

Combined Reporting Instructions
2012 Schedule U-DRD Instructions
Member's Dividends Received Deduction

Schedule U-DRD must be filed by every member of a combined group, including a non-taxable member, which claims a deduction with respect to eligible dividends that it has received and must include in gross income subject to Massachusetts tax. Financial institutions and business corporations (including S corporations) are allowed a 95% deduction for most dividends received from other corporations in which they own at least 15% of the voting stock. Utility corporations are allowed a 100% deduction for any dividends received from other utility corporations in which they own at least 80% of the voting stock. No deduction is permitted for any dividend eliminated from the combined group's taxable income under 830 CMR 63.32B.2(6)(c) or for any dividend that is otherwise not included in Massachusetts net income.

The deduction calculated on Schedule U-DRD is claimed on the schedule that reports the dividends that qualify for the deduction. If such dividends are included in the combined group's taxable income, the deduction is claimed on Schedule U-E. If such dividends are not included in the combined group's taxable income (including that of a Massachusetts affiliated group), the deduction is claimed on Schedule U-MTI. If no affiliated group election has been made and the member has both dividends included in the combined group's taxable income to be reported on Schedule U-E and dividends included in the member's separate income from sources other than the unitary business to be reported on Schedule U-MTI, the member must file two Schedules U-DRD.

Schedule U-DRD Header

For each Schedule U-DRD filed, enter the name of the member (as stated on its federal income tax return, if filed), the member's Federal Identification number. Note that the member receiving the dividends and claiming the dividends received deduction may be a non-taxable member in any instance in which the dividends are to be included in the combined group's taxable income.

Check one box to indicate whether the financial institution excise, the utility corporation excise or the general business corporation excise applies. S Corporations that would be taxable under M.G.L. c. 63, § 2B if doing business in Massachusetts are considered financial institutions. S corporations that would be taxable under M.G.L. c. 63, § 32D if doing business in Massachusetts are considered business corporations. Also enter the unitary business identifier that corresponds to the schedule on which the dividends are to be reported.

If the combined group is subject to an affiliated group election, all of the member's income is included in the combined group's taxable income. Enter "1" to designate that the deduction will be claimed on the group's Schedule U-E.

If the combined group is not subject to an affiliated group election and the dividends are not derived from the combined group's unitary business but rather are derived from a source other

than such business (i.e., the dividends are considered separate income of the member), enter “0” to designate that the deduction will be claimed on Schedule U-MTI.

If the combined group is not subject to an affiliated group election and the group has more than one unitary business, enter the unitary business identifier that corresponds to the Schedule U-E on which the dividends are to be reported (note that the identifier in such cases must be greater than zero).

Also enter the name of the principal reporting corporation, the Federal Identification number of the principal reporting corporation and the ending date of the combined group’s taxable year.

Line Instructions for Schedule U-DRD

Line 1. Enter the total dividends received by the member. If an affiliated group election has not been made and the member has income from one or more sources other than the combined group’s unitary business or the combined group has more than one unitary business, enter the total of the dividends received by the member for which a dividends received deduction is being claimed as reported on the member’s Schedule U-E or U-MTI.

Line 2. A dividend paid by one combined group member to another combined group member is eliminated if paid out of the earnings and profits of the unitary business included in a combined report, as filed for either the current tax year or an earlier tax year. See 830 CMR 63.32B.2 (6)(c) 4. If any of the dividends included in line 1 were eliminated from group income under this rule, enter the total amount of such dividends eliminated on this line.

Line 4. If the member that files Schedule U-DRD is a utility corporation, repeat the amount stated on line 3 on this line and skip to line 13.

Lines 5 through 9. Enter the total, by line, of the dividends included in line 3 that were received by a financial institution or business corporation in the instance where such dividends as paid to such recipient do not qualify for the dividends received deduction.

Line 12. Multiply the amount on line 11 by 95%, round to the nearest whole dollar.

Line 13. Enter the total amount of dividends that qualify for the deduction. This may not be more than the amount on line 4. A financial institution or business corporation that completes this Schedule U-DRD must enter "0".