FORM CO-411 Instructions
Corporate Income Tax Return

Please print in BLUE or BLACK ink only.

Beginning in 2014

All C Corporations use Form CO-411 and related schedules. The form set has been modified to accommodate stand-alone corporations as well as combined reporting for unitary groups. Form CO-411U has been discontinued. See details in "Forms and Schedules Summary" section, below.

There is now a mechanism to exclude income received from a pass-through entity which was already taxed on a composite return (of that pass through entity). This is necessitated by adoption of mandatory composite filing requirements for certain pass through entities. This only applies to corporations which have been distributed income from a pass-through entity which has paid composite tax, **and** have additional activity in Vermont which requires them to file a corporate income tax return. The deduction is reported as a negative amount on Schedule BA-402, Line 1b (nonbusiness income) and flows through to Form CO-411, Line 9, or Schedule CO-421, Line 4.

Who Must File?

C Corporations (Stand-alone Corporations, not a member of an affiliated group)

Every C Corporation must file Form CO-411, Vermont Corporate Income Tax Return, if:

- It was incorporated under the laws of the State of Vermont; or
- It received income allocable or apportioned to Vermont including income received as a shareholder, partner, or member.
- It has an open corporate income tax account. If there was no activity or tax liability in Vermont for the year, but the business would like to maintain the account, an inactive return must be filed. No tax is due.

Affiliated Groups of Corporations Engaged in Unitary Business

Beginning in 2006, taxable corporations which are part of an affiliated group engaging in unitary business are required to file combined reports, reporting the combined net income of the group. See 32 V.S.A. § 5862(d).

In general, an "affiliated group" means a group of two or more corporations in which more than 50 percent of the voting stock of each member corporation is directly or indirectly owned by a common owner or owners, either corporate or noncorporate, or by one or more of the member corporations .

"Unitary business" means one or more related business organization engaged in business activity both within and without the state among which there exists a unity of ownership, operation, and use; or an interdependence of their functions. Taxable corporations which are part of an affiliated group engaging in unitary business are required to file combined reports, reporting the combined net income of the group.

Principal VT Corporation

The group must designate a Principal VT Corporation (PVC), which will be responsible for preparing all returns and making payments. The PVC must have nexus in Vermont. The PVC is the parent corporation if the group includes members of a federal consolidated group and the parent has nexus in Vermont. If the parent is not taxable in Vermont or there is no parent, the taxpayer designates the PVC, which is the group member that is subject to Vermont corporate income tax and that has the greatest amount of business activity in Vermont. The PVC should be the same corporation from year to year, and should not be changed based on moderate fluctuations in level of business activity within the state.

Determination of Tax

Vermont income and tax are determined on a separate company basis for each taxable member of the group. The combined group's tax liability is the sum of the separate taxpayer-affiliates' liabilities. Each Vermont-nexus-member of the group applies its apportionment factor to the combined net income of the entire group. The apportionment is determined with **Schedule BA-402** for each Vermont-nexus-member of the group, using the separate company's Vermont factors as numerator, and the entire group's factors as the denominator. Other items such as allocated income, credits, and net operating losses are accounted for on a separate company basis.

Consolidated Returns

Members of a federal consolidated group that are **not** engaged in unitary business may elect to file a single consolidated Vermont return, under 32 V.S.A. § 5862(c), provided that the consolidated members have the same fiscal year. The Vermont consolidated group includes only the members of the federal consolidated group that are taxable in Vermont, and might not contain all of the corporations in the federal group. An election to file a consolidated return is binding for 5 years.

Determination of Whether or Not the Corporations are Conducting Unitary Business

Review Regulation § 1.5862(d) carefully to determine if an affiliated group is conducting unitary business (in which case the group must file a combined return – see above). Examples of affiliated groups not conducting unitary business are: (1) all members of the group conduct all of their business within Vermont; or (2) the members of the consolidated group truly have no interconnection other than common ownership (i.e., no common lines of business, no shared resources, no common management).

Parent Corporation

The consolidated return must be filed by the parent corporation of the federal group if that company has nexus (taxable presence) in Vermont. If the parent of the federal group does not have nexus in Vermont, the parent for Vermont purposes is the group member that conducts the most activity and has the most stable presence in Vermont over time. The intention is that a group has the same parent corporation from year to year, rather than to have the parent corporation change due to fluctuation in activity levels.

Consolidated Return for Affiliated Groups Engaged in Unitary Business

For affiliated groups engaging in unitary business which include members of a federal consolidated group, the provisions of 32 V.S.A. § 5862(c) remain intact, but underneath the umbrella of 32 V.S.A. § 5862(d). That is, separate companies that are part of a federal consolidated group **must** file within the combined report if they meet the unitary definition. Then, **within the combined report,** the VT-nexus members of the federal consolidated group **may elect** to be treated as a consolidated filer, i.e., a single taxpayer.

If this election is made, the Vermont consolidated group is treated as a single taxpayer within the affiliated group, and provides only one **Schedule BA-402 Apportionment and Allocation Schedule.** Income will be summed and taxed as though the Vermont-nexus-members of the consolidated group are one taxpayer. If the consolidated taxpayer is in a minimum tax position, the minimum tax is assessed one time, not once for each nexus member of the group. An election to file a consolidated return is binding for 5 years.

Nonprofit and Exempt Organizations

A nonprofit organization that engaged in activities in Vermont which produced unrelated business income subject to federal income tax under Internal Revenue Code Section 511 during the tax year is required to file a Vermont Corporate Income Tax Return. Please review the "Nonprofit Income Tax Return Instructions" at the end of this document, and Technical Bulletin 59 for more information.

http://tax.vermont.gov/sites/tax/files/documents/TB59.pdf

What if the Corporation has a Vermont Corporate Tax Account, but is Not Currently Doing Business in Vermont?

Corporations having an existing Vermont Corporate Income Tax account, but not otherwise doing business in Vermont, are not required to pay the minimum tax, but must file **Form CO-411.** Mark the **"No Vermont Activity"** box on the bottom of page 1 of the CO-411.

What about Subchapter S Corporations, Partnerships, and Limited Liability Companies (LLCs)?

Subchapter S Corporations, Partnerships, and Limited Liability Companies electing not to be taxed as a corporation file **Form BI-471 Vermont Business Income Tax Return.** See separate instructions for that form.

Forms and Schedules Summary

- **Form CO-411 – Corporate Income Tax Return:** This is the initiating form, and the three pages are required for all corporate income tax filers.
- **Schedule BA-402 Apportionment & Allocation Schedule:** For use by all taxable entities having activity (income and/or expenses, regardless of profit or loss) in Vermont and/or at least one other state/province. Complete Schedule BA-402 unless the apportionment is 100% for Vermont. Returns filed without Schedule BA-402 will be adjusted to 100% Vermont apportionment. If the corporation is part of an affiliated group engaged in unitary business, a separate BA-402 is filed for each taxable corporation in the group, unless consolidated filing is elected.
- **Schedule BA-403 Application for Extension of Time to File Vermont Corporate/Business Income Tax Return:** To request an extension of time to file the Vermont Corporate or Business Income Tax return. An extension of time to file a Federal return automatically extends the time to file with Vermont until 30 days beyond the Federal extension date. However, tax is due on the original due date.
- **Schedule BA-404 Tax Credits Earned, Applied, Expired, and Carried Forward:** Required for companies that have earned or applied tax credits or incentives. This schedule is required of each separate entity claiming credits if a consolidated return or combined report is filed. Be sure to include all documentation required per the program guidelines of the credit you are claiming.
- **Schedule BA-405 Expired EATI Credit: Annual Activity Report:** Required by those entities awarded Economic Advancement Tax Incentives (EATI) credits, for use for each of the six years following the end of the EATI authorization period.
- **Schedule BA-410 Affiliation Schedule:** For use by those entities electing to file a Vermont consolidated return per 32 V.S.A. § 5862(c) or a combined report for a unitary group under V.S.A. § 5862(d).

- **Form CO-414 Corporate Estimated Tax Payment Voucher:** To make estimated payments for corporate income tax (generally quarterly) throughout the year.
- **Form CO-422 – Corporate Income Tax Return Payment Voucher** – to direct a payment to a corporate income tax account and period, if you do not have another form or coupon available. CO-422 is not necessary if you are sending a check with CO-411, CO-414, or BA-403.
- **Vermont Net Operating Loss statement and summary:** For each taxable affiliate that has a Vermont Net Operating Loss. See Technical Bulletins 35 and 40, and instructions below, for details.
- **Federal Information:** For all taxable members of the group, provide the following:
    - The first five pages of the federal 1120 (or other return filed) (one form if the consolidated group is the same as the Vermont unitary group, or one for each separate member if the affiliates are not part of the same federal consolidated group). If the consolidated/ combined group is different than the federal group, this will be a pro-forma return;
    - Federal Form 4562 as filed and pro-forma, if any members of the group have taken "bonus" depreciation;
    - Copies of federal statements regarding other income and deductions, net operating loss, and taxes and licenses.

Additional Schedules for Combined Reporting for Affiliated Groups Engaged in Unitary Business

Beginning in 2014

Starting in 2014, unitary groups file Form CO-411. The CO-411U has been discontinued. Each return package will have a BA-402 which reports the PVC's apportionment percentage, and carries forward to Line 6 of the CO-411. The tax calculation for the PVC occurs on Form CO-411, Lines 6 through 17, comparable to the CO-421.

For each additional taxable affiliate, calculate tax by preparing a BA-402 and CO-421, Unitary Affiliate Schedule. This process is unchanged from prior years.

Total tax due for the group is the sum of CO-411, Line 16 (the tax for the PVC) and all CO-421s, Lines 11 (tax for each additional taxable affiliate). This total amount is reported on CO-411, Line 18.

A properly prepared combined report for unitary group will contain one fewer Schedule CO-421 than Schedule BA-402, because the apportionment percentage from the first BA-402 and tax calculation for the PVC will be reported on the CO-411.

- **Schedule CO-421 Unitary Affiliate Schedule:** Required of each affiliate taxpayer (other than the PVC) filing unitary combined returns to determine the separate VT tax of each group member. (**Schedule CO-421** is not required for members of the group that have elected to be treated as a consolidated filer, as tax will be calculated on the CO-411.) Separate attributes, such as apportionment of group income, credits and incentives, net operating loss deductions, and allocated non-business income are accounted for on this schedule. The amount of tax due for each affiliate carries through to the **Form CO-411.**
- **Schedule CO-419 Apportionment of Foreign Dividends:** Used by unitary-combined filers (if applicable) to determine the amount of apportioned foreign dividends taxable to the State of Vermont. Prepare CO-419 for the PVC, and for every taxable affiliate in the group. CO-419(s) is/are not necessary if there were no taxable foreign dividends paid into the group, or if modified apportionment and factor relief are not being calculated. Refer to Regulation Sec. 1.5862(d) -7(f) and -8(b) regarding what dividends are taxable.

- **Schedule CO-420 Foreign Divided Factor Increments:** Used by unitary-combined filers (if applicable) to determine the incremental factors to Sales and Receipts, Salaries and Wages, and Property, in order to provide factor relief for apportionment of foreign dividends. Prepare one CO-420 for each entity that paid foreign dividends subject to modified apportionment to any member of the combined group. Do not prepare Schedule(s) CO-420 if there are no foreign dividends, or if factor relief and modified apportionment are not being calculated.

General Instructions

Filing Dates and Payments

Returns are due on the date prescribed for filing under the Internal Revenue Code, or the extended due date. The Vermont extended due date is thirty (30) days beyond the extended Federal due date. Corporations needing a Vermont extension should file **Form BA-403, Application for Extension of Time to File Vermont Corporate/Business Income Tax Return,** by the original due date, and mark the "Extended Return" box in Part A when filing their corporate return. The **BA-403** requires that you indicate which Federal Income Tax Form will be filed.

For nonprofits reporting URBI on Form CO-411, the due date is the same as the date the Federal return is due. If any extension is requested, the Vermont extended due date is thirty (30) days after the Federal extended due date.

An extension of time to file does not extend the time to pay the tax due. Any tax due, including the Vermont minimum tax, must be paid by the original due date of the return. Any tax due which is unpaid by the original due date will accrue interest and late payment penalties.

Estimated Taxes

Any corporation anticipating a Vermont tax liability over $500 must make estimated payments of the 15th day of the 4th, 6th, 9th, and 12th months of the taxable year. Use payment voucher, **Form CO-414.** If payment is to be applied to a Vermont consolidated group or combined report for unitary group, provide information for the Vermont parent or PVC, respectively.

Interest, Late Fees, and Penalties

Interest is charged on payments not made by the statutory due date. The rate of interest is established each year. Current and historical interest rates are available here: **http://tax.vermont.gov/research-and-reports/interest-rates.** If the filing is over 60 days late from the original due date, a $50 late file penalty applies even if no tax is due unless the return is timely filed under extension. The failure to pay an income tax liability when due will result in imposition of a penalty equal to 1% per month of the outstanding liability. Estimated payments not made when due are subject to interest and a late payment penalty of 1% for each month that the payment is late, up to a maximum of 25%.

Changes in Return Information

An amended Vermont income tax return must be filed whenever the taxpayer's federal tax return is amended or corrected, or whenever the information on the Vermont return, as previously filed, is incorrect. An amended return cannot be filed until the original income tax return has been filed. An amended Vermont return is due within 60 days after you become aware of any changes. This requirement may be the result of any information that makes your return materially false, inaccurate, or incomplete; you are notified by the Internal Revenue Service that your Federal taxable income has been adjusted; or, you file an amended return with the Internal Revenue Service. If an amended return is not filed with Vermont within the prescribed time, late filing fees may be assessed and penalty may be assessed on any additional tax. Include a copy of the IRS report if the change is a result of a Federal audit.

Amended Returns

File an amended return using the CO-411 for the tax year you are amending. Mark the "Amended Return" box in the upper right corner. Complete all header information, including the "Tax Year Begin" and "End" fields. Include a brief statement or explanation summarizing the nature of the amendment(s). If that return required schedules for explanation, attach those same schedules, as amended, to clarify the change. Amended returns claiming a refund must be filed within three (3) years from the date a return is required to be filed or six (6) months after a refund was received from the United States with respect to a change in the amount of taxable income reported in a return filed under the laws of the United States.

Net Operating Losses

For taxable years beginning January 1, 2007 and later, there is created a Vermont Net Operating Loss (VNOL), defined as "any negative income after allocation and apportionment of Vermont net income pursuant to 32 V.S.A. § 5833" The VNOL is available to carry forward to offset Vermont income for 10 years following the loss year. Carry backs are not available. Please see **Technical Bulletin #35** for a more detailed explanation of VNOL.

For any year in which a VNOL is generated, is available, or is applied, corporations must include a detailed schedule summarizing loss years, utilization years, expiration years, and available carryover.

For tax years 2007 and later, Form CO-411, Line 1 will no longer include any federal net operating loss deducted from taxable income. Corporations can receive the benefit of prior, unused operating losses by completing a one-time conversion to an ***Initial*** Vermont Net Operating Loss. For details on the conversion to an Initial VNOL, please see ***Technical Bulletin #40.*** In general, the conversion can only take place in 2007, and the Initial VNOL will expire periodically, based on the loss year(s) of the component portions. For any year in which a part or all of an Initial VNOL is used or remains available, corporations must include a copy of the spreadsheet used to calculate the Initial VNOL in 2007, with updates to show amounts used.

Carry backs – Vermont Net Operating Loss may not be carried back to a prior year. VNOL remains available to carry forward even if the company has elected to carry back the operating loss for federal purposes.

Corporate Income Tax Return Instructions

HEADER INFORMATION – COMPLETE ALL FIELDS THAT APPLY.

Use ALL CAPS for alpha characters on all returns and schedules.

Entity Name/Address

Print or type the entity name and address in the space provided. If the return is a combined return for an affiliated group conducting unitary business, use the PVC's name and address. If the return is for a consolidated return by an affiliated group not conducting unitary business, use the Parent Corporation's name and address. If the address is in a country other than the United States, enter the name of the foreign country in the space provided.

Other Information

- Place an "X" in the appropriate boxes to the right of the entity name and address to indicate if:
  - o There has been an Accounting Period/Fiscal Year-End change
  - o This is an Amended Return
  - o This is an Extended Return – in this case, Form BA-403 should have been filed on the original return due date

- This is a Unitary Combined return
- This is a Consolidated return
- This is a Final Return – this means the entity has ceased doing business in Vermont, and the corporate income tax account will be closed

- Enter the entity's federal employer identification number
- Enter the entity's primary NAICS (North American Industrial Classification System) code. See **www.census.gov/naics** for applicable codes.
- Enter the beginning and ending dates of the entity's fiscal year (YYYYMMDD). If the business uses a 52/53 week year, use the first and last day and month that would be reported if the 52/53 system was not being used.
- **For affiliated groups only:** Enter the total number of companies in the Water's Edge Group and the number of taxpayer affiliates with Vermont nexus. Include the PVC as one. Count all VT-nexus affiliates separately regardless of whether they have elected consolidated treatment for reporting/tax purposes (See sections 4 and 5 of the Unitary regulations, Reg. § 1.5862(d).) Leave these fields blank if return is being filed for a stand-alone corporation.
- Place an "X" in the appropriate box to indicate federal tax return filed.

Line-by-Line Instructions

Place an "X" in the box left of the line number to indicate a loss (or negative) amount.

For all line references to other schedules, it is understood that the reference is for the matching schedule prepared for that affiliate company, as identified by the name and FEIN fields on the schedules.

Line 1 **Federal (or Recomputed Federal) Taxable Income:** Enter the amount from Federal Form 1120, Line 28 (taxable income), less Line 29b (special deductions).

Net Operating Loss: For tax years starting January 1, 2007 and later, Vermont is no longer coupled to the federal net operating loss deduction. Any federal NOL deduction (generally Federal Form 1120, Line 29a) should not be deducted from Line 28 (taxable income) to arrive at the income amount for Form CO-411, Line 1. Vermont Net Operating Loss will be deducted from CO-411, Line 12 or CO-421, Line 7.

For a Combined Report – Enter the group's combined net income or loss as reported to the federal government, and accounting for modifications above, for all companies in the water's edge combined group.

Line 2 **Bonus Depreciation Adjustment:** Vermont does not allow the special "bonus" depreciation provision of the *Federal Jobs Creation and Worker Assistant Act of 2002,* the *Federal Jobs and Growth Tax Relief Reconciliation Act of 2003,* the *Economic Stimulus Act of 2008,* or the 2009 extension for certain transportation and aircraft property {IRC 168(k)}. If taken in the current or in prior years, the Federal taxable income must be recomputed without the 30% or 50% special bonus depreciation. Report the net adjustment from federal income to Vermont income as a result of disallowing bonus depreciation. Report an increase in income as a positive number, and a decrease as a negative number.

Line 3 **Federal Taxable Income adjusted for disallowance of Bonus Depreciation:** Add Lines 1 and 2 to arrive at federal taxable income, as adjusted to disallow bonus depreciation.

Line 4 **Vermont Adjustments to Taxable Income.**

Add:

Line 4(a) **Interest on non-Vermont state and local obligations:** Enter the amount of interest received from non-Vermont state and local obligations that were exempted from Federal tax (e.g., Municipal bonds).

Line 4(b) **State and local income or franchise taxes:** Enter the amount of state and local tax deductions taken on the Federal return(s). State and local income taxes are taxes on or measured by income; franchise taxes are those measured by net income, or for the privilege of doing business, or capital stock taxes. These are deductible for federal income tax, but taxable in Vermont. Attach a statement showing a detail of the taxes claimed as deductions on the Federal return(s).

Subtract:

Line 4(c) **Non-business income or loss allocated everywhere:** Enter the amount of non-business income or loss included on Schedule BA-402, Line 1a, or leave blank.

Line 4(d) **Foreign dividends received from overseas business organizations as defined by § 1.5862(d):** For unitary groups only. Enter the total amount of income included on Federal Form 1120, Schedule C, Lines 12, 13, and 14, and subject to a modified apportionment factor, calculated on Forms CO-419 and CO-420. If you are calculating the modified apportionment factor, these dividends are subtracted from apportionable income here, and then the amount of taxable foreign dividends calculated with the modified apportionment percentage is added back on CO-411, Line 10 or CO-421, Line 5. If there are no taxable foreign dividends, or you are not calculating the modified apportionment, enter 0.

Stand-alone corporations, enter 0.

Line 4(e) **Interest on U.S. Government obligations:** Enter the amount of interest received from U.S. Government obligations included on the Federal return(s).

Line 4(f) **"Gross Up" required by IRC Sec. 78 and other excludable income:** Enter the total amount of income included on Federal Form 1120, Schedule C, Line 15.

Line 4(g) **Targeted Job Credit salary and wage expense:** Enter the wage expense associated with work opportunity credit disallowed on the Federal return by IRC Section 280C(a).

Line 5 **Net Apportionable Income.** Line 3 plus Lines 4(a) and 4(b) less Lines 4(c) through 4(g).

Line 6 **Vermont Apportionment Percentage** Enter 100% or the amount from Schedule BA-402, Line 22. Express as a percentage, with 6 digits to the right of the decimal. Attach Schedule BA-402 if Line 6 is not 100%, or if any income is apportioned or allocated to a jurisdiction other than Vermont. If no Schedule BA-402 is attached, Line 6 will be adjusted to 100%.

Line 7 **Apportionable Income** Enter the amount from Form CO-411, page 1, Line 5.

For a Combined Report – This will be the group's apportionable income.

Line 8 **Income Apportioned to Vermont** Multiply Line 6 by Line 7.

Line 9 **Income Allocated to Vermont** Enter the amount from Schedule BA-402, Line 1b.

If income was received from a pass-though entity, and that entity paid composite tax, enter the negative amount in order to exclude that income and prevent double taxation. (This should be reported on Schedule BA-402, Line 1b.) Include a statement identifying the entity that earned the income and paid composite tax.

Line 10 **Foreign Dividends Apportioned to Vermont** For combined reports only. Enter the amount from Schedule BA-402, Line 1d (same as Schedule CO-419, Line 17) for this affiliate. Refer to Regulation § 1.5862(d) -7(f) and -8(b), and Schedules CO-419 and CO-420, and Instructions. Enter 0 if this return is for a stand-alone corporation.

Line 11 **Net VT Income Allocated and Apportioned to Vermont** Add Lines 8, 9, and 10.

Line 12	**VT Net Operating Loss deduction applied** (attach schedule). If Line 11 is negative you have incurred a Vermont Net Operating Loss (VNOL), available to carry forward to offset Vermont net taxable income for up to 10 years. VNOL may not be carried back to a prior year return. VNOL remains available to carry forward even if the company has elected to carry back the operating loss for federal purposes. VNOL would have been incurred as a negative amount after apportionment and allocation of VT income in 2007 or later, or may have been converted from available pre-2007 NOLs into an "Initial VNOL" in 2007. For tracking, VNOL must be applied on a first-in first-out basis. Any converted Initial VNOL must be used first. Include a statement/schedule to track the availability of the VNOL. The schedule must detail loss years, utilization years, expiration years, and available carryover. If VNOL used or carried over includes any Initial VNOL converted from remaining pre-2007 NOL, provide a copy of the conversion worksheet from the 2007 return, updating for amounts used. Enter any deduction taken for a VNOL. Line 12 cannot be greater than Line 11; VNOL cannot reduce Vermont Net Taxable Income below zero.
Line 13	**VT Net Taxable Income for this entity.** Subtract Line 12 from Line 11.
Line 14	**VT Tax.** Apply VT Tax Rates (below) to amount on Line 13. Compute the tax using the tax computation schedule, below. Enter this amount or the minimum tax, whichever is more. The minimum tax is due even if the corporation operated at a loss. For tax years starting on and after January 1, 2012, the structure of the minimum tax has changed. Minimum tax is based on Vermont Gross Receipts, reported on Line 17, and defined in the instructions to Line 17, below.

Graduated rates effective for tax years beginning on or after January 1, 2007.

TAX COMPUTATION SCHEDULE

If Vermont Net Income is:	Tax is:
$10,000 or less	6.0% (or minimum tax, per VT Gross Receipts).
$10,001 to $25,000	$600 plus 7.0% of excess over $10,000.
$25,001 and over	$1,650 plus 8.50% of excess over $25,000

If Vermont Gross Receipts are:	Minimum Tax is:
$2,000,000 or less	$300
$2,000,001 - $5,000,000	$500
$5,000,001 and over	$750

Exceptions to the minimum tax are:

1. **SMALL FARM CORPORATIONS** as defined in Title 32 V.S.A. § 5832(2) (A), pay a minimum annual entity tax of $75.00, and income tax greater than that based on the graduated rates, above. The entity must be solely owned by active participants and have gross receipts of less than $100,000.
2. **INACTIVE CORPORATIONS** are not required to pay the annual entity tax. Inactive corporations are non-Vermont corporations with no taxable activity or investments in this state that file to keep the account active, or Vermont corporations which have neither receipts, expenses, nor activity other than minimal start-up or close-out expenses. Check the "No VT Activity" box if the exception applies.
3. **HOMEOWNERS AND CONDOMINIUM ASSOCIATIONS** that file Federal Form 1120-H are not required to pay the Vermont minimum corporate tax. If the association does not make this election, then it is subject to the regular corporate rates and must pay the minimum tax and any additional income tax due based on the rates. Include a copy of the 1120-H if claiming this exception, and mark the appropriate box at the bottom of CO-411, p.1.

Line 15	**Credits** If Vermont tax credits are claimed, **Schedule BA-404** must be filed, and all authorization documents, documentation, and calculations as required by the program guidelines of the credit being claimed must be attached to. Enter the amount from Schedule BA-404, Column C, Line 13. **Line 15 cannot reduce tax below the minimum tax.**
Line 16	**Tax Due for this entity** Subtract Line 15 from Line 14.
Line 17	**Gross Receipts** Enter the total gross receipts for the corporation attributable to Vermont. Gross receipts are the total amounts the organization received from all Vermont sources during its annual accounting period, without subtracting any costs or expenses. The amount of the gross receipts may not be less than $0. This amount is used to determine the minimum tax.
Line 18	**Total Tax Due** For stand-alone corporations, this is the amount from Line 16. For combined reports for a unitary group, enter the sum of Line 16 on page 2 and, if there are multiple taxable affiliates, Line 11 of all attached Schedules CO-421.
Line 19	**Payments.**
Line 19a	**Estimated Payments.** Enter the total amount of Estimated Payments made for this tax year.
Line 19b	**Payment with Extension.** Enter the amount of any payment with Extension made for this tax year.
Line 19c	**Nonresident Estimated Payments.** Enter the amount of estimated payments made on behalf of this company by pass-through business (S-Corp, Partnership, or LLC) of which this corporation is a shareholder, partner, or member. Payments would have been made by the pass-through business using Vermont **Form WH-435.** The entity's business income tax return must be filed in order to receive credits for the payments.
Line 19d	**Real Estate Withholding Payments.** Enter the amount of real estate withholding (REW) on sales (**Form RW-171, Schedule A**). REW would have been paid on your behalf by the buyer of VT real estate that you sold.
Line 19e	**Prior Year Overpayment Applied.** Enter the amount of prior year overpayment applied to the current year taxes.
Line 19f	**Total Payments.** Enter the sum of Lines 19a through 19e.
Line 20	**Balance Due.** If Line 18 is more than Line 19f, subtract Line 19f from Line 18. Make checks payable to ***VT DEPARTMENT OF TAXES.***
Line 21	**Overpayment.** If Line 19f is more than Line 18, subtract Line 18 from Line 19f.
Line 22	**Overpayment to be applied to next tax year.** Enter the amount of overpayment to be applied toward next year's corporate income taxes.
Line 23	**Overpayment to be refunded.** Enter the amount of overpayment to be refunded. Line 22 plus Line 23 must equal Line 21.

Be sure to sign and date the return. Provide a phone number to expedite resolution of any issues that may arise. Check the box if you authorize the VT Department of Taxes to contact your tax preparer directly with any questions about this return.

Make check payable to ***Vermont Department of Taxes.***

Send return and check to:

Vermont Department of Taxes
133 State Street
Montpelier, VT 05633-1401

Vermont Nonprofit Income Tax Return Instructions

Nonprofit organizations with unrelated business income in Vermont are required to complete CO-411 and include a copy of their federal return.

Who must file?

A nonprofit organization that carried out business in Vermont and had unrelated business income of greater than $1,000 in Vermont is required to complete the Vermont Corporate Income Tax Return. If your nonprofit has affiliates that engaged in your unrelated business income, you will need to follow the instructions for combined reporting. If you have no affiliates engaged in unrelated business activities, complete CO-411. For purposes of determining if there is a filing requirement, and consistent with federal treatment, the $1,000 threshold refers to gross receipts, and not net income.

Carrying out business in Vermont for any tax year means:

- Owning property in Vermont that yielded rental income
- Having an office in Vermont where employees carried out unrelated business
- Carrying out services in Vermont that produced unrelated business income.

Unrelated business income is defined by the Internal Revenue Service. Publication 598 from the Internal Revenue Service provides the following general description:

> Unrelated business income is the income from a trade or business regularly carried on by an exempt organization and not substantially related to the performance by the organization of its exempt purpose or function, except that the organization uses the profits derived from this activity.

The two key terms in this description are “regularly carried out” and “not substantially related to the performance … of its exempt purpose or function.” Vermont uses the same definition of unrelated business income as does the Internal Revenue Service. If your income meets the requirements to report income on federal form 990-T, then you must complete Vermont corporate income tax forms as well.

How to file?

The instructions for Vermont Form CO-411 are the same instructions that nonprofits need to follow for filing the state return. In addition, nonprofits shall include the first page of federal form 990 and the complete 990-T. The unrelated taxable income reported on Line 34 of 990-T is reported as taxable income on Line 1 of CO-411.

Exceptions for nonprofits filing CO-411

Line 2a Nonprofit organizations do not need to include interest of any kind in the calculation of net taxable income. Therefore report “0” on Line 2a even if your organization has interest on non-Vermont state and local obligations.

Line 2c Interest on US Government obligations are not included in the calculation of Line 1 income and therefore should not be reported on Line 2c used for reducing the calculated Vermont Net Taxable Income.

Apportionment of income

If a nonprofit organization's income is derived entirely from activities within the state, its Vermont net income is allocated entirely to Vermont. If the nonprofit organization's income is derived from activities conducted both in Vermont and another state or states, its Vermont net income is apportioned as provided in 32 V.S.A. § 5833 on Vermont Schedule BA-402. For example, income derived from sales of tangible personal property that occur in more than one state as a fundraising activity is apportioned between or among the states. In cases where the nonprofit organization is a part of an affiliated group and other members of the affiliated group report unrelated business income, the Vermont nonprofit organization must complete BA-402 and apportion the combined group's unrelated business income.

See Technical Bulletin 59, **Unrelated Business Income, at**
http://tax.vermont.gov/sites/tax/files/documents/TB59.pdf **for further information on this subject.**