

SCHEDULE K-1VT INSTRUCTIONS

Please print in BLUE or BLACK ink only.

Schedule K-1VT reports the Vermont-source income earned by a business that is passed through to the owners. In general, pass-through entities including S-Corporations, Partnerships, and some Limited Liability Companies should include a Schedule K-1VT for each shareholder, partner, or member (S/P/M) with their Vermont Business Income Tax Return (Form BI-471). There are exceptions for composite returns, described below.

Provide each shareholder, partner, or member with a copy of their Schedule K-1VT on or before the due date of Form BI-471.

For detailed information on filing requirements and definitions of income and residency, refer to the following resources:

Title 32, Vermont Statutes Annotated, § 5811, § 5823, § 5861, § 5912, § 5914, § 5920

Technical Bulletin #06

COMPLETE A SEPARATE SCHEDULE K-1VT FOR EACH S/P/M

EXCEPTION: If any or all of the non-Vermont resident owners have elected to be taxed at the composite rate, consolidate their information on to a single K-1VT. The “recipient” information (name, FEIN, etc.) should be that of the entity. The percent ownership and other numerical fields should be the sum of the figures for all owners included in the composite filing. Mark the “Composite” checkbox “Yes.”

Header Information - REQUIRED ENTRIES

All information in the Header Section is required. Failure to correctly complete this information will result in processing delays and/or late filing penalties for your return.

Enter the Social Security Number or FEIN of the S/P/M. - Enter the SSN if the shareholder is an individual or the FEIN if the shareholder is an entity. (See “Notes for disregarded entities and trusts” below.)

Enter the Recipient Type as appropriate:

I - Individual (including Trusts that report directly on an individual income tax return, as opposed to filing a fiduciary return)

C - C-Corporation, 501(c)(3)

S - S-Corporation

L - Limited Liability Company (not a disregarded entity)

P - Partnership

T - Trust (filing a fiduciary return)

Composite Filer – Check YES if this K-1VT is for the composite portion of the return. Otherwise, check “NO”.

Residency Status/non-taxable – Check the appropriate box to indicate the residency status of the S/P/M. Review 32 V.S.A. § 5811 if necessary.

Also, if the owner/recipient is ultimately not taxable, check the “VT Resident/Exempt” box. This will prevent any estimated payments from being allocated to them. Include a statement explaining the exemption from tax.

Percentage of Income – Enter the percentage of the entity’s Vermont sourced income distributed or allocable to this S/P/M. Note that this is a percentage of income, not percentage of ownership. **“Various” is not a valid entry.**

- **The sum of this field across all attached K-1VTs must add up to exactly 100.000000%.**
- The sum of this field across all K-1VTs marked as “nonresident” (as opposed to “VT Resident/Exempt”) must add up to the amount reported on BI-472, Line 10 or BI-473, Line 15 (whichever is attached).
- Otherwise, processing will be delayed.

Shareholder Information - Enter the complete name and address of the recipient S/P/M. Enter either the **Individual name** or **Entity name**, whichever is appropriate. **DO NOT ENTER BOTH.** If the recipient is a trust or a disregarded entity, see the notes below.

Remember to mark the box if the address is outside of the United States and its territories.

Line-by-Line Instructions

Line 1 Enter this recipient’s Vermont allocated or apportioned share of VT income or loss after recomputing to disregard bonus depreciation.

- The sum of this field across all attached K-1VTs must add up to the amount reported on BI-472, Line 9 or BI-473, Line 14 (whichever is attached).
- The sum of lines 1 across all K-1VTs marked as “nonresident” (as opposed to “VT Resident/Exempt”) must add up to the amount reported on BI-472, Line 11 or BI-473, Line 16 (whichever is attached).
- Otherwise, processing will be delayed.

Line 2 Enter this recipient’s Vermont allocated or apportioned share of Federal Guaranteed Payments (for partnerships and LLCs electing to be taxed as partnerships only).

Line 3 Add Lines 1 and 2.

Line 4 If Real Estate Withholding (REW) payments were made on behalf of this entity as a result of this entity selling real property in Vermont (Form RW-171 and Schedule A), enter the amount distributed to this S/P/M.

Distribution of payment should be in proportion to this S/P/M’s proceeds from the sale.

Line 5 Nonresident Estimated Payments – Enter this recipient’s share of nonresident estimated payments made with Form WH-435. These payments **must** be distributed in proportion to the distribution of income to the nonresident

recipients. (If payments are not distributed in this manner, the Department will re-allocate them, which will potentially affect the recipient's income tax return.)

- **Include all payments being distributed to this recipient including payments this entity received as a nonresident shareholder of a different pass-through entity.**
- The amounts reported on Lines 4 and 5 will be available as credits on the recipient's individual, corporate, or composite business income tax return.
- Credits for nonresident estimated tax payments will not be available to the recipients until the business income tax return and Schedule K-1VTs have been filed.
- Failure to properly prepare Schedules K-1VT for all recipients will result in delays in crediting the recipients' nonresident income tax payments to their returns.

Lines 6a-6e Leave blank. EATI credits are no longer available to be earned.

Lines 6f-6k Enter the amount of credits earned by the entity and passed through to this recipient.

Line 7 Add Lines 6f-6k.

Line 8 Enter the difference between bonus depreciation taken for federal income tax purposes and depreciation allowed for Vermont. Bonus depreciation taken in the current year is not allowed for Vermont purposes and results in an increase in Vermont income (to be reported on Line 12b of Form IN-111.) Bonus depreciation taken in 2008 or 2009 results in a decrease in the current year Vermont income. If the decrease from past bonus depreciation exceeds the current year disallowance, provide the negative value on Line 8 and report the decrease in income on Line 14c of Form IN-111.

Line 9 Enter the difference, if any, between VT-apportioned income including bonus depreciation and VT-apportioned income recomputed to disallow bonus depreciation. The sum of Lines 9 for all S/P/Ms should equal the amount on Form BI-471, Box H.

Notes for disregarded entities and trusts

If the S/P/M is a disregarded entity that does not file a Vermont income tax return, provide information for the owner of that entity who will file a return. Include a statement that explains the chain of ownership and identifies the disregarded entity. Providing K-1VTs for entities that do not file Vermont income tax returns will delay allocation of estimated payments.

Examples:

- A) The recipient is a single-member LLC owned by an individual that reports all activity on Federal Form 1040, Schedule C. Provide the name and SSN of the individual filing Schedule C, and indicate "I" in the recipient type box.
- B) The recipient is a single-member LLC owned by a C-Corporation. Provide the corporation's name and FEIN, and indicate "C" in the recipient type box.
- C) The recipient is a trust that reports all activity directly on the recipient's individual income tax return. Provide the name and SSN of the individual on whose return the trust is reported, and indicate "I" in the recipient type box.
- D) The recipient is a trust which files a fiduciary return with Vermont. Provide the entity name and the FEIN of the trust. Indicate "T" in the recipient type box.

Notes for recipients that are also pass-through entities

If the recipient is an entity that is not disregarded, but is treated as a pass-through for federal and Vermont tax purposes, provide the name, FEIN and entity type (S, P, or L) of that entity. Provide the gross amount of nonresident payments distributed to that recipient. Further distribution to that recipient's S/P/Ms will occur when that recipient files its Vermont business income tax return and Schedule K-1VTs.

For assistance, call (802) 828-5723.