

SCHEDULE CO-421 Instructions

Unitary Affiliate Schedule - Unitary Filing Only

To be prepared only for those affiliates with Vermont nexus.

General Information

Starting in 2014, combined reports for unitary groups are filed using Form CO-411, Corporate Income Tax Return, not Form CO-411U. The tax calculation for the first taxpayer, the Principal Vermont Corporation, is included within Form CO-411 (Lines 6 – 17). Schedule(s) CO-421 is/are used to calculate the tax for all additional taxable affiliate corporations.

A properly prepared combined report for unitary group will contain one fewer Schedule CO-421 than Schedule BA-402, Apportionment & Allocation Schedule, because the apportionment percentage on the first Schedule BA-402 will be applied on Form CO-411.

If members of a federal consolidated group with Vermont nexus are electing to be treated as a single consolidated taxpayer within the Vermont unitary group (32 V.S.A. § 5862(c)), calculate the tax on Form CO-411, Lines 6 – 17. (This election is binding.) Provide a statement identifying name and Federal Employer Identification Number (FEIN) of all corporations included in the group. You also must provide a summary of the apportionment, income, and tax calculations for each separate nexus company.

NOTE: Do *not* provide a “Summary” set of Schedules BA-402/CO-421 if the group is reporting as separate affiliates (as opposed to a consolidated group). This will delay processing, and may result in rejection of the filing.

Header Information

Principal Vermont Corporation Provide the name and FEIN of the Principal Vermont Corporation (PVC).

Affiliate Provide the name and FEIN of the affiliate for whom this Schedule CO-421 is being prepared. A Schedule BA-402 must be prepared for the affiliate as well with matching name and FEIN.

NAICS Code Enter the primary North American Industrial Classification System number. See www.census.gov/naics if you do not know your company’s code.

Consolidated Check the box if this Schedule CO-421 is being provided for multiple Vermont members of a federal consolidated group, as described above.

Line-by-Line Instructions

First, prepare Schedule BA-402 for the affiliate. Identify the PVC and the affiliate name and FEIN at the top of the form. Separate instructions are provided for Schedule BA-402. Be sure to report the Vermont factors for the taxpayer in the “Vermont” column, and the combined everywhere factors for all members of the water’s edge combined group in the “Everywhere” column. The “Everywhere” factors should be the same for every affiliate in the unitary group. The factors cannot be less than zero.

Line 1 **Apportionment Percentage** Enter the Vermont apportionment percentage from Schedule BA-402, Line 22, prepared for this affiliate.

Line 2 **Group Apportionable Income** Enter the amount from Form CO-411, Line 5.

Line 3 **Apportioned Income** Multiply Line 1 by Line 2.

Line 4 **Allocated Income** Enter the amount from Schedule BA-402, Line 1b, prepared for this affiliate.

Line 5 **Foreign Dividends** Enter the amount from Schedule BA-402, Line 1d, prepared for this affiliate.

Line 6 **Net Income Allocated and Apportioned to Vermont** Add Lines 3, 4, and 5. If Line 6 is negative, you have a Vermont Net Operating Loss (VNOL), available to carry forward to offset Vermont net taxable income of this affiliate 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.

VNOL Carryback Vermont net operating loss 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.

Line 7 **Vermont Net Operating Loss (VNOL) applied** Enter any deduction taken for a VNOL. VNOL is tracked and applied on a separate affiliate basis. It 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.

Provide a schedule detailing the origin of the VNOL. 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. For additional details, see Technical Bulletin TB-35, Net Operating Losses, on the Department's website.

Line 7 cannot be greater than Line 6. VNOL cannot reduce Vermont net taxable income below zero.

Line 8 **Vermont Net Taxable Income** Subtract Line 7 from Line 6.

Line 9 **Tax** Apply Vermont corporate income tax rates to the amount on Line 8. For tax years starting on and after Jan. 1, 2012, structure of the minimum tax has changed. Minimum tax is based on Vermont Gross Receipts, reported on Line 12, and defined in the instructions to Line 12 below.

<u>if Vermont Gross Receipts are:</u>	<u>Minimum Tax is:</u>
\$2,000,000 or less	\$300
\$2,000,001 - \$5,000,000	\$500
\$5,000,001 and over	\$750

Line 10 **Credits** Report any Vermont income tax credits here. Generally, credits may not reduce tax by more than 80% of the liability, and cannot reduce tax liability below the minimum tax. Complete and attach Schedule BA-404, Tax Credits Earned, Applied, Expired, and Carried Forward. Provide all documentation required by the guidelines of the tax credit program in which you are participating. If the credit program does not have its own forms and documentation, provide a statement and calculation schedule to demonstrate the origin of the credit.

Line 11 **Tax Due** Line 9 minus Line 10.

Line 12 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 a resident or nonresident. The use tax rate is the same as the sales tax rate: 6%.

Line 13 **Total Tax Due for this affiliate** Add Lines 11 and 12 and enter here, but not less than the minimum tax. Add the amounts from Line 13 for all affiliates to Form CO-411, Line 17, to arrive at total tax due for the combined group. Enter the total on Form CO-411, Line 19.

Line 14 **Vermont Gross Receipts** Enter the total gross receipts for this affiliate attributable to Vermont. Gross receipts are the total amounts the organization received from all Vermont sources during the tax year, without subtracting any costs or expenses. The amount of the gross receipts may not be less than zero.

Contacting the Department

Mailing address:

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