

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

Department of the Treasury  
Internal Revenue Service

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

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

OMB No. 1545-0130

**2006**

Name of corporation \_\_\_\_\_

Employer identification number \_\_\_\_\_

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

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

**2** Enter the income statement period: Beginning \_\_\_\_ / \_\_\_\_ / \_\_\_\_ Ending \_\_\_\_ / \_\_\_\_ / \_\_\_\_

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

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

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

Name of corporation

Employer identification number

**Part II Reconciliation of Net Income (Loss) per Income Statement of the Corporation With Total Income (Loss) per Return**

Income (Loss) Items	(a) Income (Loss) per Income Statement (optional)	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return (optional)
<b>1</b> Income (loss) from equity method foreign corporations . . . . .				
<b>2</b> Gross foreign dividends not previously taxed . . . . .				
<b>3</b> Subpart F, QEF, and similar income inclusions . . . . .				
<b>4</b> Gross foreign distributions previously taxed . . . . .				
<b>5</b> Income (loss) from equity method U.S. corporations . . . . .				
<b>6</b> U.S. dividends not eliminated in tax consolidation . . . . .				
<b>7</b> Income (loss) from U.S. partnerships (attach schedule) . . . . .				
<b>8</b> Income (loss) from foreign partnerships (attach schedule) . . . . .				
<b>9</b> Income (loss) from other pass-through entities (attach schedule) . . . . .				
<b>10</b> Items relating to reportable transactions (attach details) . . . . .				
<b>11</b> Interest income . . . . .				
<b>12</b> Total accrual to cash adjustment . . . . .				
<b>13</b> Hedging transactions . . . . .				
<b>14</b> Mark-to-market income (loss) . . . . .				
<b>15</b> Cost of goods sold (attach Form 8916-A) . . . . .				
<b>16</b> Sale versus lease (for sellers and/or lessors) . . . . .				
<b>17</b> Section 481(a) adjustments . . . . .				
<b>18</b> Unearned/deferred revenue . . . . .				
<b>19</b> Income recognition from long-term contracts . . . . .				
<b>20</b> Original issue discount and other imputed interest . . . . .				
<b>21a</b> Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities . . . . .				
<b>b</b> Gross capital gains from Schedule D, excluding amounts from pass-through entities . . . . .				
<b>c</b> Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses . . . . .				
<b>d</b> Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses . . . . .				
<b>e</b> Abandonment losses . . . . .				
<b>f</b> Worthless stock losses (attach details) . . . . .				
<b>g</b> Other gain/loss on disposition of assets other than inventory . . . . .				
<b>22</b> Other income (loss) items with differences (attach schedule) . . . . .				
<b>23</b> <b>Total income (loss) items.</b> Combine lines 1 through 22 . . . . .				
<b>24</b> <b>Total expense/deduction items</b> (from Part III, line 30) . . . . .				
<b>25</b> Other items with no differences . . . . .				
<b>26</b> <b>Reconciliation totals.</b> Combine lines 23 through 25 . . . . .				

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

Name of corporation

Employer identification number

**Part III Reconciliation of Net Income (Loss) per Income Statement of the Corporation With Total Income (Loss) per Return—Expense/Deduction Items**

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