

# Schedule M-1

## Book to Tax Reconciliation

Schedule M-1, Book to Tax Reconciliation, must be filed by all corporations filing Form 355, Form 355C and those S corporations filing Form 355S that are required to complete Schedule E (those with annualized gross receipts of \$6,000,000 or more).

Schedule M-1 reports the taxpayer's current year net income and expenses as they are or would be shown on U.S. Form 1120, lines 1 through 28, in calculating gross income under the provisions of the U.S. IRC and the deductions allowable in calculating net income under the code.

Corporations filing in Massachusetts and participating in a U.S. consolidated return must complete Schedule M-1 on a separate company basis. Corporations participating in the filing of a Massachusetts combined return must include Schedule M-1 with their separate form 355C.

S corporations, if required to file Schedule M-1, must complete and file Schedule M-1 as if they were a C corporation.

Corporations must file the Massachusetts Schedule M-1 even if they are not required to complete the U.S. Schedule M-1. For example, corporations that file U.S. Schedule M-3 with their U.S. return must still complete the Massachusetts Schedule M-1.

### **Lines 1 through 28**

These lines correspond to the lines reported on Form 1120, U.S. Corporation Income Tax Return.

Entries on lines 3, 11, 27 and 28 should be calculated as follows.

A separate calculation is required for each column.

#### **Line 3**

Subtract line 2 from line 1.

#### **Line 11**

Add lines 3 through 10.

#### **Line 27**

Add lines 12 through 26.

#### **Line 28**

Subtract line 27 from line 11.

### **Instructions by Column**

Use the following column instructions for each line that does not have its own separately stated instruction (see above).

#### **Column a**

This should be the amount used in determining separate company net income under the IRC.

The amount on line 28, column a, must equal the amount on Massachusetts Schedule E or Schedule E-CG, line 4.

#### **Column b**

If the corporation participates in the filing of a U.S. consolidated income tax return, enter the total dollar amount of any Intercompany elimination made with respect to each line item.

For example, if this corporation made sales to a consolidated affiliate that must be eliminated from the U.S. tax return, reduce both gross sales and cost of goods sold.

Enter any reductions to the amount shown in column d as negative amount. If no eliminations were made with respect to the line item, leave blank.

Corporations that did not file as part of a U.S. consolidated income tax return, leave blank.

**Column c**

If the corporation participates in the filing of a U.S. consolidated income tax return, enter the total dollar amount of any adjustments in each line as a result of the consolidation. Enter increases to the amount shown in column d as positive amounts.

Enter decreases as negative amounts. If no consolidation adjustments were made with respect to the line item, leave blank.

Corporations that did not file as part of a U.S. consolidated return, leave blank.

**Column d**

If the corporation participates in the filing of a U.S. consolidated income tax return, combine columns a, b and c.

**Line 29**

This line provides additional details about the entry made in lines 1 through 28, columns b and c. Line 29 excludes the entries calculated in lines 3, 11, 27 and 28. For each adjustment made in lines 1 through 28, enter the following information.

**Column a**

Enter the line number to which this adjustment applies.

**Column b**

Enter the column letter to which this adjustment applies.

**Column c**

Enter the dollar amount of each adjustment. Enter increases as positive amounts. Enter decreases as a negative amount.

**Column d**

Enter a brief description of the adjustment (e.g. "to record tax depreciation"). If multiple adjustments were made with respect to any one line item, enter them separately.

Corporations filing Schedule M-1 and not filing their return electronically should use additional copies of the schedule if needed. The total dollar value of the entries made in line 29 for any single line and column should match the total amounts entered for that line and column.