

# Schedule DRE Instructions

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## Notice to filers of combined report (Form 355U)

This schedule is only required if the owner of the disregarded entity is a taxable member of the combined group.

### Disclosure of Disregarded Entity

An entity that is disregarded as a separate entity from its owner for federal income tax purposes shall similarly be disregarded for purposes of MGL ch 63. Likewise, a qualified subchapter S subsidiary (“QSub”), which under the Internal Revenue Code is not treated as an entity separate from its owner, is also not treated as a separate entity under MGL ch 63. For purposes of Schedule DRE, such as a QSub is also considered to be a disregarded entity.

A corporation or partnership that is doing business in Massachusetts (including through the means of activities conducted by a disregarded entity that such corporation or partnership owns) and that is also the owner of a disregarded entity for any portion of the taxable year for which a return is being filed must identify each such disregarded entity by filing Schedule DRE with its return. A separate Schedule DRE is required for each such disregarded entity.

A corporation that is a taxable member participating in the filing of a combined report must file a Schedule DRE for each disregarded entity that the taxable member owns. Thus, for example, if Corporation A participates as a taxable member in the combined report filed by Corporations A, B, and C, and A owns disregarded entities X and Y, A must file one Schedule DRE for entity X and one Schedule DRE for entity Y. Non-taxable members of a combined group are not required to file Schedule DRE. Also, disregarded entities that are owned by non-taxable members of the combined group do not have to be reported on a Schedule DRE filed by one or more other taxable members of the combined group. However, although there is no requirement that Schedule DRE must be filed as to a disregarded entity owned by a non-taxable member of a combined group, the income and expenses of such a disregarded entity must nonetheless be included in the amounts reported for the non-taxable member that owns such disregarded entity on Schedule U-M.

## General Information

**Taxpayer Name and Taxpayer Identification Number.** Reference the partnership or corporation filing the tax return or schedule that includes the items of income of the disregarded entity as its own for federal and Massachusetts tax purposes. If the disregarded entity is owned through a chain of one or more other disregarded entities, the first entity going up the chain that is not a disregarded entity must file Schedule DRE.

### Example 1

Corporation A owns 100% of Corporation B and also owns 100% of C, a disregarded entity. Corporation B, in turn, owns 100% of D which in turn owns 100% of E. Both D and E are disregarded entities. A and B are members of a Massachusetts combined group filing a combined report and both are doing business in Massachusetts. Corporation A files Schedule DRE with respect to C. Corporation B files Schedule DRE with respect to D and files a second Schedule DRE with respect to E.

### Example 2

Same facts as above except that Corporation B is a non-taxable member of the Massachusetts combined group. Corporation A files schedule DRE with respect to C. No Schedule DRE is filed with respect to either D or E because B is a non-taxable member.

**Is the disregarded entity a QSub?** If the disregarded entity referenced on Form DRE is a QSub, fill in circle.

**Address, date of organization and Effective date as a disregarded entity.** Enter the principal business address of the disregarded entity. Do not use the address of the owner of the disregarded entity if the disregarded entity maintains an office, retail store or other location from which it regularly conducts business. Also report the organization date of the disregarded entity and the effective date of its current classification as a disregarded entity for federal income tax purposes.