

SCHEDULE FIT-166 Instructions

VT INCOME ADJUSTMENTS AND TAX COMPUTATIONS FOR FIDUCIARIES

Please print in BLUE or BLACK ink only.

Please do not staple or bind your return.

You may use binder clips, paper clips, or rubber bands.

LINE-BY-LINE INSTRUCTIONS

PART I Taxable Municipal Bond Income

INTEREST AND DIVIDEND INCOME FROM NON-VT STATE AND LOCAL OBLIGATIONS ARE TAXABLE IN VT. A VT obligation is one from the State of VT or VT municipality.

- Line 1** Enter the total interest and dividend income received from all state and local obligations exempted from Federal tax. You may not reduce interest and dividend income by investment expenses if those expenses are not used to reduce income on your federal return.
- Line 2** Enter the interest and dividend income from VT obligations. This may have been paid directly or through a mutual fund or other legal entity that invests in VT state and local obligations. If the income is received from a mutual fund that has only a portion of its assets invested in VT state and local obligations, enter only the VT obligation amount.
- Line 3** Subtract Line 2 from Line 1. Enter result here and also on Form FIT-161, Line 2a. This is the amount of interest and dividend income from non-VT state and local obligations that must be included in VT taxable income.
- Line 4** Check this box if all municipal bond income was distributed and should not be taxed on this return.

PART II Additions and Subtractions to Tax

- Lines 1a-b** Complete these lines if the estate or trust is liable for tax on lump-sum distributions from Federal Form 4972 or recapture of Federal investment credit from Federal Form 4255.
- Line 1c** Add Lines 1a and 1b and multiply the sum by 24%.
- Line 2a** Investment tax credit from Form 3468. This credit is limited to the amount of investment tax credit attributable to the VT-property portion.
- Line 2b** Multiply Line 2a by 24%.
- Line 2c** VT-Based Research and Development Credit carryforward. Unused VT-based research & development tax credit may be carried forward no more than five years following the year the credit is claimed.
- Line 2d** Add Lines 2b and 2c.

PART III Income Adjustment Calculation

Nonresident or part-year resident estates or trusts must complete Part III to determine the non-VT portion of income used in calculating the adjustment percentage on Form FIT-161, Line 10.

Lines 1-8 Enter in Column A all the items comprising Federal income as they appear on the Federal Form 1041. Enter in Column B the VT portion of all items listed in Column A.

Nonresidents: Use Line 8 to adjust Column A for non-VT state and local obligations and U.S. obligation interest.

Lines 3, 5, and 6

Use amount from Federal K-1 **before** recalculation for exclusion of bonus depreciation for both Column A and Column B.

Contacting the Department

Mail: VT Department of Taxes
PO Box 1700
Montpelier, VT 05601-1700

Phone: (866) 828-2865 (toll-free in VT)

Phone: (802) 828-6820 (local and out-of-state)

Fax: (802) 828-2720

E-mail: tax.estate@vermont.gov