

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 Line 13, Total for all Credits.

Credit Documentation

Research and Development Tax Credit (Line 2)

Include a copy of federal Form 6765. If the federal credit was earned based on expenditures both in and out of Vermont, provide a breakdown of the expenditure amounts and a recomputed credit calculation based only on the expenditures that occurred in Vermont. If you have received grants or assistance for financing the expenditures from any other public or private source, the basis expenditure amount for the credit calculation must be adjusted downward to account for the assistance. Your expenditures must be eligible for and receive the **federal tax credit** to claim the Vermont tax credit.

Credit Amount: 27% of the amount of the federal tax credit allowed in the taxable year for eligible research and development expenditures under 26 U.S.C. § 41(a) which are made within Vermont. Any unused credit may be carried forward for up to 10 years.

Investment Tax Credit (Line 10)

Include a copy of the federal credit calculation Form 3468. 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 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. Your project must be eligible for and receive the **federal tax credit** to claim the Vermont tax credit.

Credit Amount: 24% of federal investment tax credit attributable to the Vermont-property portion of the investment for 2016. Any unused business solar energy investment tax credit under this section may be carried forward for no more than five years following the first year in which the credit is claimed. Any other investment tax credit is only available in the year it is earned.

Note that the Investment Tax Credit, Line 9, is only available to Business Income Tax filers. See instructions below for claiming the credit by the business entity's shareholders, partners, or members, or by a business entity filing a composite return.

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.

Form BI-476 - Business Income Tax Return for Resident Only

Same as for Form BI-471.

Contacting the Department

Mailing address:

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Taxpayer Services: (802) 828-5723
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Forms: (802) 828-2515