

SCHEDULE FIT-162 Instructions

VT Capital Gains Exclusions for Estates or Trusts

INSTRUCTIONS

VT allows a portion of net adjusted capital gains, as defined by Internal Revenue Code Section 1(h), to be excluded from VT taxable income. Qualified Dividends are not eligible for capital gains treatment for Vermont tax purposes. Taxpayers may elect **either** the **Flat Exclusion** or the **Percentage Exclusion**. The amount excluded under either method cannot exceed 40% of federal taxable income.

If your Form 1041 shows a capital loss, you are not eligible to complete this form. No Vermont exclusion is available when a net capital loss is reported, even if the sale of farm or standing timber resulted in a capital gain.

Part I Flat Exclusion

The general exclusion amount for the tax year is \$5,000 or the actual amount of net adjusted capital gains, whichever is less.

Special instructions for Line 1

If you do not file Schedule D (Form 1041) enter the amount from Form 1041, Line 4 on Line 1.

Part II Percentage Exclusion

Taxpayers may opt to exclude 40% of their adjusted net capital gain from the sale of assets held for more than three years. Only certain categories of capital gain income are eligible for this exclusion.

Capital Gains from the sale of the following assets are **NOT Eligible For Exclusion** under the Percentage Method even if they have been held for more than three (3) years:

1. Real estate or a portion of real estate used as a taxpayer's primary or nonprimary home.
2. Depreciable personal property (*except for farm or standing timber*).
3. Stocks or bonds which are publicly traded or traded on an exchange.
4. Any other financial instruments which are publicly traded or traded on an exchange.

Part III Capital Gain Exclusion Amount

This part applies the limitation of 40% of federal taxable income and calculates your capital gain exclusion. Enter the amount from Part III, Line 21, on Form FIT-161, Line 4b.

Contacting the Department

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