

**WISCONSIN DEPARTMENT OF REVENUE  
DIVISION OF INCOME, SALES, AND EXCISE TAX**

**NOTICE OF PROPOSED GUIDANCE DOCUMENTS**

Pursuant to sec. 227.112, Wis. Stats., the Wisconsin Department of Revenue, Division of Income, Sales, and Excise Taxes hereby seeks comment on the proposed guidance document listed in the table below.

**SUBMITTING PUBLIC COMMENTS**

Public comments on proposed or adopted guidance documents may be submitted online at: <https://www.revenue.wi.gov/Pages/contactUs/proposed-Guidance.aspx>.

**DEADLINE FOR SUBMISSION**

The period for public comment for proposed guidance documents ends 21 days after publication in the Administrative Register, unless the Governor approves a shorter commenting period.

<b>Document Number</b>	<b>Document Title</b>
<b>100120</b>	Disregarded Entities (Income Tax) - Common Questions

State of Wisconsin  
Department of Revenue

## Disregarded Entities (Income Tax)

**This is a proposed guidance document. The document has been submitted to the Legislative Reference Bureau for publication in the Administrative Register for public comment as provided by sec. 227.112(1), Wis. Stats.**

1. What is a disregarded entity?
2. Is the owner of a disregarded entity required to file any special form?

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### 1. **What is a disregarded entity?**

A disregarded entity is a business entity that (1) has a single owner, (2) is not organized as a corporation, and (3) has not elected to be taxed as a separate entity for federal tax purposes.

The owner of a disregarded entity reports the income of the disregarded entity on the owner's return. If an entity is disregarded as a separate entity for federal income tax purposes, it is also disregarded as a separate entity for Wisconsin income tax purposes.

The most common disregarded entity is a single-member limited liability company (LLC) that reports its income on its owner's return. An example is an LLC wholly owned by an individual and the income of the LLC is reported on Schedule C of the individual's Form 1040 or 1040-SR federal tax return.

### 2. **Is the owner of a disregarded entity required to file any special form?**

An individual, estate, trust, partnership, tax-option (S) corporation, limited liability company (LLC), or corporation filing a Wisconsin return that is the owner of a disregarded entity must complete  Schedule DE, *Disregarded Entity Schedule*. Schedule DE must be submitted with the Wisconsin tax return. For example, individuals must submit Schedule DE with Form 1 or Form 1NPR.

## Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations in effect as of October 17, 2019: Sections 71.02, 71.20 and 71.22, Wis. Stats., and secs. Tax 2.03 and 2.08, Wis. Adm. Code, 26 U.S. Code § 7701, and 26 CFR § 301.7701-3.

Laws enacted and in effect after October 17, 2019, new administrative rules, and court decisions may change the interpretations in this document. Guidance issued prior to October 17, 2019, that is contrary to the information in this document is superseded by this document, pursuant to sec. 73.16(2)(a), Wis. Stats.

**FOR QUESTIONS OR COMMENTS CONTACT:**

MS 5-77

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Guidance Document Number: 100120

October 17, 2019

Updates were made to the code or formatting on this page as of July 29, 2016. This date does not reflect the effective date or any other date relating to the content of this page.

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