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Most forms and publications have a page on IRS.gov: <a href="IRS.gov/Form1040">IRS.gov/Form1040</a> for Form 1040; <a href="IRS.gov/Pub501">IRS.gov/Pub501</a> for Pub. 501; <a href="IRS.gov/W4">IRS.gov/W4</a> for Form W-4; and <a href="IRS.gov/ScheduleA">IRS.gov/ScheduleA</a> for Schedule A (Form 1040), for example, and similarly for other forms, pubs, and schedules for Form 1040. When typing in a link, type it into the address bar of your browser, not a Search box on IRS.gov.

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# DO NOT FILE

# SCHEDULES M-1 and M-2 (Form 1120-F)

(Rev. December 2025) Department of the Treasury Internal Revenue Service

Name of corporation

# Reconciliation of Income (Loss) and Analysis of Unappropriated Retained Earnings per Books

Attach to Form 1120-F.
Go to www.irs.gov/Form1120F for the latest information.

OMB No. 1545-0123

Employer identification number

Schedule M-1

Reconciliation of Income (Loss) per Books With Income per Return

Note: The corporation may be required to file Schedule M-3 (see instructions).

	Trotor in o corporation may			
1 2	Net income (loss) per books	7	Income recorded on books this year not included on this return (itemize):	
		_		
3	Excess of capital losses over capital gains	a	Tax-exempt interest \$	
4	Income subject to tax not recorded on books this year (itemize):	b	Other (itemize):	
		8	Deductions on this return not charged	
5	Expenses recorded on books this year not		against book income this year (itemize):	
	deducted on this return (itemize):	a	Depreciation \$	
а	Depreciation \$	b	Charitable contributions \$	
b	Charitable contributions \$	С	Other (itemize):	
С	Travel and entertainment \$			
d	Other (itemize):			
	·	9	Add lines 7 and 8	
6	Add lines 1 through 5	10	Income-line 6 less line 9	
Chedule M-2 Analysis of Unappropriated Retained Earnings per Books				
1	Balance at beginning of year	5	Distributions: <b>a</b> Cash	
2	Net income (loss) per books		<b>b</b> Stock	
3	Other increases (itemize):		<b>c</b> Property	
		6	Other decreases (itemize):	
		7	Add lines 5 and 6	
4	Add lines 1, 2, and 3	8	Balance at end of year (line 4 less line 7)	

### Who Must File

Generally, any foreign corporation that is required to complete Form 1120-F, Section II, must complete Schedules M-1 and M-2 (Form 1120-F). However, the following rules apply.

Do not complete Schedules M-1, M-2, and M-3 if total assets at the end of the tax year (Schedule L, line 17, column (d)) are less than \$25.000.

Complete Schedule M-3 in lieu of Schedule M-1 if total assets at the end of the tax year that are reportable on Schedule L are \$10 million or more.

A corporation filing Form 1120-F that is not required to file Schedule M-3 may voluntarily file Schedule M-3 instead of Schedule M-1. See the Instructions for Schedule M-3 (Form 1120-F) for more information

Foreign corporations that (a) are required to file a Schedule M-3 (Form 1120-F) and have less than \$50 million in total assets at the end of the tax year, or (b) are not required to file a Schedule M-3 (Form 1120-F) and voluntarily file a Schedule M-3 (Form 1120-F) must either (1) complete Schedule M-3 (Form 1120-F) entirely, or (2) complete Schedule M-3 (Form 1120-F) through Part I and complete Schedule M-1 instead of completing Parts II and III of

Schedule M-3 (Form 1120-F). If the foreign corporation chooses (2), then Schedule M-1, line 1, must equal Schedule M-3 (Form 1120-F), Part I, line 11. See the Instructions for Schedule M-3 (Form 1120-F) for more information.

**Note:** If Schedule M-3 is completed in lieu of Schedule M-1, the corporation is still required to complete Schedule M-2.

## Specific Instructions

### Schedule M-1

Line 1. Net income (loss) per books. The foreign corporation must report on line 1 of Schedule M-1 the net income (loss) per the set(s) of books taken into account on Schedule L.

Line 5c. Travel and entertainment expenses. Include any of the following.

- Entertainment expenses not deductible under section 274(a).
- Meal expenses not deductible under section 274(n).
- Meal and facility expenses not deductible under section 274(o).
- Expenses for the use of an entertainment facility.
- The part of business gifts over \$25.

- Expenses of an individual over \$2,000 that are allocable to conventions on cruise ships.
- Employee achievement awards of nontangible property or of tangible property if the value is over \$400 (\$1,600 if part of a qualified plan).
- The part of luxury water travel expenses not deductible under section 274(m).
- Expenses for travel as a form of education.
- Other nondeductible travel and entertainment expenses.

Line 7a. Tax-exempt interest. Report any tax-exempt interest received or accrued, including any exempt-interest dividends received as a shareholder in a mutual fund or other regulated investment company. Also report this same amount in item P on page 2 of Form 1120-F.

### Schedule M-2

Line 1. Beginning balance of unappropriated retained earnings. Enter the beginning balance of unappropriated retained earnings per the set(s) of books taken into account on Schedule L.

**Note:** For additional information for Schedule M-2 reporting, see the Instructions for Schedule M-3 (Form 1120-F).