

November 21, 2016

Ms. Tuawana Pinkston  
Internal Revenue Service  
Room 6526  
1111 Constitution Avenue, NW  
Washington, DC 20224

RE: *Federal Register* notice of September 28, 2016, for Internal Revenue Service,  
Form 1120, with Schedules B, D, G, H, M-3, N, O, and PH (OMB Number: 1545-0123)

Dear Ms. Pinkston:

The Bureau of Economic Analysis (BEA) strongly supports the continued collection of data by the Internal Revenue Service (IRS) on Form 1120 and related schedules collected as a “single collection of information” under OMB control number 1545-0123. BEA uses data from Form 1120, combined with data from other 1120 schedules, to estimate several income components and the change in private inventories in the national income and product accounts (NIPA). Form 1120 is also used to estimate the gross operating surplus component of value added in the annual industry accounts.

The IRS tabulates information from the M-3 on reconciliations for various items reported on financial reports with the same items reported on most corporate tax returns. BEA uses these reconciliations of these business tax returns to adjust for conceptual differences between financial and tax accounting practices in the corporate profits estimates. In addition, analysis of IRS Schedule M-3 data and research on capital gains in financial profits may help BEA to better understand the statistical discrepancy and the source data issues between GDP and GDI.

The attached table below describes how BEA uses these data.

Please keep BEA informed about any modifications to this form. We are particularly interested in any modifications proposed during the form’s approval process that would substantially affect our use of these data. For additional information, please contact Tiffany Burrell, Source Data Coordinator, on 301-278-9618 or by e-mail at [Tiffany.Burrell@bea.gov](mailto:Tiffany.Burrell@bea.gov). Should you need assistance in justifying this form to the Office of Management and Budget, please do not hesitate to contact BEA.

Sincerely,



Dennis J. Fixler  
Chief Economist

Attachment

## Attachment

### Items Used from IRS Form 1120 and Schedule M-3

Items Used	Description	Annual Estimates Prepared for
Items 11 and 27	Total income and total deductions	Corporate profits before tax, profits tax liability, and dividends in corporate profits component of national income in the NIPAs and in the gross operating surplus component of value added in the annual industry accounts
Item 19	Charitable contributions	Donations component of business transfer payments in the NIPAs and in the gross operating surplus component of value added in the annual industry accounts
Schedule M-3	Stock option expenses, expenses for meals and entertainment	Corporate profits component of national income in the NIPAs