

SCHEDULE BI-473 Instructions

Composite Schedule

Please print in **BLUE** or **BLACK** ink only.

Do not complete this form if all shareholders are Vermont residents, all income is apportioned to Vermont, or if owners are maintaining pass-through tax treatment for Vermont income tax.

General Information

Schedule BI-473 is used to determine the amount of Vermont-sourced income and related tax due for business income tax filers who have elected or are required to file a composite return.

An entity may elect to file a composite return on behalf of its owners who are not residents of Vermont, calculating and paying tax at the entity level. Owners are thereby relieved of their obligation to file their own Vermont income tax return, provided they have no other income or activity in Vermont.

Entities with more than 50 Vermont nonresident owners are required to file composite returns.

All Vermont nonresident owners and their income must be included in the composite return. "Partial composite" returns are not allowed. Refunds and credits of composite tax sought by underlying owners are not allowed.

See 32 V.S.A. § 5914 and § 5920 for more information.

Line-by-Line Instructions

Vermont has to design forms and schedules prior to IRS publication of forms. Please review the line description as well as references to federal form line numbers as line numbers may differ from those referenced. In the event of conflict, use the line descriptions.

Header Information

Enter the name of the Principal Vermont Corporation and its Federal Employer Identification Number (FEIN).

For each of the following (as applicable) enter an "X" in the box left of the line number to indicate a negative (or loss) amount.

NOTES: For Lines 1 through 9, include all items of income or loss that are part of the **apportionable** income base. Do not include items of income or loss that are directly allocated to Vermont. All items of income reported on Schedule K of the federal return should be included in either the apportionable base or identified as allocable on Vermont Schedule BA-402. (For information regarding apportioned versus allocated income, see Reg. § 1.5833.)

The sum of all items of income reported on federal Schedule K should reconcile with the sum of all items of income included in the apportionable base on Lines 1 through 8 of this form, and allocable income everywhere reported on Line 1a of Vermont Schedule BA-402.

Line 1a Ordinary Business Income: Enter the amount from federal Form 1120S, U.S. Income Tax Return for an S Corporation, Line 21, or federal Form 1065, U.S. Return of Partnership Income, Line 22, as applicable.

Line 1b	Net adjustment to income resulting from Vermont’s disallowance of “bonus depreciation” (IRC 168(k)): Vermont does not allow the special “bonus” depreciation provision of I.R.C. § 168(k). If the company has utilized bonus depreciation, all items should be recomputed to disregard the effects of the bonus depreciation. Insert the recomputed difference here. This amount should balance with Question C as entered on Form BI-471.
Line 1c	Ordinary Business Income with disallowance of “bonus depreciation”: Add Lines 1a and 1b.
Line 2	Net Rental Real Estate Income: Enter the amount from federal Form 1120S, Schedule K, Line 2, or federal Form 1065, Schedule K, Line 2, as applicable.
Line 3	Other Net Rental Income: Enter the amount from federal Form 1120S, Schedule K, Line 3c, or federal Form 1065, Schedule K, Line 3c, as applicable.
Line 4	Guaranteed Payments (Partnerships only): If this entity is a partnership, enter the amount from federal Form 1065 Line 10/Schedule K, Line 4.
Line 5	Net short and long term capital gains or losses: Enter the sum of apportionable amounts from federal Form 1120S, Schedule K, Lines 7 and 8a, or federal Form 1065, Schedule K, Lines 8 and 9a.
Line 6	Net section 1231 gain or loss: Enter the amount from federal Form 1120S, Schedule K, Line 9, or federal Form 1065, Schedule K, Line 10. If this income is designated as non-apportionable, please include a statement with the return indicating the amount of income so designated, the nature of the income, the state to which the income has been assigned, and the applicable Vermont regulation under which the income is designated as non-apportionable.
Line 7	Other income or loss: Enter the sum of apportionable amounts from federal Form 1120S, Schedule K, Lines 4, 5a, 5b, 5c, 6, and 10, or federal Form 1065, Schedule K, Lines 5, 6a, 6b, 6c, 7, and 11.
Line 8	Section 179 Deduction: Enter the amount from federal Form 1120S, Schedule K, Line 11, or federal Form 1065, Schedule K, Line 12, as applicable.
Line 9	Deduction for Charitable Contributions: Enter the amount from federal Form 1120S, Schedule K, Line 12a, or federal Form 1065, Schedule K, Line 13a, as applicable.
Line 10	Apportionable income: Add Lines 1c through 7, then subtract Lines 8 and 9.
Line 11	Apportionment percentage: Enter the amount from Schedule BA-402, Apportionment and Allocation Schedule, Line 22, or 100%. Express as a percentage with six digits to the right of the decimal.
Line 12	Business Income apportioned to Vermont: Multiply Line 10 by Line 11.
Line 13	Income directly allocable to Vermont generated by this entity: Enter the amount of income directly allocable to Vermont generated by this entity. For example, capital gain on real estate and physical assets located in Vermont, royalties on property located in Vermont, etc. Composite income deduction: Also, if 1) this entity is a shareholder, partner, or member of a different pass-through business, and 2) that business filed a composite return and paid tax on income that flows through to this business, but 3) this business is required to file an income tax return due to other Vermont income or activity, then in order to avoid double taxation of the composite-taxed income, use this line to deduct the income upon which composite tax was paid. Enter as a negative number. Include a statement with the name(s), FEIN(s), and amount(s) of income and tax paid on this company’s behalf. NOTE: If you want to report adjustments to nonbusiness income and income allocated to Vermont beyond what is provided by our form, then include the adjustments to Schedule BI-472, Line 12, “Income directly allocable to Vermont generated by this entity.” You must attach 1) an explanation for adjusting the entry, 2) a reconciliation with federal Schedule K distributions to owners, and 3) a reconciliation with Schedule BA-402 apportionment denominator.

Line 14	Vermont business income distributed to this entity by a different entity via Schedule K-1VT, Shareholder, Partner, or Member Information: Enter the amount of Vermont business income distributed to this entity by a different entity via Schedule K-1VT. Include a statement with the name(s), FEIN(s), and amount(s).
Line 15	Vermont-sourced capital gain distributed to this entity by a different entity via Schedule K-1VT: Enter the amount of Vermont-sourced capital gain distributed to this entity by a different entity via Schedule K-1VT. Include a statement with the name(s), FEIN(s), and amount(s).
Line 16	Other Vermont-sourced income distributed to this entity by a different entity via Schedule K-1VT: Enter the amount of other Vermont-sourced income distributed to this entity by a different entity via Schedule K-1VT. Include a statement with the name(s), FEIN(s), and amount(s).
Line 17	Total Vermont Net Income: Add Lines 12 through 16.
Line 18	Percentage of income from Line 16 passed through to nonresidents: Enter the percent of Vermont-sourced income or loss passed through to Vermont nonresident shareholders, partners, or members. “Various” is not a valid entry. While the proportion of ownership may have changed over the year, an exact amount of income would have been reported to nonresidents. You may need to “back into” this number from Line 18. Express as a percentage with 6 digits to the right of the decimal. See also Line 19 Note.
Line 19	Total nonresident income: Multiply Line 16 by Line 17. <i>NOTE:</i> If any owners are exempt entities not subject to income taxation, or if some or all of the income is exempt from taxation (such as a government entity, Employee Stock Ownership plan, or nonprofit to which this income is not characterized as unrelated business income), exclude the amount of income from Line 19. Provide a statement of the name(s), FEIN(s), percentage(s) and amount(s) of income, and description of why or authority by which they are exempt from income taxation. Vermont Net Operating Loss: If Line 19 is negative, you have a Vermont Net Operating Loss (VNOL), available to carry forward to offset Vermont net taxable composite income for up to 10 years. Include a statement/schedule to track the availability of the VNOL. The schedule must detail loss years, utilization years, expiration years, and available carryover. For business income tax, VNOL applies only to income attributable to Vermont nonresidents who are part of a composite return – i.e., the composite tax. For Vermont residents, or nonresidents who are maintaining pass-through tax treatment, any net operating loss would be applied according to the facts and rules of their income tax return. VNOL may not be carried back to a prior year return. VNOL remains available to carry forward even if the company/owners have elected to carry back the operating loss for federal purposes.
Line 20	Vermont net operating loss deduction applied: Composite business income tax filers may calculate and use a VNOL, parallel to corporate income tax filers. Enter any deduction taken for a VNOL. VNOL would have been a negative amount after apportionment and allocation of Vermont composite income in 2014 or later. Provide a schedule detailing the origin and utilization of the VNOL. Line 20 cannot be greater than Line 19; VNOL cannot reduce Vermont net taxable composite income below zero. Be sure to include a VNOL statement in PDF format.
Line 21	Vermont taxable composite income: Subtract Line 20 from Line 19. This is the basis amount for required quarterly estimated payments for nonresidents. The current rate is 6.6%. If total Form WH-435, Estimated Income Tax Payments (including “catch-up” payments), are less than 6.6% of the amount on Line 18, the company will be subject to assessment for the underpayment, interest, and penalty.
Line 22	Composite Tax: Multiply Line 21 by the composite tax rate, currently 7.6%. If negative, enter -0-.

Line 23 **Tax credits available for composite shareholders/partners/members:** Attach Schedules BA-404, Tax Credits Earned, Applied, Expired, and Carried Forward, and BA-406, Credit Allocation Schedule. Enter the amount from Schedule BA-404, Line 11. **NOTE:** Tax Credits may not reduce your tax liability to less than the minimum tax.

Line 24 **Net Vermont Composite Tax due:** Subtract Line 23 from Line 22. Enter this amount on Form BI-471, Business Income Tax Return, Line 3.