

SCHEDULE BA-404

Tax Credits Earned, Applied, Expired, and Carried Forward Instructions

General Information

Schedule BA-404 must be completed and attached to an income tax return if any tax credits are earned, applied, or carried forward. Generally, tax credits are limited to a percentage of the tax attributable to the income generated by the entity authorized for the credit. For details, review the guidelines of the credit program in which you are participating.

For any credit type being claimed, complete all applicable columns of Schedule BA-404. In most cases, Column D (Amount Carried Forward to Future Years) should equal Column A (Amount Carried Forward from Prior Years) plus Column B (Amount Earned Current Year) minus Column C (Amount Applied Current Year). However, in cases where a credit expires without being used, the expired credit should further reduce the value reported in Column D.

Complete Row 15, Total for all Credits.

CREDIT DOCUMENTATION

For **Economic Advancement Tax Incentives** (Line 1), provide the Expired Annual Activity Report as applicable.

For the **Business Solar Energy Credit** (Line 14), include a copy of the federal credit calculation, Federal Form 3468, and a copy of the Certificate of Eligibility provided by the Clean Energy Development Fund. If the federal credit was earned based on investments both in and out of Vermont, provide a breakdown of the investment amounts and a recomputed credit calculation based only on investments that occurred in Vermont.

If you have opted to take the Treasury grant rather than the business credit at the federal level, the Vermont Business Solar tax credit is not available. Similarly, if you have received a grant from the Vermont Clean Energy Development Fund, the Business Solar tax credit is not available. If you have received grants or assistance for financing the project from any other public or private source, the basis investment amount for the credit calculation must be adjusted downward to account for the assistance. For more information see **Technical Bulletin 45** at the Department website.

For **all other credit types**, include a copy of the authorization document, a detailed description of the activity that generated the credit, and a calculation schedule.

APPLYING CREDITS TO OFFSET TAX

Form CO-411 - C-Corporation – Stand-Alone

Enter the total amount of credits applied on Form CO-411, Line 15. If Form CO-411 is filed for a Vermont Consolidated group, credits may only offset tax attributable to income earned by the entity authorized for the credits. Include a statement to show separate company income and tax.

Form CO-411 - Combined Report for Unitary Businesses

If multiple entities within the unitary group are reporting credits, complete and attach a single Schedule BA-404 with the return package. Combine all credit amounts on the BA-404, and attach a statement that breaks down the totals by entity.

Report credits applied by the Principal Vermont Corporation on Form CO-411, Line 15.

Report credits applied by one or more unitary affiliate companies on the affiliate's Schedule CO-421, Line 10. Credits may only be applied to offset the tax of the entity that was authorized to earn the credits.

Form BI-471 - Business Income Tax Return

For S-Corporations, Partnerships, and LLCs treated as pass-through entities for tax purposes, tax credits are generally distributed to the owners of the entity in the same proportion that income or loss is distributed, and are not transferrable.

Report the allocation of **credits earned** in a given tax year using as many Schedules BA-406 (new in 2014) as necessary. Generally, prepare one BA-406 for each shareholder, partner, or member, and include as part of the BI-471 return package. If the entity is filing a composite return, prepare a single BA-406 that includes the combined credit amounts for all shareholders, partners, or members included in the composite filing. Review the instructions of that form for further details.

Credits are applied on the Vermont income tax return of the individual or entity with the tax liability. Credits are reported on Schedule IN-112 or IN-119 of the Vermont Individual Income Tax Return.

If any or all of the entity income is taxed at the composite level, enter the amount of credits applied on Schedule BI-473, Line 20.

For further details, refer to the statutes and program guidelines for the specific credit program in which you are participating.

CONTACTING THE DEPARTMENT

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