FORM CO-411 Instructions
Corporate Income Tax Return

Please print in BLUE or BLACK ink only.

Reminders and Additional Information

You may be required to e-file your return. Please review the mandate before mailing a paper return. We may reject your paper return or assess a fee. Search for "e-file mandate" on our website at **www.tax.vermont.gov** for detailed information.

Be sure to use the myVTax taxpayer portal www.myvtax.vermont.gov to your best advantage. MyVTax users spend less time on the phone and conduct business with the Department of Taxes far more efficiently. After setting up an account, you can make payments, file your extension, verify prior returns, verify estimated payments, view letters that we sent, communicate securely with the Department, and more. You can provide third-party access to others such as your preparer or payroll service. Even if you haven't yet set up an account, you can still electronically make payments, file an extension, verify estimated payments, and respond to notices. **www.myvtax.vermont.gov.**

We expect to match entries on your Vermont return with entries on your federal return. If an entry on your Vermont return differs from the expected entry, you must include an explanation and reconciliation. If you do not provide supporting information, then we may adjust your return based on the available information.

Schedule K-1VT and disregarded entities. Vermont Schedule K-1VT has extended instructions for a "disregarded entity" that does not file a Vermont income tax return. Please review the Schedule K-1VT instructions "Notes for disregarded entities." If Schedule K-1VT is not properly completed, or if required supporting information is not included, then processing of your return is subject to delays.

PL 86-272. If you are claiming protection from net income taxation under PL 86-272, your Vermont numerator will be "0" for Vermont sales when computing Schedule BA-402. However, you are still required to pay the minimum entity tax based on gross receipts from Vermont sources. You must complete Line 18 of Form CO-411 naming gross receipts from all Vermont sources in order to compute the minimum entity tax correctly. The corresponding line on all Schedules CO-421 should be computed in the same manner.

Homeowners' and Condominium Associations that filed federal Form 1120-H, U.S. Income Tax Return for Homeowners Associations. We have edited the instructions to clarify the tax calculation for a qualifying association. Associations that "check the box" **1)** will owe tax on the Vermont net taxable income, **2)** will owe tax ranging from $1 to $299 if Vermont net taxable income is less than $5,000, **3)** will owe no tax only if no taxable income is reported on federal Form 1120-H.

TCJA: *Tax Cut and Jobs Act of 2017* "TCJA" Conformity. Details are provided on our website at **www.tax.vermont.gov.** Provisions of the TCJA may affect how you prepare our Vermont income tax return. Search for "TCJA" on our website at **www.tax.vermont.gov** for detailed information.

TCJA: One-time inclusion of I.R.C. § 965 income for 2017. If you received one-time I.R.C. § 965 income during 2017, we recommend that you review your Vermont return to ensure that you complied with Vermont reporting requirements.

TCJA: Global Intangible Low-Taxed Income (GILTI) guidance for Vermont filers. "GILTI" income is subject to Vermont tax. Search for "TCJA" on our website at **www.tax.vermont.gov** for detailed information.

All C Corporations use Form CO-411 and related schedules. The form set has been modified to accommodate standalone corporations as well as combined reporting for unitary groups. 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 required due to the adoption of mandatory composite filing requirements for certain pass-through entities. This only applies to corporations **1)** receiving distributed income from a pass-through entity which has paid composite tax and **2)** having 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, Apportionment & Allocation Schedule, Line 1b (non-business income) and flows through to Form CO-411, Line 9, or Schedule CO-421, Unitary Affiliate Schedule, 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 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 a business wants to maintain the account even when it has no activity or tax liability for the year, it must file a "NO VERMONT ACTIVITY" return. No tax is due.

Affiliated Groups of Corporations Engaged in Unitary Business

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% 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 organizations engaged in business activity both within and outside the state. The various business organizations in a unitary business should exhibit a unity of ownership, operation, use, and 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 Vermont Corporation

The group must designate a Principal Vermont Corporation (PVC), which will be responsible for preparing all returns and making payments. The PVC must have nexus (taxable presence) 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 member of the group with Vermont nexus applies its apportionment factor to the combined net income of the entire group. The apportionment is determined with **Schedule BA-402** for each member of the group with Vermont nexus, 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 five years.

Determination of Whether or Not the Corporations are Conducting Unitary Business

Review Regulation § 1.5862(d), Unitary Combined Reporting, 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 the following: **(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 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 members of the federal consolidated group with Vermont nexus ***may elect*** to be treated as a consolidated filer, that is, 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.** Income will be totaled and taxed as though the members of the consolidated group with Vermont nexus are one taxpayer, with certain exceptions for tax attributes named in the regulations for the computation of credits and VNOLs. If the consolidated taxpayer is in a minimum tax position, the minimum tax is assessed one time, not once for each member of the group with nexus. An election to file a consolidated return is binding for five 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 I.R.C. § 511 during the tax year is required to file a Vermont Corporate Income Tax Return. For more information, review the "Nonprofit Income Tax Return Instructions" at the end of this document and Technical Bulletin TB-59, Unrelated Business Income of Exempt Corporations, on the Department's website.

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. The corporation must file **Form CO-411.** Mark the **"No Vermont Activity"** box on the bottom of page 1 of Form CO-411. This exception may be claimed if you are a foreign business that has periodic, recurring activity in Vermont and in the current year the entity has no nexus with Vermont.

Vermont businesses may not claim "No Vermont Activity." Other non-cash activities, such as holding land, providing services to Vermont customers, and engaging in activity that leads to a net loss will also disqualify a business from claiming "No Vermont Activity." Please see Technical Bulletin TB-70 for more information.

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 Schedule BA-402 is filed for each taxable corporation in the group, unless consolidated filing is elected.
- **Form 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, Economic Advancement Tax Incentives:** 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 32 V.S.A. § 5862(d). Also for use by any corporation filing a return that includes the activity of one or more other entities that are disregarded for income tax purposes, or otherwise are not filing their own income tax return.
- **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. Form CO-422 is not necessary if you are sending a check with Form CO-411, Form CO-414, or Form BA-403.

- **Vermont Net Operating Loss statement and summary:** For each taxable affiliate that has a Vermont Net Operating Loss. For details, see the instructions that follow and Technical Bulletin TB-35, Net Operating Losses, on the Department's website.
- **Federal Information:** For all taxable members of the group, provide the following:
  - o The first five pages of the federal Form 1120, U.S. Corporation Income Tax Return, 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;
  - o Federal Form 4562, Depreciation and Amortization as filed and pro forma, if any members of the group have taken "bonus" depreciation;
  - o 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

Unitary groups must file Form CO-411. Each return package will have a Schedule BA-402 which reports the PVC's apportionment percentage, and carries forward to Form CO-411, Line 6. The tax calculation for the PVC occurs on Form CO-411, Lines 6 through 17, comparable to Schedule CO-421.

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

Total tax due for the group is the sum of Form CO-411, Line 16 (the tax for the PVC), and all Schedules CO-421, Line 11 (tax for each additional taxable affiliate). This total amount is reported on Form 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 Schedule BA-402 and tax calculation for the PVC will be reported on Form 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 Vermont 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 Form 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 **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 Schedule CO-419 for the PVC, and for every taxable affiliate in the group. Schedule(s) CO-419 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 § 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 Schedule 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 30 days beyond the federal extended due date. Corporations needing a Vermont extension should file **Form BA-403** by the original due date, and mark the "Extended Return" box in Part A when filing their corporate return. **Form BA-403** requires that you indicate which federal income tax form will be filed. If only a federal extension was filed, please attach a copy of federal Form 7004, Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns.

For nonprofits reporting Unrelated Business Income (UBI) 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 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.

Incomplete Returns

If information necessary to support the request for a credit is missing, your filing may be processed but the credit denied. This may result in a bill or reduced refund. The Department will send you a letter requesting the missing information and give you an opportunity to supply what we've requested. The credit will not be processed until the Department receives the missing document(s) or information.

Returns That Cannot Be Processed

If your filing is not acceptable for processing, the Department will notify you by letter, and you will be required to submit it again. The date you resubmit the return becomes the filing date of your return. The Department may assess a $25 processing fee to partially cover the cost of taking steps to notify you in addition to our normal processing procedures. Examples of unacceptable filing include, but are not limited to, the following: forms marked "Draft" or "Do not file," forms not pre-approved by the Department, photocopies of forms, reduced or enlarged forms, faxed forms, returns not written in blue or black ink, or forms generated from different sources.

Estimated Taxes

Any corporation anticipating a Vermont tax liability more than $500 must make estimated payments by the 15th day of the 4th, 6th, 9th, and 12th months of the taxable year. Use **Form CO-414,** Corporate Estimated Tax Payment Voucher. 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. Go to **www.tax.vermont.gov/research-and-reports/interest-rates** to see current and historical interest rates. If the filing is more than 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 180 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 Form 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 years from the date a return is required to be filed or six 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 Jan. 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. For a more detailed explanation of VNOL, see Technical Bulletin TB-35, Net Operating Losses, on the Department's website.

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*** VNOL. 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 – VNOL 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 The entity's Name changed
  - o There has been an Accounting Period/Fiscal Year-End Change
  - o This is an Extended Return – in this case, Form BA-403 should have been filed on the original return due date
  - o This is a Unitary Combined return
  - o Public Law 86-272 protection is claimed – in this case only the minimum tax will be due.
  - o The Mailing Address changed
  - o This is an Amended Return
  - o A Federal Extension has been requested - In this case a copy of the Federal Form 7004, Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns, should be included.
  - o This is a Unitary Consolidated Return
  - o This is a Pro Forma - Cannabis Return
  - o 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 affiliates with Vermont nexus 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 30 (taxable income), plus Line 29a (net operating loss deduction).

Net Operating Loss: For tax years starting Jan. 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 Form CO-411, Line 12 or Schedule 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. Please refer to the instructions on Line 4(d) for special considerations involving foreign dividends mandated by Vermont's unitary regulations if preparing a pro forma return. Please provide a reconciliation from the Federally filed form to the Vermont pro forma being filed.

Generally, Vermont decouples from the IRC §243 deduction when considering dividends paid by entities that are not members of the combined group. This results in dividends received by the combined group from outside members being a part of taxable combined net income. (See Reg. §1.5862(d)-7(e)(4)). Please ensure that the group's elimination schedule and "dividends from affiliates" deduction have been appropriately modified when computing Line 1. Include additional schedules detailing the dividend payer, amount, and dividend recipient if claiming a dividends received deduction on the Vermont group return. Special considerations: Vermont considers REIT dividends to be taxable when received regardless of the REIT's inclusion as a member of the unitary group.

Foreign Income: Subpart F income reported by a parent on a federal consolidated return is a taxable element of combined net income under Reg. § 1.5862(d)-7(f). Foreign income reported by a parent may not be blocked from Vermont income by another foreign corporation, including a domestic corporation that meets the 80/20 test. Taxpayers should balance to the amounts of foreign income reported on the federal consolidated return actually filed with the IRS to be in compliance with our unitary combined net income statutes and regulations.

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,* the *Tax Cuts and Jobs Act of 2017,* or the 2009 extension for certain transportation and aircraft property (I.R.C. § 168[k]). If taken in the current or in prior years, the federal taxable income must be recomputed without the 30%, 50%, or 100% 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 (for example, 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 Reg. § 1.5862(d):** For unitary groups only. Enter the total amount of net income included on federal Form 1120, Schedule C, Lines 14, 16(b), 16(c), 17, 19, and 22 as filed with the IRS. (The Section 250 deduction should reduce the foreign dividends deduction on the Vermont return, as it reduces the total amount of foreign income included in Line 1 of the CO-411.) Parents that file a consolidated federal return with the IRS should generally balance to the foreign income amounts on the consolidated Schedule C in the same manner as instructed on Line 1.

Dividends from Lines 12, 14, and 16(a) may also be includable if the income leading to the distribution was not taxed by Vermont in prior year returns and subject to a modified apportionment factor, calculated on Schedules 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 Form CO-411, Line 10, or Schedule CO-421, Line 5.

Foreign dividends and Subpart F income declared by the unitary group on a federal consolidated return is included in the calculation of foreign dividend income. If an overseas business organization is the recipient of this income, but the entity is included in a federal consolidated return filed by the parent, the income is not treated under Vermont Reg 1.5862(d)-7(f) as attributable to an overseas business organization, but to the unitary group, and is taxable with no imputed dividend deductions.

If there are no taxable foreign dividends, or you are not calculating the modified apportionment, enter -0-.

Standalone 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 I.R.C. § 78 and other excludable income:** Enter the total amount of income included on federal Form 1120, Schedule C, Line 15 to the extent this income has been included in Vermont combined income declared in Line 1 of the CO-411.

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 I.R.C. § 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 six 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 standalone corporation.

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

Line 12 **Vermont Net Operating Loss (VNOL) deduction applied** (attach schedule in PDF format). If Line 11 is negative, you have a 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 Vermont 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 **Vermont Net Taxable Income for this entity.** Subtract Line 12 from Line 11.

Line 14 **Vermont Tax.** Apply Vermont 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 Jan. 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 Vermont 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 32 V.S.A. § 5832(2)(A), pay a minimum annual entity tax of $75, and income tax greater than that based on the graduated rates, above. The entity must be solely owned by active participants and have Vermont 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. This exception may be claimed if you are a foreign business that has periodic, recurring activity in Vermont and in the current year the entity has no nexus with Vermont. Check the "No Vermont Activity" box if the exception applies.

   Vermont businesses may not claim "No Vermont Activity." Other non-cash activities, such as holding land, providing services to Vermont customers, and engaging in activity that leads to a net loss will also disqualify a business from claiming "No Vermont Activity." Please see Technical Bulletin TB-70 for more information.

3. **HOMEOWNERS AND CONDOMINIUM ASSOCIATIONS** that file federal Form 1120-H are not required to pay the Vermont minimum corporate tax. A homeowners/ condo association is subject to Vermont income tax under 32 V.S.A. § 5832, at current tax rates, on its taxable income as defined by 26 U.S.C. §528(d)(1). If the association makes this election, then it is exempted from the minimum tax only. The election does not exempt the association from the corporate income tax on its federal taxable income. If the association does not make this election, then it must pay both the minimum tax and any additional income tax due based on the rates. Mark the appropriate box, claiming the exemption, at the bottom of Form CO-411, page 1. Include a copy of federal Form 1120-H.

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. Enter the amount from Schedule BA-404, Column C, Line 11. **Line 15 cannot reduce tax below the minimum tax.**

Line 16 Use this line to report use tax due. When a seller does not charge the buyer Vermont Sales Tax on an item taxable in Vermont, the buyer must pay Vermont Use Tax. Nontaxable items such as food and clothing are excluded. Taxable items sold over the internet, by mail-order, by phone, or bought out-of-state and used in Vermont generally qualify. Use tax applies whether you are resident or nonresident. The use tax rate is the same as the sales tax rate: 6%.

Line 17 **Tax Due for this entity** Subtract Line 15 from Line 14 plus Line 16.

Line 18 **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 zero. This amount is used to determine the minimum tax.

Line 19 **Total Tax Due** For standalone corporations, this is the amount from Line 17.

For combined reports for a unitary group, enter the sum of Line 17 on page 2 and, if there are multiple taxable affiliates, Line 13 of all attached Schedules CO-421.

Line 20 **Payments.**

Line 20a **Estimated Payments.** Enter the total amount of Estimated Payments made for this tax year.

Line 20b **Payment with Extension.** Enter the amount of any payment with Extension made for this tax year.

Line 20c **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 Form **WH-435,** Estimated Income Tax Payments for Nonresident Shareholders, Partners, or Members. The entity's business income tax return must be filed in order to receive credits for the payments.

Line 20d **Real Estate Withholding Payments.** Enter the amount of real estate withholding (REW) on sales (**Form RW-171, Vermont Withholding for Transfer of Real Property, Schedule A**). REW would have been paid on your behalf by the buyer of Vermont real estate that you sold.

Line 20e **Prior Year Overpayment Applied.** Enter the amount of prior year overpayment applied to the current year taxes.

Line 20f **Total Payments.** Enter the sum of Lines 20a through 20e.

Line 21 **Balance Due.** If Line 19 is more than Line 20f, subtract Line 20f from Line 19. Make check payable to ***Vermont Department of Taxes.***

Line 22 Payment submitted with this return.

Line 23	**Overpayment.** If Line 20f is more than Line 19, subtract Line 19 from Line 20f.
Line 24	**Overpayment to be applied to next tax year.** Enter the amount of overpayment to be applied toward next year's corporate income taxes.
Line 25	**Overpayment to be refunded.** Enter the amount of overpayment to be refunded. Line 24 plus Line 25 must equal Line 23.

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 Vermont 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 Form 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 Form 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, 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 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 Form 990-T. The unrelated taxable income reported on Form 990-T, Line 34, is reported as taxable income on Form CO-411, Line 1.

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 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 Schedule BA-402 and apportion the combined group's unrelated business income.

See Technical Bulletin TB-59, Unrelated Business Income of Exempt Corporations, on the Department's website for further information on this subject.

Contacting the Department

Mailing address:

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

Taxpayer Services: (802) 828-5723
Email Address: tax.corporate@vermont.gov
Website Address: www.tax.vermont.gov
Forms: (802) 828-2515