DRAFT AS OF NOVEMBER 10, 2026.
SUBJECT TO CHANGE.

2026 Schedule FCI Instructions

Note: Taxpayers must refer to their specific Massachusetts tax return instructions to ensure that amounts reported on Schedule FCI are correctly reflected on their tax returns.

For tax years beginning on or after **January 1, 2026, Net CFC Tested Income (NCTI)** is the principal category of foreign inclusions relevant to Massachusetts corporate taxpayers and U.S. shareholders of controlled foreign corporations (CFCs). In addition, there are other Massachusetts tax requirements regarding foreign source income, including the requirement to report deemed repatriation income and Massachusetts income adjustments for disallowed federal deductions (such as the Internal Revenue Code (IRC) §245A participation exemption and the IRC §250 deduction). Foreign income is also subject to dividend gross-up per IRC §78, which must be reported as described below.

For tax years beginning on or after January 1, 2018, certain business taxpayers and personal income taxpayers were required to file Massachusetts Schedule FCI (Foreign Corporation Income of U.S. Shareholder) with their tax returns to report the pro rata share of foreign corporation income reported for federal tax purposes. See TIR 19-11.

Submit Federal Forms with Schedule FCI

In addition to completing and submitting Schedule FCI, taxpayers must also provide completed copies of the following 2026 U.S. tax forms (or their equivalents) as filed with all counterparts, supporting schedules and statements in the same manner as required for federal tax purposes:

- **Form 5471** (Information Return of U.S. Persons with Respect to Certain Foreign Corporations);
- **Form 8992** (Calculation of Net CFC Tested Income (NCTI));
    - **Schedule A** (Schedule of Controlled Foreign Corporation (CFC)/Foreign Controlled Foreign Corporation (FCFC))
    - **Schedule B** (Calculation of Net CFC Tested Income for Members of a U.S. Consolidated Group)
- **Form 8993** (Section 250 Deduction for Foreign-Derived Deduction Eligible Income (FDDEI) and Net CFC Tested Income (NCTI);
- **Schedule K-2** (Shareholders Pro Rata/Partners' Distributive Share Items-International);
- **Schedule K-3** (Shareholders Pro Rata/Partners' Share of Income, Deductions, Credits, etc. International); and
- Any other related or equivalent U.S. form, schedule or statement

Submission of U.S. forms and schedules with Schedule FCI constitutes part of the taxpayer's Massachusetts tax return reporting and overall filing requirements.
Note: The federal Section 250 deduction is NOT allowed for Massachusetts purposes.

General Information

Who must file Schedule FCI?

Schedule FCI must be completed and filed with the tax return of any Massachusetts taxpayer who, for federal tax purposes, is a U.S. shareholder of any controlled foreign corporation (CFC) or specified foreign corporation (SFC) as such are defined in the IRC. Schedule FCI must be completed and filed when a taxpayer has a legal requirement to file and report income and deductions attributable to CFCs or SFCs on certain specified U.S. tax forms. The taxpayer must provide completed copies of these U.S. forms with Schedule FCI and their Massachusetts tax return. See "Submit Federal Forms with Schedule FCI" above.

Specific Reporting Instructions

The scope of reporting on Schedule FCI includes U.S. shareholder and foreign corporation information and income and deductions attributable to CFCs and SFCs. Taxpayers that are members of a Massachusetts combined group must also report total dividends received and deductions claimed for both U.S. and foreign dividend sources.

Registration Information

The taxpayer must enter beginning and ending dates of its taxable year on the top portion of the schedule. The taxpayer must report U.S. shareholder and foreign corporation information as provided on U.S. Form 5471 and on other related U.S. forms that must be submitted by the taxpayer with Schedule FCI (see "Submit Federal Forms with Schedule FCI" above).

U.S. shareholders are generally required to report aggregate inclusion amounts for federal tax purposes and to complete a separate U.S. Form 5471 for each applicable foreign corporation. Thus, a number of forms 5471 may be filed by a single U.S. shareholder. To address this, Schedule FCI requires that the taxpayer report the total number of foreign corporations from which the taxpayer is reporting income and deductions. All forms 5471 relating to such foreign corporations must be provided with Schedule FCI.

A U.S. shareholder that is a business corporation or financial institution must also indicate whether it is a member of a combined group on its Schedule FCI. If it is, the taxpayer must indicate its combined group election status, the name and TIN of the principle reporting corporation of the combined group, and whether any controlled foreign corporation (CFC) or specified foreign corporation (SFC) reported on Schedule FCI is a member of the same combined group as the taxpayer.

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Completing Schedule FCI

In addition to completing the top portion of the schedule, all taxpayers must complete the section entitled **U.S. Shareholder Foreign Income**. A U.S. shareholder that is a Massachusetts combined group member must also complete the section entitled **Total Dividends of U.S. Shareholder - Massachusetts Combined Group Member**.

See TIR 19-11: Legislation Impacting the Massachusetts Tax Treatment of Selected International Provisions of the Federal Tax Cuts and Jobs Act for specific details.

U.S. Shareholder Foreign Income

The taxpayer must report U.S. Shareholder Income. In addition to enclosing completed copies of 2026 U.S. **Form 5471, Form 8992 (including Schedules A and B), Form 8993, and Schedules K-2 and K-3** with all supporting schedules and statements as filed, the taxpayer must enter the following amounts:

Subpart F Income of U.S. Shareholder
Line 1

Enter U.S. shareholder's Subpart F income from 2026 U.S. **Form 5471, Schedule I, total of lines 1 through 4.**

Net CFC Tested Income (NCTI) of U.S. shareholder
Line 2

For tax years beginning after January 1, 2026, enter the **NCTI amount from Form 8992, line 3** (sum of Schedules A and B as applicable; replaces previous GILTI line).

Other Dividends Received by U.S. Shareholder
Line 3

Enter other dividends received by the U.S. shareholder from 2026 U.S. **Form 5471, Schedule I, total of lines 5a through 5e.**

Gross-up Associated with Foreign Income of U.S. Shareholder
Line 4

Enter the U.S. shareholder's 2026 total IRC § 78 gross-up associated with foreign taxes deemed paid.

For certain business corporation and financial institution taxpayers, this is the amount reported on 2026 U.S. Form 1120, Schedule C, line 18, Column (a). For other business and individual taxpayers, enter the U.S. shareholder's 2026 total IRC § 78 gross-up associated with foreign taxes deemed paid from equivalent 2026 U.S. tax forms or schedules. See TIR 19-11, Section V for additional information regarding U.S. shareholder reporting of IRC § 78 gross-up associated with foreign income.

Note: Massachusetts does not allow the deductions in IRC §§ 245A, 250 and 965(c) for any amount of foreign income and/or gross-up attributable to such foreign income.

Total Dividends of U.S. Shareholder – Massachusetts Combined Group Member

Note: Only a U.S. shareholder that is a business corporation or financial institution and a member of a Massachusetts combined group must complete this section.

A U.S. shareholder that is a member of a Massachusetts combined group must report total dividend income and deductions on Schedule FCI for the 2026 tax year. Enter the requested information in the same manner as a stand-alone business corporation or financial institution would report total dividend income and deductions on Schedule E-1 of Massachusetts Forms 355/355S or Schedule D of Massachusetts Form 63-FI (including any IRC § 78 gross-up attributable to such income). See TIR 19-11, Section V.

Massachusetts Dividends Received Deduction

Massachusetts does not allow the dividends received deduction allowed under the IRC. However, a deduction is generally allowed for 95% of the value of dividends received (Massachusetts DRD) **except for** the following:

- Dividends from ownership of shares in a corporate trust engaged in business in the Commonwealth;
- Dividends resulting from deemed or actual distributions (except actual distributions of previously taxed income) from a DISC which is not wholly-owned;
- Dividends from any class of stock if the corporation owns less than 15% of the voting stock of the payer corporation.

or

- Dividends received from a RIC or REIT, whether the dividend is paid directly by the RIC or REIT or indirectly as through a subsidiary or affiliate of the taxpayer.

Enclose a schedule showing payers, amounts and percent of voting stock owned by class of stock if claiming the Massachusetts DRD.

Line 1

Enter total of all U.S. and foreign source dividends (whether deemed or actual) of the U.S. shareholder (including but not limited to Subpart F income, NCTI and CFC dividends, and any IRC § 78 gross-up attributable to such income).

Line 2

Enter total of all combined group dividends of the U.S. shareholder that are subject to intercompany elimination pursuant to the Massachusetts combined group reporting regulation. See 830 CMR 63.32.2(6)(c)(4).

Line 3

Enter total of all dividends of the U.S. shareholder that are not subject to intercompany elimination by subtracting line 2 from line 1.

Line 4

Enter total of all line 3 dividends attributable to U.S. subsidiaries where the U.S. shareholder owns less than 15% of voting stock.

Line 5

Enter total of all line 3 dividends attributable to foreign subsidiaries where U.S. shareholder owns less than 15% of voting stock.

Line 6

Enter total of all line 3 dividends that are attributable to U.S. shareholder's ownership of RICs, REITs or non-wholly owned DISCs.

Line 7

Enter total of lines 4 through 6 on line 7. This amount represents the total of taxable dividends not subject to the 95% Massachusetts dividends received deduction (Massachusetts DRD).

Line 8

Subtract total on line 7 from total on line 3 and enter this amount on line 8. This amount represents the total of all line 3 dividends of U.S. shareholder that are eligible for the 95% Massachusetts DRD.

Line 9

Multiply the total on line 8 by .95 and enter this amount on line 9. This represents the total 95% Massachusetts DRD of the U.S. shareholder.