

# SCHEDULE IN-112 Vermont Tax Adjustments and Credits

## Who Must File Schedule IN-112

You must file Schedule IN-112 if you:

- Have interest income from state and local obligations (Part I)
- Have adjustments to your Vermont Tax (Part II)
- Are claiming the Vermont Earned Income Tax Credit (Part III)
- Are claiming Vermont Income Tax Credits (Part IV)

Print your name and Social Security Number on this schedule. Please use **blue or black ink** to make all entries.

## Part I Adjustments to Vermont 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 a Vermont municipality.

- Line 1** Enter the total interest and dividend income received from all state and local obligations exempted from federal tax. From federal Form 1040, Line 8b, or 1040A, Line 8b.
- Line 2** Enter the interest and dividend income from Vermont obligations. This may have been paid directly to you or through a mutual fund or other legal entity that invests in Vermont state and local obligations. If you receive this income from a mutual fund that has only a portion of its assets invested in Vermont state and local obligations, enter only the amount for the Vermont obligation(s).
- Line 3** Subtract Line 2 from Line 1. Enter this amount on Form IN-111, Line 12a. This is the amount of interest and dividend income from non-Vermont state and local obligations that must be included in Vermont Taxable Income.

## Part II Additions to Vermont Tax

- Line 1** Tax on Qualified Plans and tax favored accounts, including individual retirement accounts (IRAs), health savings accounts (HSAs), and medical savings accounts (MSAs).
- Line 2** Recapture of Investment Tax Credit from federal Form 4255.
- Line 3** Tax on Lump-Sum Distributions from federal Form 4972.
- Line 4** Add Lines 1 through 3 and enter result.
- Line 5** Multiply Line 4 by 24% and enter result.
- Line 6** **Recapture of Vermont tax credit(s).** Recapture occurs when a previously claimed credit is changed. Contact the Department at 802-828-2865 or 866-828-2865 (toll-free in the U.S.) for information on calculating the recapture amount.
- Line 7** Add Lines 5 and 6. Enter this amount on Form IN-111, Line 17.

## Subtractions from Vermont Tax

- Line 8** **Credit for Child and Dependent Care Expenses** from federal Form 1040, Line 49; 1040A, Line 31. Do not use this line if you qualify for the Low Income Child and Dependent Care Credit. **You cannot take both credits.**
- Line 9** Enter credit for the Elderly or the Disabled from federal Schedule R.
- Line 10** **Investment Tax Credit** from federal Form 3468. This credit is **limited** to the amount of Investment Tax Credit attributable to the **Vermont-property** portion.

**Line 11** **Vermont Farm Income Averaging Credit**  
This credit is available to farmers who calculate federal tax using federal Schedule J. Complete the worksheet.

**Line 12** Add Lines 8 through 11.

**Line 13** Multiply Line 12 by 24% and enter the result.

**Line 14** **Vermont-Based Business Solar Energy Investment Credit carryforward**

Unused Vermont-based business solar energy investment tax credits may be carried forward for five years following the year a credit is claimed. Solar credits carried forward and claimed under 32 V.S.A. § 5822(d) should be applied to this line. These credits are a component of the Investment Tax Credit and are the only portion that credit that can be carried forward. Solar credits are reported on federal Form 3468, Line 12b (2017), and only the Vermont-property portion of the federal credit can be used to factor Vermont's solar energy investment credit.

**VT FARM INCOME AVERAGING WORKSHEET**

1. Calculate and enter here Federal income tax using Federal Schedule D, Federal Schedule D Worksheet, or Federal tax rate schedules as if Schedule J was not used. . 1. \$ \_\_\_\_\_

**less**

2. Enter Federal tax from Federal Schedule J Line 23 2. \$ \_\_\_\_\_

3. Subtract Line 2 from Line 1. This is your VT Farm Income Averaging Credit. Enter the result on Schedule IN-112, Part II, Line 11 . . . . . 3. \$ \_\_\_\_\_

Solar credits earned and carried forward under § 5822(d) are valued at 24% of the Vermont-property portion of the federal credit. **Please note:** solar credits under 32 V.S.A. § 5930z, which were valued at 100% of the Vermont property portion of the federal credit, can no longer be applied or carried forward.

**Line 15** Add Lines 13 and 14. Enter this amount on Form IN-111, Line 19.

### Part III Vermont Earned Income Tax Credit (For Full-Year and Part-Year Vermont Residents Only)

**Supporting Documents Required:** Evidence of earned income such as W-2 or self-employment schedule(s). Eligibility questions A, B, and C **must be answered.** The claim will be disallowed if the questions are not answered.

#### Full-Year Residents

**Line 1** Enter the amount of your federal Earned Income Tax Credit.

**Line 2** Multiply Line 1 by 32%. Enter the result and also enter on Form IN-111, Line 31c. This is your Vermont Earned Income Tax Credit.

#### Part-Year Residents

**Line 3A** Enter the federal amount of wages, salaries, tips, etc.

**Line 3B** Enter the portion of federal wages, salaries, tips, etc. earned while a Vermont resident.

**Lines 4A & 4B** Other earned income includes income from a business, partnership, or farm.

**Line 5A** Add Lines 3 and 4 in Column A and enter result.

**Line 5B** Add Lines 3 and 4 in Column B and enter result.

**Line 6** Divide Line 5, Column B, by Line 5, Column A. Enter the result as a percentage carried out to two decimal places. This is the percentage of 2017 income earned in Vermont that is eligible for the Vermont Earned Income Tax Credit.

**Line 7** Enter the amount of your federal Earned Income Tax Credit.

**Line 8** Multiply Line 7 by 32% and enter result.

**Line 9** Multiply Line 8 by Line 6. Enter the result and also enter on Form IN-111, Line 31c. This is your Vermont Earned Income Tax Credit.

### Part IV Vermont Income Tax Credits

**Line 1** **Vermont Higher Education Investment Plan (VHEIP)**

**The credit is available only for contributions to the 529 plan administered by the Vermont Student Assistance Corporation (VSAC).** For more information, read Technical Bulletin 66 on our website. You may be eligible for a tax credit on contributions made during calendar year 2017 to VHEIP. The tax credit equals 10% of the first \$2,500 of contributions per beneficiary. For jointly filed returns, the tax credit equals 10% of the first \$5,000 of contributions per beneficiary. For more information on VHEIP, visit the VSAC website at [www.vsac.org](http://www.vsac.org), call 800-637-5860 Monday through Friday, 8:00 a.m. to 7:00 p.m., or email [VHEIPquestions@VHEIP.org](mailto:VHEIPquestions@VHEIP.org).

**Taxpayers receiving tax credit for Lines 2 - 4 through S corporations, LLCs, LLPs, or partnerships, enter the name of each entity and its FEIN on the schedule.**

**Line 2** **Charitable Housing** A taxpayer making an investment in an eligible housing charity may receive a credit against Vermont income tax. The Commissioner of Housing and Community Development calculates the credit.

**Line 3** **Qualified Sale of Mobile Home Park** Please call the Department at 802-828-2865 if you believe that you qualify for this credit.

**Line 4** **Research & Development Credit** A taxpayer may receive a credit against Vermont income tax equal to 27% of the amount of federal tax credit allowed in the taxable year for research and development expenditures eligible under section 41(a) of the Internal Revenue Code and which are made within Vermont. Any unused credit available may be carried forward up to 10 years. The Department will publish annually the names of taxpayers who receive the credit.

**Line 5** **Total Credits** Add entries from Lines 1-4 in Column C. Enter on Form IN-111, Line 24, unless you claim income tax credits on Schedule IN-119. For Schedule IN-119 filers, enter credit on the appropriate Schedule IN-119 line(s). Use amount calculated from Schedule IN-119 for entry on Form IN-111, Line 24.