

# SCHEDULE FIT-166 Instructions

## Vermont 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-Vermont state and local obligations are taxable in Vermont.** A Vermont obligation is one from the State of Vermont or Vermont 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 Vermont obligations. This may have been paid directly or through a mutual fund or other legal entity that invests in Vermont state and local obligations. If the income is received from a mutual fund that has only a portion of its assets invested in Vermont state and local obligations, enter only the Vermont obligation amount.
- Line 3** Line 1 minus Line 2. Enter result here and also on Form FIT-161, 2023 Fiduciary Return of Income, Line 2a. This is the amount of interest and dividend income from non-Vermont state and local obligations that must be included in Vermont 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 and 1b**

Complete these lines if the estate or trust is liable for tax on lump-sum distributions from federal Form 4972, Tax on Lump-Sum Distributions; federal Form 5329, Additional Taxes on Qualified Plans and Other Tax-Favored Accounts; or recapture of federal investment credit from federal Form 4255, Recapture of Investment Credit.

- Line 1c** Add Lines 1a and 1b and multiply the sum by 24%.
- Line 2a** Investment tax credit from federal Form 3468, Investment Credit. This credit is limited to the amount of investment tax credit attributable to the Vermont-property portion.
- Line 2b** Multiply Line 2a by 24%.
- Line 2c** Vermont-Based Research and Development Credit carryforward. Unused Vermont-based research and development tax credit may be carried forward no more than five years following the year the credit is claimed.
- Line 2d** Charitable Housing Credit. Charitable investments in housing in Vermont.
- Line 2e** Add Lines 2b, 2c, and 2d.

---

## PART III Income Adjustment Calculation

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

---

### Lines 1 through 8

Enter in Column A all the items that are part of federal income as they appear on the federal Form 1041, U.S. Income Tax Return for Estates and Trusts. This includes the net income reported on the Electing Small Business Trust portion of the federal Form 1041. Enter in Column B the Vermont portion of all items listed in Column A.

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

---

### Lines 3, 5, and 6

Use amount from federal Schedule K-1, Beneficiary's Share of Income, Deductions, Credits, Etc., *before* recalculation for exclusion of bonus depreciation for both Column A and Column B.

---

## Contacting the Department

### Mailing address:

Vermont Department of Taxes  
PO Box 1700  
Montpelier, VT 05601-1700

**Telephone:** (866) 828-2865 (toll-free in Vermont)  
**Telephone:** (802) 828-6820 (local and out-of-state)  
**Fax:** (802) 828-2720  
**Email Address:** [tax.estate@vermont.gov](mailto:tax.estate@vermont.gov)