1	-72	0	-1,009	1	64	1	-9,307	-1
a. SEC 10-K/Public	522	1	8,817	0	75	0	1	0	-1,385	0	-1,945	0	20	0	-400	0	-1	0	-2,180	0
b. Audited	6,055	14	97,294	0	1,702	1	13	0	-266	0	-2,603	0	-144	0	-581	1	28	0	-3,217	-1
c. Unaudited/Books	10,824	26	164,805	0	2,878	1	42	0	2,921	0	-766	0	52	0	-27	0	37	0	-909	0

Table 2B. U.S. Corporations With Reconciled Form 1120 Schedule M-3: 2007: Asset Size by Financial Statement Type

Dollar amounts in millions. Table amounts may not add to totals due to rounding.

Asset Size by Financial Statement Type	Pretax Book		Pretax Temp Diff		Pretax Perm Diff		Tax Income (P2L300D)		P2 Ln 1-5 Inc fr Fgn Corps TotDiff		P2 Ln 9-11 Inc fr Pass/Thrus TotDiff		P2 Ln 12 Reportbl Trans TotDiff		P2 Ln 25 Othr Income Items TotDiff		P3 Ln 9-10 StkOpt EqtyComp TotDiff		P3 Ln 35 Othr Expsn Items TotDiff	
	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%
All	845,410	100	53,475	100	85,745	100	984,630	100	104,893	100	37,348	100	-21,374	100	-49,662	100	-51,830	100	-12,923	100
a SEC 10-K/Public	651,809	77	40,831	76	100,378	117	793,017	81	90,277	86	41,176	110	-18,697	87	-12,681	26	-45,597	88	-29,922	232
b Audited	123,552	15	19,663	37	-30,368	-35	112,846	11	2,464	2	3,854	10	-478	2	-30,161	61	-1,365	3	7,466	-58
c Unaudited/Books	70,050	8	-7,019	-13	15,736	18	78,766	8	12,152	12	-7,682	-21	-2,200	10	-6,819	14	-4,868	9	9,533	-74
All	491,595	58	8,468	16	66,837	78	566,901	57	66,380	63	21,114	57	-16,560	77	-37,453	75	-24,291	46	-24,977	193
a SEC 10-K/Public	416,890	49	29,073	54	94,779	111	540,742	55	65,314	62	28,176	76	-15,806	74	-5,891	12	-22,239	43	-22,186	172
b Audited	62,046	7	-5,739	-11	-29,466	-34	26,842	3	38	0	4,065	11	-405	2	-30,886	62	-1,067	2	-3,287	26
c Unaudited/Books	183,302	22	11,793	22	-14,864	-28	193,793	20	1,027	1	-11,128	-30	-349	2	-677	2	-985	2	496	-4
All	132,584	16	88	0	368	0	133,040	14	12,823	12	6,605	18	-2,450	11	588	-1	-11,176	22	-7,763	60
a SEC 10-K/Public	14,954	2	6,658	12	-2,790	-3	18,821	2	490	0	-1,85	0	-110	1	1,443	-3	-275	1	2,281	-18
b Audited	35,764	4	5,047	9	1,120	1	41,932	4	-896	-1	4,053	11	-1,049	5	528	-1	-1,487	3	5,327	-41
c Unaudited/Books	123,981	15	10,136	19	11,291	13	145,407	15	21,628	21	5,115	14	-1,049	5	-13,015	26	-11,682	23	-237	2
All	94,943	11	4,199	8	1,948	2	101,088	10	9,738	9	5,136	14	-234	1	-8,062	16	-9,801	19	-3,464	27
a SEC 10-K/Public	20,514	2	7,596	14	-918	-1	27,192	3	834	1	158	0	-429	1	-185	1	-1,695	0	3,073	-24
b Audited	8,524	1	-1,659	-3	10,261	12	17,126	2	11,056	11	-179	0	-747	3	-4,524	9	-1,695	3	154	-1
c Unaudited/Books	23,450	3	6,316	12	2,244	3	32,011	3	2,096	2	1,431	4	-251	1	-932	2	-1,625	3	1,533	-12
All	14,427	2	1,706	3	628	1	16,762	2	1,473	1	662	2	0	0	479	-1	-1,493	3	310	-2
a SEC 10-K/Public	6,800	1	1,832	3	667	1	9,299	1	301	0	87	0	-8	0	-678	1	-104	0	464	-4
b Audited	2,224	0	2,778	5	948	1	5,950	1	322	0	682	2	-243	1	-734	1	-28	0	759	-6
c Unaudited/Books	16,548	2	4,291	8	1,526	2	22,366	2	1,275	1	-409	-1	-239	1	-911	2	-1,149	2	2,179	-17
All	3,241	0	1,959	4	513	1	5,712	1	697	1	212	1	-207	1	-290	1	-1,025	2	757	-8
a SEC 10-K/Public	9,012	1	2,044	4	461	1	11,517	1	249	0	-624	-2	2	0	-47	0	18	0	1,053	-6
b Audited	4,295	1	289	1	553	1	5,137	1	329	0	3	0	-34	0	-574	1	-143	0	368	-3
c Unaudited/Books	10,426	1	4,846	9	849	1	16,121	2	483	0	-19	0	-11	0	360	-1	-905	2	1,816	-14
All	-1,387	0	2,316	4	574	1	1,503	0	136	0	280	1	0	0	510	-1	-642	1	814	-6
a SEC 10-K/Public	8,554	1	2,525	5	96	0	11,175	1	244	0	154	0	6	0	-93	0	-70	0	886	-7
b Audited	3,259	0	6	0	180	0	3,444	0	103	0	-454	-1	-16	0	-57	0	-193	0	115	-1
c Unaudited/Books	960	0	2,695	5	1,193	1	4,849	0	285	0	-287	-1	0	0	651	-1	329	-1	2,323	-18
All	-3,705	0	528	1	736	1	-2,441	0	18	0	67	0	0	0	53	0	382	-1	578	-4
a SEC 10-K/Public	3,041	0	1,983	4	515	1	5,539	1	135	0	26	0	0	0	854	-2	161	0	1,238	-10
b Audited	1,624	0	184	0	-58	0	1,751	0	132	0	-380	-1	0	0	-256	1	-214	0	507	-4
c Unaudited/Books	-2,719	0	2,182	4	2,408	3	1,871	0	179	0	-13	0	-701	3	-701	1	299	-1	2,198	-17
All	-3,060	0	438	1	617	1	-2,004	0	49	0	-1	0	0	0	-52	0	240	0	740	-6
a SEC 10-K/Public	318	0	1,486	3	901	1	2,705	0	106	0	48	0	0	0	-196	0	84	0	906	-7
b Audited	23	0	257	0	890	1	1,170	0	24	0	-60	0	-702	3	-454	1	-26	0	551	-4
c Unaudited/Books	-2,133	0	2,746	5	699	1	1,312	0	150	0	-56	0	-3	0	-218	0	382	-1	2,398	-19
All	-2,124	0	524	1	215	0	-1,385	0	29	0	39	0	0	0	-17	0	156	0	291	-2
a SEC 10-K/Public	-1,687	0	1,278	2	166	0	-243	0	67	0	125	0	-3	0	-129	0	74	0	851	-7
b Audited	1,679	0	943	2	318	0	2,940	0	54	0	-220	-1	1	0	-72	0	-98	0	1,256	-10
c Unaudited/Books																				

Table 3A. U.S. Corporations With Reconciled Form 1120 Schedule M-3: 2007: Asset Size by Return Type

Dollar amounts in millions. Table amounts may not add to totals due to rounding.

Asset Size by Return Type	Returns		Total Assets		Tax After Credits		Foreign Tax Credit		Tax Net Income		Worldwide Income (P1L4)		Net foreign (Income) Loss removed (P1L5)		Net U.S. (Income) Loss removed (P1L6)		Net Oth. Includable Inc. (Loss) (P1L7)		Total Book Income (P1L1)	
	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%
All	42,395	100	47,344,964	100	266,081	100	78,183	100	918,438	100	804,393	100	-487,686	100	-111,934	100	11,550	100	573,171	100
a. 1120 Consol	20,735	49	19,316,521	41	166,638	63	38,932	50	549,329	60	507,525	63	-311,460	64	-44,578	40	2,356	20	389,501	68
b. 1120 MixGrp	444	1	24,493,409	52	80,388	30	38,561	49	338,551	37	298,136	37	-174,145	36	-64,224	57	9,141	79	188,984	33
c. 1120 UnCons	21,216	50	3,535,034	7	19,055	7	691	1	30,558	3	-1,268	0	-2,080	0	-3,132	3	52	0	-5,313	-1
All	247	1	34,138,103	72	124,723	47	57,357	73	523,360	57	507,455	63	-352,669	72	-78,179	70	10,891	94	368,398	64
a. ≥ \$20 billion or more	153	0	9,065,242	19	57,053	21	21,804	28	222,783	24	244,625	30	-205,203	42	-18,219	16	1,899	16	197,457	34
b. ≥ \$5 billion - < \$20 billion	89	0	23,328,476	49	65,255	25	35,553	45	291,136	32	267,862	33	-147,467	30	-59,168	53	8,993	78	176,763	31
c. 1120 UnCons	5	0	1,744,386	4	2,414	1	0	0	9,441	1	-5,031	-1	0	0	-793	1	0	0	-5,823	-1
All	560	1	5,281,799	11	53,819	20	11,149	14	181,128	20	160,169	20	-69,371	14	-11,950	11	417	4	122,467	21
a. 1120 Consol	434	1	4,040,495	9	42,536	16	8,646	11	144,156	16	134,448	17	-46,938	10	-9,225	8	214	2	108,763	19
b. 1120 MixGrp	82	0	825,370	2	10,233	4	2,434	3	32,695	4	23,422	3	-21,839	4	-2,725	2	203	2	12,001	2
c. 1120 UnCons	44	0	415,934	1	1,051	0	70	0	4,277	0	2,298	0	-595	0	0	0	0	0	1,703	0
All	1,913	5	4,067,910	9	44,485	17	6,877	9	138,573	15	116,778	15	-51,781	11	-15,816	14	380	3	76,284	13
a. ≥ \$1 billion - < \$5 billion	1,597	4	3,384,100	7	37,569	14	6,271	8	121,606	13	105,047	13	-46,684	10	-13,294	12	407	4	71,621	12
b. 1120 Consol	121	0	292,138	1	4,026	2	529	1	12,266	1	5,673	1	-4,703	1	-2,256	2	-42	0	-895	1
c. 1120 MixGrp	195	0	391,671	1	2,890	1	77	0	4,700	1	6,058	1	-395	0	-265	0	15	0	5,558	1
d. ≥ \$500 million - < \$1 billion	1,772	4	1,249,610	3	12,059	5	1,058	1	31,352	3	16,666	2	-6,443	1	-956	1	-231	-2	11,049	2
a. 1120 Consol	1,526	4	1,077,850	2	10,095	4	960	1	25,784	3	14,191	2	-5,602	1	-793	1	-206	-2	9,404	2
b. 1120 MixGrp	39	0	28,264	0	560	0	18	0	1,730	0	918	0	-23	0	-19	0	-25	0	915	0
c. 1120 UnCons	207	0	143,495	0	1,403	1	80	0	3,838	0	1,556	0	-818	0	-143	0	0	0	729	0
All	2,530	6	890,815	2	9,081	3	939	1	20,264	2	12,549	2	-5,558	1	-2,388	2	80	1	7,802	1
a. 1120 Consol	2,090	5	739,404	2	7,580	3	731	1	18,529	2	11,882	1	-4,799	1	-2,055	2	66	1	7,840	1
b. 1120 MixGrp	34	0	12,183	0	189	0	5	0	459	0	154	0	-92	0	-10	0	13	0	162	0
c. 1120 UnCons	406	1	139,227	0	1,312	0	202	0	1,276	0	513	0	-666	0	-323	0	2	0	-201	0
All	5,035	12	799,725	2	8,358	3	411	1	15,925	2	3,810	0	-1,751	0	119	0	23	0	2,592	0
a. ≥ \$100 million - < \$250 million	3,646	9	589,395	1	6,129	2	292	0	12,232	1	2,890	0	-1,503	0	4	0	25	0	1,740	0
b. 1120 Consol	29	0	4,858	0	90	0	5	0	152	0	45	0	-20	0	-1	0	0	0	26	0
c. 1120 MixGrp	1,360	3	205,471	0	2,140	1	114	0	3,541	0	875	0	-228	0	116	0	-2	0	827	0
All	5,363	13	379,330	1	4,948	2	237	0	4,743	1	-2,567	0	279	0	-997	1	-84	-1	-2,976	-1
a. 1120 Consol	3,027	7	216,629	0	2,730	1	151	0	2,978	0	-203	0	-396	0	-896	1	-85	-1	-1,400	0
b. 1120 MixGrp	16	0	1,189	0	26	0	17	0	118	0	82	0	-2	0	-44	0	0	0	31	0
c. 1120 UnCons	2,320	5	161,512	0	2,192	1	69	0	1,648	0	-2,447	0	676	0	-57	0	8	0	-1,607	0
All	7,574	18	266,756	1	3,952	1	100	0	1,822	0	-5,152	-1	-320	0	-757	1	9	0	-6,139	-1
a. ≥ \$25 million - < \$50 million	3,483	8	125,153	0	1,729	1	59	0	846	0	-3,138	0	-323	0	-2	0	1	0	-3,508	-1
b. 1120 Consol	19	0	662	0	6	0	0	0	-7	0	-25	0	0	0	0	0	0	0	-25	0
c. 1120 MixGrp	4,072	10	140,941	0	2,217	1	41	0	983	0	-1,989	0	3	0	-755	1	8	0	-2,605	0
All	17,401	41	270,916	1	4,655	2	55	0	1,270	0	-5,315	-1	-72	0	-1,009	1	64	1	-9,307	-1
a. 1120 Consol	4,779	11	78,251	0	1,216	0	18	0	414	0	-2,218	0	-13	0	-97	0	36	0	-2,416	0
b. 1120 MixGrp	15	0	268	0	3	0	0	0	3	0	5	0	0	0	0	0	0	0	5	0
c. 1120 UnCons	12,607	30	192,397	0	3,436	1	38	0	854	0	-3,102	0	-59	0	-912	1	28	0	-3,895	-1

Table 3B. U.S. Corporations With Reconciled Form 1120 Schedule M-3: 2007: Asset Size by Return Type

Dollar amounts in millions. Table amounts may not add to totals due to rounding.

Asset Size by Return Type	Pretax Book		Pretax Temp Diff		Pretax Perm Diff		Tax Income (P2L300D)		P2 Ln 1-5 Inc fr Fgn Corps TotDiff		P2 Ln 9-11 Inc fr Pass/Thrus TotDiff		P2 Ln 12 Reportbl Trans TotDiff		P2 Ln 25 Othr Income Items TotDiff		P3 Ln 9-10 StkOpt EqtyComp TotDiff		P3 Ln 35 Othr Exps Items TotDiff	
	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%
All	845,410	100	53,475	100	85,745	100	984,630	100	104,893	100	37,348	100	-21,374	100	-49,662	100	-51,830	100	-12,923	100
a 1120 Consol	574,573	68	20,940	39	-11,176	-13	584,337	59	38,446	37	9,474	25	-7,147	33	-5,552	11	-39,044	75	-5,094	39
b 1120 MixGrp	265,634	31	6,775	13	97,161	113	369,570	38	66,685	64	30,791	82	-11,847	55	-47,416	95	-12,948	25	-19,163	148
c 1120 UnCons	5,203	1	25,760	48	-241	0	30,722	3	-238	0	-2,916	-8	-2,380	11	3,307	-7	161	0	11,333	-88
All	491,595	58	8,469	16	66,837	78	566,901	58	66,380	63	21,114	57	-16,560	77	-37,453	75	-24,291	47	-24,977	93
a 1120 Consol	263,089	31	-10,259	-19	-16,706	-19	236,124	24	15,074	14	-5,216	-14	-3,538	17	2,258	-5	-13,867	27	-11,588	190
b 1120 MixGrp	240,283	28	-3,792	-7	84,845	99	321,335	33	51,306	49	26,187	70	-10,791	50	-43,071	87	-10,439	20	-21,229	164
c 1120 UnCons	-11,777	-1	22,520	42	-1,301	-2	9,441	1	0	0	1,43	0	-2,230	10	3,359	-7	16	0	7,839	-61
All	183,302	22	11,793	22	-1,302	-2	193,793	20	12,418	12	10,473	28	-2,560	12	2,559	-5	-12,938	25	-155	1
a 1120 Consol	159,827	19	2,560	5	-6,002	-7	156,385	16	9,046	9	7,881	21	-2,055	10	4,770	-10	-10,935	21	-1,856	14
b 1120 MixGrp	20,130	2	7,583	14	5,301	6	33,013	3	3,353	3	2,900	8	-505	2	-1,751	4	-2,000	4	1,680	-13
c 1120 UnCons	3,345	0	1,651	3	-601	-1	4,394	0	19	0	-309	-1	0	0	-460	1	-3	0	20	0
All	123,981	15	10,136	19	11,291	13	145,407	15	21,628	21	5,115	14	-1,049	5	-13,015	26	-11,682	23	-237	2
a 1120 Consol	112,307	13	11,570	22	4,151	5	128,028	13	10,565	10	5,775	15	-422	2	-9,163	18	-11,248	22	104	-1
b 1120 MixGrp	3,151	0	2,555	5	6,974	8	12,679	1	11,969	11	1,639	4	-551	3	-2,689	5	-381	1	500	-4
c 1120 UnCons	8,523	1	-3,989	-7	166	0	4,700	0	-907	-1	-2,299	-6	-76	0	-1,162	2	-53	0	-841	7
All	23,450	3	6,316	12	2,244	3	32,011	3	2,096	2	1,431	4	-251	1	-932	2	-1,625	3	1,533	-12
a 1120 Consol	19,830	2	4,551	9	1,971	2	26,354	3	1,827	2	627	2	-251	1	-1,283	3	-1,651	3	1,564	-12
b 1120 MixGrp	1,584	0	225	0	11	0	1,820	0	21	0	39	0	0	0	12	0	-20	0	-121	1
c 1120 UnCons	2,036	0	1,540	3	261	0	3,837	0	248	0	765	2	0	0	339	-1	46	0	90	-1
All	16,548	2	4,291	8	1,526	2	22,366	2	1,275	1	-409	-1	-239	1	-911	2	-1,149	2	2,179	-17
a 1120 Consol	14,869	2	4,204	8	1,555	2	20,629	2	1,094	1	-359	-1	-162	1	-737	1	-1,045	2	2,201	-17
b 1120 MixGrp	329	0	132	0	0	0	461	0	7	0	16	0	0	0	4	0	-85	0	24	0
c 1120 UnCons	1,349	0	-44	0	-29	0	1,276	0	173	0	-65	0	-78	0	-178	0	-19	0	-46	0
All	10,426	1	4,846	9	849	1	16,121	2	483	0	-19	0	-11	0	360	-1	-905	2	1,816	-14
a 1120 Consol	7,475	1	4,079	8	877	1	12,431	1	426	0	643	2	-16	0	-195	0	-638	1	1,309	-10
b 1120 MixGrp	125	0	50	0	-26	0	149	0	6	0	-2	0	0	0	87	0	-23	0	-12	0
c 1120 UnCons	2,826	0	717	1	-2	0	3,541	0	51	0	-660	-2	5	0	468	-1	-244	0	519	-4
All	960	0	2,695	5	1,193	1	4,849	0	285	0	-287	-1	0	0	651	-1	329	-1	2,323	-18
a 1120 Consol	588	0	1,524	3	935	1	3,047	0	285	0	-147	0	0	0	-719	1	41	0	1,589	-12
b 1120 MixGrp	46	0	23	0	49	0	118	0	23	0	11	0	0	0	0	0	0	0	-8	0
c 1120 UnCons	326	0	1,148	2	210	0	1,684	0	-22	0	-152	0	-701	3	-701	1	299	-1	790	-6
All	-2,719	0	2,182	4	2,408	3	1,871	0	179	0	-13	0	-701	3	-453	1	201	0	2,198	-17
a 1120 Consol	-2,094	0	1,426	3	1,560	2	892	0	64	0	109	0	-701	3	-453	1	201	0	790	-6
b 1120 MixGrp	-21	0	8	0	6	0	-7	0	0	0	0	0	0	0	-6	0	1	0	2	0
c 1120 UnCons	-604	0	748	1	842	1	986	0	115	0	-122	0	-1	0	-242	0	97	0	1,406	-11
All	-2,133	0	2,746	5	699	1	1,312	0	150	0	-56	0	-3	0	-218	0	132	0	2,398	-19
a 1120 Consol	-1,319	0	1,284	2	483	1	448	0	65	0	161	0	-2	0	-31	0	98	0	793	-6
b 1120 MixGrp	7	0	-7	0	2	0	3	0	0	0	0	0	0	0	-2	0	0	0	1	0
c 1120 UnCons	-821	0	1,469	3	214	0	861	0	85	0	-218	-1	0	0	-185	0	34	0	1,604	-12

Table 4A. U.S. Corporations With Reconciled Form 1120 Schedule M-3: 2007: Selected Industries by Public Status

Selected Industries by Public Status		Dollar amounts in millions. Table amounts may not add to totals due to rounding.																			
		Returns		Total Assets		Tax After Credits		Foreign Tax Credit		Tax Net Income		Worldwide Income (P11.4)		Net foreign (Income) Loss Removed (P11.5)		Net U.S. (Income) Loss removed (P11.6)		Net Oth. Includable Inc. (Loss) (P11.7)		Total Book Income (P11.1)	
		Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%
All		42,395	100	47,344,964	100	266,081	100	78,183	100	918,438	100	804,393	100	-487,686	100	-111,934	100	11,550	100	573,171	100
a. Petroleum Refineries		16	0	1,078,001	2	10,786	4	24,465	31	100,509	11	76,000	9	-13,463	3	-7,979	7	1,643	14	74,318	13
		30	0	646,763	1	5,644	2	3,432	4	26,364	3	21,128	3	-2,275	0	-4,249	4	7,205	62	45,227	8
b. Pharmaceuticals		112	0	691,548	1	7,224	3	2,939	4	33,716	4	42,107	5	-50,329	10	-3,256	3	0	0	11,234	2
		182	0	183,124	0	5,016	2	370	0	15,073	2	9,106	1	-23	0	-5	0	10	0	8,957	2
c. Computers/Electronics		438	1	758,865	2	8,477	3	3,699	5	37,600	4	56,674	7	-158,731	33	112	0	2,740	24	38,032	7
		768	2	233,893	0	1,208	0	56	0	484	0	-6,890	-1	-1,366	0	-233	0	-476	-4	-8,302	-1
d. Electrical Equipment		93	0	867,872	2	1,021	0	2,397	3	9,284	1	26,830	3	-47,221	10	-8,744	8	-172	-1	-1,570	0
		389	1	90,561	0	633	0	141	0	2,635	0	2,791	0	-648	0	-69	0	2	0	2,197	0
e. Transportation Equip		112	0	758,951	2	6,443	2	2,367	3	26,031	3	23,254	3	-19,442	4	-850	1	5	0	18,792	3
		654	2	559,813	1	1,583	1	94	0	-1,771	0	-745	0	-760	0	632	-1	-119	-1	1,921	0
f. Fabr Metal/Machinery		198	0	496,580	1	5,245	2	2,060	3	22,450	2	29,161	4	-18,882	4	-2,532	2	14	0	20,746	4
		1,634	4	247,977	1	3,606	1	239	0	11,249	0	8,116	1	-2,901	1	-1,854	2	22	0	6,154	1
g. Food / Beverage Mfg		87	0	703,820	1	8,812	3	4,874	6	39,636	4	38,931	5	-22,745	5	-2,023	2	-1	0	32,207	6
		726	2	173,441	0	1,962	1	313	0	5,789	1	8,436	1	-1,218	0	-567	1	0	0	7,399	1
h. Other Manufacturing		492	1	1,302,022	3	12,210	5	7,139	9	57,386	6	70,693	9	-37,128	8	-7,187	6	150	1	53,499	9
		3,372	8	715,649	2	8,236	3	1,488	2	23,330	3	7,173	1	-3,236	1	-1,247	1	-95	-1	6,341	1
1-Total Mfg.		9,303	22	9,508,880	20	88,106	33	56,073	72	409,765	45	412,765	51	-380,368	78	-40,051	36	10,928	95	317,152	55
i. NonBank Holding Co.		68	0	13,960	0	49	0	14	0	-120	0	-1,292	0	476	0	531	0	-66	-1	-66	0
		993	2	255,560	1	2,191	1	317	0	4,816	1	5,442	1	-930	0	-761	1	1	0	4,118	1
i. Bank (& Bank Holding Co)		982	2	12,621,071	27	23,737	9	3,394	4	82,170	9	66,028	8	-12,090	2	-37,195	33	-389	-3	31,520	5
		4,137	10	1,912,026	4	4,949	2	8	0	11,823	1	8,481	1	-35	0	-1,025	1	74	1	8,180	1
k. Securities/Commodities		114	0	6,622,255	14	6,814	3	2,233	3	22,562	2	23,569	3	-12,122	2	-4,791	4	179	2	7,442	1
		853	2	2,564,656	5	3,848	1	113	0	-9,259	-1	1,810	0	22	0	-153	0	-42	0	1,645	0
l. Other Financial		202	0	2,778,717	6	8,712	3	922	1	22,454	2	-143	0	-6,362	1	-1,444	1	122	1	-4,158	-1
		3,884	9	1,236,513	3	7,927	3	280	0	15,545	2	834	0	-3,057	1	-764	1	16	0	-9,623	-2
2-Total Fin/Hold		11,233	26	28,005,158	59	58,227	22	7,281	9	149,991	16	104,729	13	-34,098	7	-45,602	41	-105	-1	39,058	7
m. Trade		568	1	1,608,030	3	34,939	13	1,950	2	107,623	12	85,050	11	-20,355	4	-5,470	5	2	0	69,972	12
		7,667	18	1,015,218	2	14,171	5	589	1	38,510	4	26,892	3	-2,654	1	-600	1	147	1	25,655	4
n. Information		398	1	2,329,099	5	21,784	8	3,576	5	78,270	9	44,125	5	-18,516	4	-4,913	4	42	0	10,682	2
		1,609	4	488,404	1	4,277	2	129	0	12,588	1	8,524	1	-2,148	0	-1,588	1	9	0	4,942	1
o. Utilities		117	0	1,184,459	3	11,534	4	251	0	39,606	4	40,394	5	-2,821	1	-2,289	2	-5	0	39,185	7
		242	1	214,830	0	629	0	0	0	1,112	0	1,206	0	-1,405	0	-849	1	524	5	-260	0
p. Transport/Warehousing		103	0	426,274	1	3,720	1	367	0	7,981	0	17,123	2	-1,601	0	-66	0	0	0	14,823	3
		941	2	164,565	0	1,528	1	49	0	1,379	0	981	0	-69	0	-410	0	-19	0	933	0
q. Mining		223	1	485,352	1	6,188	2	3,212	4	24,347	3	33,687	4	-9,146	2	-2,423	2	131	1	38,848	7
		758	2	202,678	0	3,143	1	2,249	3	14,065	2	20,186	3	-5,851	1	-3,569	3	-1	0	13,146	2
r. Construction		68	0	120,161	0	1,406	1	158	0	-3,450	0	-10,525	-1	-236	0	-64	0	1	0	-10,567	-2
		2,319	5	127,421	0	1,957	1	21	0	4,851	1	2,587	0	-67	0	-87	0	-6	0	2,298	0
s. Service/Agri/Other		1,027	2	702,151	1	9,178	3	1,620	2	24,183	3	17,930	2	-7,084	1	-3,512	3	-33	0	9,889	2
		5,819	14	762,283	2	5,296	2	655	1	7,618	1	-1,261	0	-1,270	0	-439	0	-70	-1	-2,586	-1
3-Total Other		21,859	52	9,830,925	21	119,750	45	14,826	19	358,683	39	286,899	36	-73,223	15	-26,279	23	722	6	216,960	38

Table 4B. U.S. Corporations With Reconciled Form 1120 Schedule M-3: 2007: Selected Industries by Public Status

Dollar amounts in millions. Table amounts may not add to totals due to rounding.

Selected Industries by Public Status	Pretax Book		Pretax Temp Diff		Pretax Perm Diff		Tax Income (Part II Ln 300)		P2 Lns 1-5 Inc fr Egn Corps TotDiff		P2 Lns 9-11 Inc fr PassThrus TotDiff		P2 Ln 12 Reportbl Trans TotDiff		P2 Ln 25 Othr Income Items TotDiff		P3 Lns 9-10 StkOpt EqtyComp TotDiff		P3 Ln 35 Othr Expsn Items TotDiff	
	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%
All	845,410	100	53,475	100	85,745	100	984,630	100	104,893	100	37,348	100	-21,374	100	-49,662	100	-51,830	100	-12,923	100
a. Petroleum Refineries	85,973	10	-12,491	-23	27,027	32	100,509	10	16,216	15	1,341	4	-2,041	10	-3,492	7	-2,692	5	-1,639	13
b. Pharmaceuticals	50,199	6	10,235	19	-34,071	-40	26,364	3	1,436	1	3,107	8	-128	1	-197	0	-337	1	-1,399	11
a. SEC 10-K/Public	18,413	2	13,297	25	1,489	3	33,199	3	2,801	3	1,788	5	0	0	-7,736	16	-127	0	10,932	-85
b. Not Public	14,503	2	2,710	5	-1,959	-2	15,253	2	-257	0	917	2	0	0	-229	0	-995	2	1,205	-9
a. SEC 10-K/Public	51,611	6	2,431	5	-15,384	-18	38,657	4	-5,640	-5	230	1	-217	1	-707	1	-7,115	14	-1,790	14
b. Not Public	-8,239	-1	4,387	8	4,507	5	655	0	410	0	681	2	-3	0	346	-1	-67	0	1,151	-9
d. Electrical Equipment	-1,580	0	663	1	10,330	12	9,413	1	10,882	10	7,895	21	-2,490	12	-1,566	3	-321	1	188	-1
b. Not Public	2,831	0	591	1	-760	-1	2,662	0	194	0	96	0	0	0	-1,656	3	-125	0	443	-3
e. Transportation Equip	25,599	3	3,212	6	-1,314	-2	27,497	3	4,663	4	2,995	8	-186	1	-1,303	3	-1,173	2	-336	3
a. SEC 10-K/Public	6,971	1	-15,550	-29	6,853	8	-1,727	0	751	0	608	2	-236	1	-32,844	66	-355	1	-1,325	10
b. Not Public	26,503	3	370	1	-3,051	-4	23,222	2	2,248	2	743	2	-355	2	-599	1	-1,820	4	-359	3
f. Fabr Metal/Machinery	10,064	1	1,156	2	431	1	11,652	1	222	0	511	1	-8	0	296	-1	-65	0	-141	1
a. SEC 10-K/Public	41,724	5	3,479	7	-1,028	-1	44,175	4	5,083	5	2,222	6	-586	3	-1,675	3	-1,348	3	-1,144	9
b. Not Public	9,234	1	207	0	-3,614	-4	5,827	1	280	0	-14	0	-100	0	-417	1	-60	0	193	-1
g. Food / Beverage Mfg	70,738	8	2,564	5	-11,571	-13	61,731	6	12,722	12	4,540	12	-3,022	14	-677	1	-4,698	9	-1,159	9
a. SEC 10-K/Public	13,216	2	5,314	10	6,092	7	24,622	3	1,516	1	1,414	4	-162	1	-2,151	4	-431	1	2,338	-18
b. Not Public	41,760	49	22,575	42	-16,623	-19	423,711	43	53,527	51	29,074	78	-9,534	45	-54,607	110	-21,729	42	7,158	-55
h. Other Manufacturing	1	0	-130	0	9	0	-120	0	-41	0	-229	-1	0	0	60	0	62	0	77	-1
i. NonBank Holding Co	6,415	1	-2,900	-5	1,492	2	5,008	1	-671	-1	-1,496	-4	-736	3	-546	1	-17	0	377	-3
i. Bank (& Bank Holding Co)	46,877	6	20,602	39	38,807	45	106,286	11	12,151	12	10,717	29	-771	4	1,260	-3	-3,729	7	3,061	-24
a. SEC 10-K/Public	12,056	1	-132	0	-2,294	-3	9,630	1	18	0	-26	0	66	0	345	-1	-184	0	39	0
b. Not Public	13,681	2	11,604	22	-618	-1	24,668	3	9,817	9	4,043	11	-1,503	7	-486	1	-3,065	6	-630	5
k. Securities/Commodities	3,840	0	-9,231	-17	-3,064	-4	-8,456	-1	359	0	-11,261	-30	-150	1	808	-2	-1,325	3	596	-5
a. SEC 10-K/Public	-6,308	-1	36,194	68	-320	0	29,565	3	2,433	2	793	2	-2,237	10	3,370	-7	-620	1	6,446	-50
b. Not Public	-2,534	0	6,944	13	13,096	15	17,506	2	11,580	11	729	2	-341	2	243	0	-362	1	5,042	-39
l. Other Financial	74,028	9	62,951	118	47,108	55	184,087	19	35,646	34	3,270	9	-5,672	27	5,054	-10	-9,240	18	15,008	-116
a. SEC 10-K/Public	103,382	12	3,824	7	2,810	3	110,016	11	1,604	2	1,281	3	-1,646	8	946	-2	-3,535	7	-3,372	26
b. Not Public	38,868	5	2,747	5	-1,270	-1	40,346	4	-3,594	-3	2,068	6	-521	2	4,911	-10	-741	1	3,897	-30
n. Information	38,644	5	-13,268	-25	54,562	64	79,938	8	4,340	4	-698	-2	-2,337	11	-11,777	24	-6,719	13	-4,263	33
a. SEC 10-K/Public	9,407	1	5,234	10	-2,054	-2	12,588	1	317	0	135	0	-96	0	-1,332	3	-115	0	691	-5
b. Not Public	53,900	6	-6,478	-12	-7,815	-9	39,607	4	1,188	1	-685	-2	-800	4	7,729	-16	-2,031	4	-12,154	94
o. Utilities	245	0	-2,613	-5	3,486	4	1,118	0	18	0	-303	-1	70	0	-1,866	4	-6	0	2,871	-22
a. SEC 10-K/Public	21,794	3	-16,100	-30	2,456	3	8,151	1	202	0	-45	0	-57	0	2,299	-5	-1,054	2	-3,593	28
b. Not Public	2,850	0	-1,226	-2	-89	0	1,535	0	10	0	-875	-2	0	0	-833	2	-100	0	248	-2
p. Transport/Warehousing	51,000	6	-17,278	-32	3,629	4	37,352	4	7,074	7	524	1	-364	2	1,058	-2	-1,208	2	-21,544	167
a. SEC 10-K/Public	18,639	2	-1,857	-3	-2,644	-3	14,138	1	337	0	-591	-2	0	0	-1,198	2	-345	1	-2,980	23
b. Not Public	-10,812	-1	7,414	14	-103	0	-3,501	0	656	1	1,127	3	-30	0	502	-1	-214	0	43	0
r. Construction	3,566	0	1,203	2	50	0	4,819	0	23	0	14	0	-1	0	-372	1	-43	0	271	-2
a. SEC 10-K/Public	20,669	2	921	2	1,063	1	22,653	2	1,880	2	2,595	7	-56	0	110	0	-4,188	8	1,312	-10
b. Not Public	1,469	0	5,423	11	1,180	1	8,072	1	1,670	2	458	1	-332	2	-289	0	-561	1	3,482	-27
s. Service/Agri/Other	353,621	42	-32,054	-60	55,261	64	376,832	38	15,725	15	5,005	13	-6,170	29	-112	0	-20,860	40	-35,091	272
3-Total Other																				

Table 5A. U.S. Corporations With Reconciled Form 1120 Schedule M-3: 2007: Stock Options and Equity Compensation

Dollar amounts in millions. Table amounts may not add to totals due to rounding.

Stock Options and Equity Compensation	Returns		Total Assets		Tax After Credits		Foreign Tax Credit		Tax Net Income		Worldwide Income (P1L4)		Net foreign (Income) Loss removed (P1L5)		Net US (Income) Loss removed (P1L6)		Net Oth. Includable Inc. (Loss) (P1L7)		Total Book Income (P1L1)	
	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%
All	42,395	100	47,344,964	100	266,081	100	78,183	100	918,438	100	804,393	100	-487,686	100	-111,934	100	11,550	100	573,171	100
L09 Stock Optns = 0	35,345	83	11,259,823	24	68,171	26	10,141	13	172,623	19	117,256	15	-17,066	3	-17,836	16	310	3	93,028	16
f Ln9 Zero	35,345	83	11,259,823	24	68,171	26	10,141	13	172,623	19	117,256	15	-17,066	3	-17,836	16	310	3	93,028	16
b Ln9C = 0	2,144	5	4,939,765	10	25,396	10	5,997	8	75,665	8	75,575	9	-42,134	9	-7,334	7	115	1	52,013	9
f Ln9C > 0	2,394	6	1,714,604	4	12,315	5	3,618	5	37,047	4	-8,223	-1	-22,482	5	-8,285	7	2,514	22	-42,609	-7
c Ln9C > 0	2,394	6	1,714,604	4	12,315	5	3,618	5	37,047	4	-8,223	-1	-22,482	5	-8,285	7	2,514	22	-42,609	-7
All	250	1	21,423,571	45	94,854	36	48,874	63	412,445	45	431,992	54	-307,231	63	-58,444	52	8,104	70	319,619	56
a 001-010	10	0	5,247,828	11	13,321	5	19,579	25	98,072	11	97,522	12	-122,947	25	-22,717	20	-3	0	76,941	13
d Top 250, Ln9C < 0	40	0	9,902,643	21	25,390	10	20,947	27	123,351	13	150,258	19	-115,442	24	-12,013	11	1,318	11	66,864	12
a 051-100	50	0	2,492,845	5	17,661	7	3,021	4	64,726	7	69,331	9	-36,636	8	-11,554	10	-509	-4	41,633	7
a 101-250	150	0	3,780,254	8	38,483	14	5,327	7	126,295	14	114,880	14	-32,207	7	-12,161	11	7,298	63	134,181	23
All	2,262	5	8,007,201	17	65,344	25	9,553	12	220,658	24	187,793	23	-98,803	20	-20,035	18	507	4	151,119	26
b 251 +up	2,262	5	8,007,201	17	65,344	25	9,553	12	220,658	24	187,793	23	-98,803	20	-20,035	18	507	4	151,119	26
a L09C > 0	2,394	6	1,714,604	4	12,315	5	3,618	5	37,047	4	-8,223	-1	-22,482	5	-8,285	7	2,514	22	-42,609	-7
b L09C = 0	37,489	88	16,199,589	34	93,568	35	16,138	21	248,288	27	192,831	24	-59,199	12	-25,169	22	426	4	145,041	25
c 0 < L09C < -1m	1,023	2	1,346,281	3	7,817	3	1,187	2	19,771	2	18,462	2	-38,119	8	-2,935	3	-37	0	11,809	2
d -1m <= L09D < -10m	814	2	2,781,576	6	23,495	9	3,740	5	82,168	9	60,250	7	-20,103	4	574	-1	328	3	47,175	8
e L09D <= -10m	676	2	25,302,914	53	128,886	48	53,500	68	531,163	58	541,072	67	-347,813	71	-76,119	68	8,320	72	411,755	72
a L09D ≥ 0	37,990	90	12,794,705	27	76,974	29	11,690	15	185,713	20	127,255	16	-39,761	8	-18,893	17	2,783	24	92,228	16
c 0 < L09D < -1m	2,072	5	1,440,454	3	8,862	3	392	1	15,392	2	7,940	1	-6,516	1	-8,667	8	-71	-1	1,747	0
d -1m = L09D < -10m	1,331	3	4,337,060	9	23,567	9	2,625	3	75,527	8	34,519	4	-11,615	2	-1,562	1	467	4	30,124	5
e L09D < = -10m	1,002	2	28,772,745	61	156,678	59	63,476	81	641,805	70	634,678	79	-429,795	88	-82,812	74	8,371	72	449,071	78
a L10C = 0	40,797	96	21,201,120	45	142,200	53	26,496	34	428,803	46	351,482	44	-173,927	36	-38,227	34	7,806	68	287,320	50
a L10C > 0	741	2	4,006,920	8	27,513	10	9,631	12	105,542	11	111,635	14	-97,923	20	-20,568	18	134	1	44,851	8
c 0 < L10C < -1m	438	1	1,544,489	3	12,597	5	1,994	3	28,697	3	24,733	3	-14,270	3	4,342	-4	2,458	21	17,251	3
d -1m = L10C < -10m	281	1	2,640,368	6	31,059	12	3,144	4	100,760	11	94,238	12	-25,939	5	-10,393	9	48	0	80,121	14
e L10C <= -10m	137	0	17,952,067	38	52,712	20	36,919	47	259,637	28	222,304	28	-175,628	36	-47,088	42	1,104	10	143,628	25
b L10D ≥ 0	40,493	96	16,987,143	36	117,023	44	18,447	24	327,804	36	258,960	32	-102,908	21	-37,204	33	337	3	193,737	34
c 0 < L10D < -1m	859	2	1,873,268	4	13,607	5	2,173	3	36,430	4	16,778	2	-13,632	3	-1,691	2	2,386	21	9,285	2
d -1m ≤ L10D < -10m	660	2	2,518,229	5	27,870	10	3,401	4	91,984	10	68,847	9	-27,874	6	-1,629	1	593	5	49,375	9
e L10D <= -10m	383	1	25,966,325	55	107,582	40	54,162	69	462,219	50	459,807	57	-343,273	70	-71,409	64	8,235	71	320,774	56

Table 5B. U.S. Corporations With Reconciled Form 1120 Schedule M-3: 2007: Stock Options and Equity Compensation

Dollar amounts in millions. Table amounts may not add to totals due to rounding.

Stock Options and Equity Compensation	Pretax Book		Pretax Temp Diff		Pretax Perm Diff		Tax Income (P2L30D)		P2 Lns 1-5 Inc fr Fgn Corps		P2 Lns 9-11 Inc fr Pass/Thrus		P2 Ln 12 Reportbl Trans		P2 Ln 25 Othr Income Items		P3 Lns 9-10 StkOpt EqtyComp		P3 Ln 35 Othr Exps Items	
	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%
All	845,410	100	53,475	100	85,745	100	984,630	100	104,893	100	37,348	100	-21,374	100	-49,662	100	-51,830	100	-12,923	100
L09 Stock Optns = 0	158,710	19	11,248	21	9,463	11	179,421	18	20,968	20	7,035	19	-2,539	12	-9,289	19	-1,452	3	5,257	-41
f Ln9 Zero	158,710	19	11,248	21	9,463	11	179,421	18	20,968	20	7,035	19	-2,539	12	-9,289	19	-1,452	3	5,257	-41
b Ln9C = 0	76,978	9	-4,100	-8	12,343	14	85,220	9	7,154	7	3,518	9	-2,532	12	-17,225	35	-4,197	8	-14,355	111
f Ln9C = 0	76,978	9	-4,100	-8	12,343	14	85,220	9	7,154	7	3,518	9	-2,532	12	-17,225	35	-4,197	8	-14,355	111
c Ln9C > 0	-34,268	-4	21,076	39	51,385	60	38,192	4	6,312	6	3,945	11	-529	2	-2,110	4	2,440	-5	1,781	-14
f Ln9C > 0	-34,268	-4	21,076	39	51,385	60	38,192	4	6,312	6	3,945	11	-529	2	-2,110	4	2,440	-5	1,781	-14
All	420,866	50	7,051	13	22,964	27	450,882	46	55,729	53	11,189	30	-10,652	50	-9,839	20	-37,275	72	-6,626	51
a 001-010	94,978	11	-1,371	-3	25,342	30	118,950	12	-1,953	-2	11,378	30	488	-2	-1,959	4	-9,554	18	-2,340	18
a 011-050	88,577	10	1,339	3	36,096	42	126,012	13	44,517	42	-9,448	-25	-9,233	43	-6,911	14	-11,532	22	7,295	-56
a 051-100	63,954	8	6,370	12	-5,122	-6	65,202	7	2,309	2	5,364	14	-123	1	-3,053	6	-5,859	11	-826	6
a 101-250	173,357	21	714	1	-33,353	-39	140,718	14	10,856	10	3,896	10	-1,784	8	2,083	-4	-10,330	20	-10,755	83
All	223,123	26	18,200	34	-10,410	-12	230,914	23	14,730	14	11,661	31	-5,122	24	-11,198	23	-11,347	22	1,019	-8
b 251+up	223,123	26	18,200	34	-10,410	-12	230,914	23	14,730	14	11,661	31	-5,122	24	-11,198	23	-11,347	22	1,019	-8
a L09C > 0	-34,268	-4	21,076	39	51,385	60	38,192	4	6,312	6	3,945	11	-529	2	-2,110	4	2,440	-5	1,781	-14
b L09C = 0	235,689	28	7,148	13	21,806	25	264,641	27	28,122	27	10,553	28	-5,072	24	-26,514	53	-5,648	11	-9,097	70
c 0 < L09C < -1m	20,779	2	2,265	4	-1,227	-1	21,817	2	1,479	1	1,575	4	-992	5	37	0	-348	1	-2,422	19
d -1m ≤ L09C < -10m	69,140	8	19,606	37	-4,815	-6	83,931	9	5,451	5	6,258	17	-2,462	12	-4,468	9	-3,437	7	7,435	-58
e L09C ≤ -10m	554,070	66	3,381	6	18,596	22	576,048	59	63,530	61	15,017	40	-12,320	58	-16,607	33	-44,838	87	-10,620	82
a L09D ≥ 0	166,602	20	14,445	26	12,908	15	193,655	20	26,025	25	7,928	21	-2,868	13	-11,625	23	-11,625	23	-2,312	18
c 0 < L09D < -1m	10,101	1	7,168	13	-1,204	-1	16,067	2	1,149	1	2,124	6	-431	2	52	0	1,282	-2	27	0
d -1m ≤ L09D < -10m	42,130	5	44,707	84	-7,785	-9	79,051	8	4,476	4	4,779	13	-2,515	12	3,038	-6	-898	2	11,869	-92
e L09D ≤ -10m	626,577	74	-12,546	-23	81,826	95	695,857	71	73,243	70	22,518	60	-15,561	73	-41,126	83	-53,917	104	-22,507	174
a L10C = 0	431,223	51	40,579	76	-11,496	-13	460,305	47	44,592	43	19,638	53	-8,687	41	-35,515	72	-16,515	32	-7,680	59
a L10C > 0	68,011	8	22,806	43	17,747	21	108,564	11	22,123	21	13,342	36	-5,948	28	-1,200	2	-6,454	12	8,595	-67
c 0 L10C < -1m	31,785	4	-2,987	-6	1,711	2	30,509	3	3,711	4	-11,846	-32	-16	0	2,313	-5	-2,353	5	442	-3
d -1m ≤ L10C < -10m	116,180	14	-3,703	-7	-12,386	-14	100,092	10	4,704	4	3,507	9	-1,243	6	-5,947	12	-7,102	14	-117	1
e L10C ≤ -10m	198,211	23	-3,220	-6	90,169	105	285,160	29	29,763	28	12,707	34	-5,479	26	-9,314	19	-19,406	37	-14,163	110
b L10D ≥ 0	312,191	37	38,596	72	4,413	5	355,199	36	37,537	36	13,826	37	-6,562	31	-16,512	33	-10,871	21	4,001	-31
c 0 < L10D < -1m	26,771	3	-3,816	-7	14,210	17	37,166	4	4,991	5	1,919	5	-157	1	-21,677	44	-2,093	4	2,623	-20
d -1m ≤ L10D < -10m	79,751	9	12,882	24	2,790	3	95,424	10	5,750	5	4,856	13	-1,088	5	5,615	-11	-8,087	16	576	-4
e L10D ≤ -10m	426,697	50	5,813	11	64,332	75	496,841	50	56,616	54	16,747	45	-13,567	63	-17,088	34	-30,779	59	-20,123	156

Table 6. U.S. Corporations With Reconciled Form 1120 Schedule M-3: 2007: Reconciliation With SOI Corporate File

Dollar amounts in millions. Table amounts may not add to totals due to rounding.

Reconciliation of M-3 Report With SOI Corporate File	Returns		Total Assets		Tax After Credits		Foreign Tax Credit		Tax Net Income		Worldwide Income (Part I Ln 4)		P2 Reconciln. Tot (Ln 30a)		Tax Income (Part II Ln 30D)	
	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%	Sum	Col%
All	45,550	100	52,880,991	100	280,387	100	82,806	100	971,388	100	807,490	100	624,430	100	1,036,763	100
P2 Ln30a is 0	1,237	3	211,644	0	251	0	7	0	-201	0	-52	0	0	0	-165	0
P2 Ln30a Not 0	44,313	97	52,669,347	100	280,135	100	82,799	100	971,589	100	807,542	100	624,430	100	1,036,927	100
a No M-3 data or Incorrect Tax Year	950	2	134,058	0	447	0	19	0	589	0	-35	0	110	0	-413	0
b Data Problems Parts I,II, or III	2,205	5	5,401,969	10	13,858	5	4,604	6	52,493	5	3,132	0	51,141	8	52,546	5
c Minimally Reconcilable M-3	42,395	93	47,344,964	90	266,081	95	78,183	94	918,438	95	804,393	100	573,179	92	984,630	95
A No Data, Incorrect TY, Problems	3,155	7	5,536,027	10	14,306	5	4,623	6	52,951	5	3,097	0	51,251	8	52,133	5
B Minimally Reconcilable M-3	42,395	93	47,344,964	90	266,081	95	78,183	94	918,438	95	804,393	100	573,179	92	984,630	95
a No M-3 data or Incorrect Tax Year	902	2	68,131	0	192	0	6	0	89	0	0	0	0	0	0	0
b Data Problems Parts I,II, or III	328	1	141,407	0	59	0	1	0	-285	0	-80	0	0	0	-160	0
c Minimally Reconcilable M-3	7	0	2,106	0	0	0	0	0	-4	0	27	0	0	0	-4	0
a No M-3 data or Incorrect Tax Year	48	0	65,926	0	255	0	13	0	369	0	-35	0	110	0	-413	0
b Data Problems Parts I,II, or III	1,878	4	5,260,563	10	13,799	5	4,603	6	52,778	5	3,212	0	51,141	8	52,706	5
c Minimally Reconcilable M-3	42,387	93	47,342,858	90	266,081	95	78,183	94	918,442	95	804,365	100	573,179	92	984,634	95
a No M-3 data or Incorrect Tax Year	144	0	121,086	0	332	0	19	0	553	0	-35	0	110	0	-413	0
b Data Problems Parts I,II, or III	529	1	5,369,079	10	13,482	5	4,602	6	52,327	5	2,998	0	51,399	8	52,475	5
c Minimally Reconcilable M-3	17,420	38	46,807,292	89	257,474	92	78,028	94	915,346	94	814,860	101	585,624	94	981,447	95
a No M-3 data or Incorrect Tax Year	806	2	12,972	0	115	0	0	0	-95	0	0	0	0	0	0	0
b Data Problems Parts I,II, or III	1,677	4	32,891	0	376	0	2	0	166	0	134	0	-258	0	70	0
c Minimally Reconcilable M-3	24,975	55	537,672	1	8,607	3	156	0	3,092	0	-10,467	-1	-12,445	-2	3,183	0
A No Data, Incorrect TY, Problems	684	2	1,087,979	2	2,404	1	1,870	2	6,515	1	4,010	0	3,313	1	6,915	1
B Minimally Reconcilable M-3	20,735	46	19,316,521	37	166,638	59	38,932	47	549,329	57	507,525	63	389,506	62	584,337	56
A No Data, Incorrect TY, Problems	84	0	4,183,055	8	11,153	4	2,727	3	45,837	5	-2,269	0	47,598	8	44,673	4
B Minimally Reconcilable M-3	444	1	24,493,409	46	80,388	29	38,561	47	338,551	35	298,136	37	188,986	30	369,570	36
A No Data, Incorrect TY, Problems	2,387	5	264,993	1	749	0	26	0	598	0	1,356	0	340	0	545	0
B Minimally Reconcilable M-3	21,216	47	3,535,034	7	19,055	7	691	1	30,558	3	-1,268	0	-5,313	-1	30,722	3
A No Data, Incorrect TY, Problems	2,453	5	5,515,660	10	14,162	5	4,617	6	52,992	5	3,095	0	51,246	8	52,128	5
B Minimally Reconcilable M-3	42,378	93	37,076,991	70	256,980	92	72,114	87	870,978	90	751,664	93	568,361	91	915,592	88
A No Data, Incorrect TY, Problems	49	0	1,727	0	19	0	0	0	-6	0	2	0	5	0	5	0
B Minimally Reconcilable M-3	17	0	10,267,973	19	9,101	3	6,069	7	47,459	5	52,728	7	4,818	1	69,037	7
A No Data, Incorrect TY, Problems	6	0	61	0	0	0	0	0	-16	0	0	0	0	0	0	0
B Minimally Reconcilable M-3	648	1	18,579	0	125	0	6	0	-19	0	0	0	0	0	0	0
A No Data, Incorrect TY, Problems	722	2	4,377,762	8	3,149	1	1,531	2	10,730	1	7,656	1	56,222	9	11,061	1
B Minimally Reconcilable M-3	8,732	19	27,675,747	52	55,030	20	7,222	9	142,225	15	99,277	12	34,440	6	174,386	17
A No Data, Incorrect TY, Problems	567	1	385,451	1	4,692	2	1,930	2	20,449	2	17,660	2	14,890	2	20,077	2
B Minimally Reconcilable M-3	7,264	16	5,969,880	11	61,932	22	41,171	50	287,019	30	264,525	33	267,421	43	303,343	29
A No Data, Incorrect TY, Problems	442	1	269,042	1	1,727	1	109	0	4,441	0	2,254	0	-82	0	5,044	0
B Minimally Reconcilable M-3	7,702	17	5,577,401	11	46,273	17	11,898	14	158,003	16	130,744	16	35,828	6	161,589	16
A No Data, Incorrect TY, Problems	505	1	254,633	0	3,530	1	566	1	12,013	1	10,922	1	6,659	1	10,217	1
B Minimally Reconcilable M-3	8,441	19	4,652,841	9	70,806	25	12,547	15	236,861	24	211,450	26	152,197	24	243,429	23
A No Data, Incorrect TY, Problems	919	2	249,138	0	1,207	0	487	1	5,318	1	-35,394	-4	-28,438	-5	5,734	1
B Minimally Reconcilable M-3	10,255	23	3,469,094	7	32,040	11	5,345	6	94,330	10	98,396	12	83,293	13	101,883	10

(C) Tax Analysts 2011. All rights reserved. Tax Analysts does not claim copyright in any public domain or third party content.

**Table 7. U.S. Corporations With \$10 Million or More in Assets: 1994-2007
Combined Form 1120 Schedules M-1 and M-3 Book Income and Tax Income**

Dollar amounts in millions. Table amounts may not add to totals due to rounding.

	Returns	Total Assets TOT_ASSTS	Tax Net Income 1120 Pg 1 Ln 28 NET_INCM	MI Ln 1 Book Income NET_INCM_BKS	MI Ln 2 Fed Tax Exp FED_INCM_TX_BKS	Book Income + Fed Tax Exp = Pretax Book	MI Additions MI Ln 6 TOT_BK_INCM	MI Subtract MI Ln 9 BK_INCM_TOT	MI Ln 10 Tax Income INCM_RCNCCLTN	SOI Inter- Company Dividend Adjust.	Bk-Tax Diff = Tax Net Inc. minus Pretax Book	Bk-Tax Diff = Tax Net Inc. minus Pretax Book	Bk-Tax Diff = Tax Net Inc. minus Pretax Book as % Pretax Book
1994-2003 SOI Form 1120 With Assets ≥ \$10M and MI Lns 1&10 Present													
1994	41,316	17,291,694	401,370	388,361	135,373	523,733	1,116,980	646,207	470,671	0	-122,363	-23	
d MI L1<> & L10<>													
1995	42,344	19,050,556	475,007	441,417	154,932	596,349	1,266,727	717,683	548,714	0	-121,342	-20	
d MI L1<> & L10<>													
1996	43,063	19,056,447	507,639	475,677	172,767	648,444	1,371,751	763,248	608,494	0	-140,804	-22	
d MI L1<> & L10<>													
1997	43,099	21,440,374	533,060	504,012	187,268	691,280	1,513,520	880,280	633,206	0	-158,220	-23	
d MI L1<> & L10<>													
1998	42,820	23,865,589	458,455	519,328	181,300	700,628	1,636,014	1,030,857	605,183	0	-242,173	-35	
d MI L1<> & L10<>													
1999	43,786	26,316,146	474,806	519,565	224,336	743,901	1,772,990	1,161,493	481,129	130,385	-269,095	-36	
d MI L1<> & L10<>													
2000	44,883	30,829,872	484,965	462,235	241,133	703,368	1,991,813	1,391,298	483,750	116,765	-218,403	-31	
d MI L1<> & L10<>													
2001	43,033	32,721,945	287,611	78,950	147,693	226,643	1,704,884	1,303,299	289,488	112,095	60,968	27	
d MI L1<> & L10<>													
2002	41,477	33,748,555	277,946	188,378	167,656	356,034	1,853,944	1,441,327	277,232	135,386	-78,089	-22	
d MI L1<> & L10<>													
2003	40,762	35,077,990	429,455	579,094	216,353	795,447	2,069,252	1,515,110	430,423	123,720	-365,992	-46	
d MI L1<> & L10<>													
2004-2007 SOI Form 1120 With Assets ≥ \$10M and M3 Reconciles or MI Lns 1&10 Present													
2004	7,939	5,521,366	58,675	64,303	27,323	91,627	216,303	156,760	52,825	6,716			
d MI L1<> & L10<>													
2005	1,640	533,658	9,874	8,304	3,599	11,903	33,117	22,712	9,747	25			
d MI L1<> & L10<>													
2006	1,016	29,547	626	283	295	577	1,161	537	622	2			
d MI L1<> & L10<>													
2007	648	18,579	-19	-91	114	23	218	226	-8	0			
d MI L1<> & L10<>													
M3	30,901	33,981,247	565,504	561,919	210,219	772,138	na	na	625,773	58,402			
M3	38,516	42,456,769	1,242,862	1,054,823	290,337	1,345,161	na	na	1,329,579	135,085			
M3	40,713	44,266,617	1,048,066	856,452	315,916	1,172,368	na	na	1,100,335	70,760			
M3	42,395	47,344,964	918,438	573,179	272,231	845,410	na	na	984,630	88,353			
M3 + M1	38,840	39,502,613	624,179	626,222	237,542	863,765	na	na	678,598	65,118			
M3 + M1	40,156	42,990,427	1,252,736	1,063,127	293,936	1,357,064	na	na	1,339,326	135,110			
M3 + M1	41,729	44,296,164	1,048,692	856,735	316,211	1,172,945	na	na	1,100,957	70,762			
M3 + M1	43,043	47,363,543	918,419	573,088	272,345	845,433	na	na	984,622	88,353			

Note: Figures 1-3 use Tax Net Income and Pretax Book amounts from Schedule M-1 for 1994 through 2003 and Combined Schedules M-1 and M-3 for 2004 through 2007.