

# SCHEDULE IN-112 Vermont Tax Adjustments and Credits

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

## Who Must File Schedule IN-112

You must file Schedule IN-112 if you:

- Have interest income from state and local obligations (Part I)
  - Federal bonus depreciation
  - Adjustment to bonus depreciation
  - Interest Income from U.S. obligations
  - Capital Gains Exclusion
  - Taxable refunds of state and local income tax
- Are claiming Vermont Refundable Credits (Part II)
  - Low Income Child & Dependent Care
  - Vermont Earned Income Tax Credit

## Part I Additions to Federal Adjusted Gross Income

Interest and dividend income from non-Vermont state and local obligations which are exempted from federal taxable income are taxable in Vermont. A Vermont obligation is one from the state of Vermont or a Vermont municipality.

<b>Line 1</b>	Enter the total interest and dividend income received from all state and local obligations exempted from federal tax as reported on federal Form 1040, U.S. Individual Income Tax Return.
<b>Line 2</b>	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).
<b>Line 3</b>	Subtract Line 2 from Line 1. This is the amount of interest and dividend income from non-Vermont state and local obligations that must be included in Vermont Taxable Income.
<b>Line 4</b>	<b>Federal Bonus Depreciation.</b> Vermont does not recognize the bonus depreciation allowed under federal law. Enter the difference between the depreciation calculated by standard MACRS methods and the depreciation calculated using the federal bonus depreciation for assets placed in service in 2021. Read Technical Bulletin TB-44, Disallowance of Bonus Depreciation Provisions of Federal Economic Stimulus Act of 2008, on our website for information on calculating the amount to add back to taxable income.
<b>Line 5</b>	Reserved
<b>Line 6</b>	<b>Total Federal Adjusted Gross Income Additions.</b> Add Lines 3 and 4.

## Subtractions From Federal Adjusted Gross Income

<b>Line 7</b>	<b>Interest Income from U.S. Obligations.</b> Interest income from U.S. government obligations (such as U.S. Treasury bonds, bills, and notes) is exempt from Vermont tax under the laws of the United States. Enter the amount of interest income from U.S. Obligations on this line. Read Technical Bulletin TB-24, Exemption of Income of U.S. Government Obligations, on our website.
<b>Line 8</b>	<b>Capital Gains Exclusion.</b> See Schedule IN-153, Capital Gains Exclusion Calculation, and instructions to calculate the capital gains exclusion for 2021. Read Department regulation § 1.5811(21)(B)(ii) and Technical Bulletin TB-60, Taxation of Gain on the Sale of Capital Assets, on our website to help determine your capital gain exclusion. Complete and submit Schedule IN-153.
<b>Line 9</b>	<b>Adjustment for Bonus Depreciation on Prior Year Property.</b> Enter the difference between the depreciation calculated by standard MACRS methods and the depreciation calculated at the federal level. For information on calculating the amount that can be subtracted from taxable income, read Technical Bulletin TB-44 on our website.
<b>Line 10</b>	<b>Taxable Refunds of State and Local Income Taxes.</b> Enter the amount reported on your federal Form 1040.
<b>Line 11</b>	<b>Medical Expenses Deduction.</b> Complete the worksheet located in the instructions.
<b>Line 12</b>	<b>Social Security Benefits Exempt from Vermont Taxation.</b> Complete the worksheet located in the instructions.
<b>Line 13</b>	Enter the amount you received in 2021 for Regular Railroad Retirement Benefits (Tier 1) and Supplemental Railroad Annuity Payments (Tier 2). This income is taxable at the federal level, but exempt from Vermont income tax. If you receive Social Security that includes Tier 1 or Tier 2 benefits, enter only the portion included in your federal Adjusted Gross Income. <b>You may be asked to provide the Required Supporting Documents:</b> Copies of 1099, 1099RB, WP-4, or any other document you received showing payment of these benefits.
<b>Line 14</b>	The interest or income from a bond or note of: <b>1)</b> Vermont Student Assistance Corporation, <b>2)</b> Build America, <b>3)</b> Vermont Telecommunications Authority, or <b>4)</b> Vermont Public Power Supply Authority is exempt from Vermont

## MEDICAL DEDUCTION WORKSHEET

- 1a. Medical and Dental Expense from federal Form 1040, Schedule A, Line 4. . . . . **1a.** \_\_\_\_\_
- 1b. Non-allowable expenses included in Line 1a (See instructions below\*) . . . . . **1b.** \_\_\_\_\_
- 1c. Total. Line 1a minus Line 1b . . . . . **1c.** \_\_\_\_\_
2. Amount from Vermont Form IN-111, Line 6 . . . . . **2.** \_\_\_\_\_
3. Subtract Line 2 from Line 1c. Enter here and on Schedule IN-112, Part I, Line 11 . . . . . **3.** \_\_\_\_\_
- If amount on Line 3 is negative, STOP. You do not qualify for this deduction.**

*\*If you pay recurring monthly payments or entrance fees to a retirement community, these amounts are not deductible. Please enter the fees on Line 1b. Please see our website at [tax.vermont.gov](http://tax.vermont.gov) for more information.*

## SOCIAL SECURITY EXEMPTION WORKSHEET

**PLEASE READ ALL INSTRUCTIONS CAREFULLY BEFORE COMPLETING THIS WORKSHEET.**

**Instructions: It is important that you answer the questions in Section I to determine if you qualify for a full or partial exemption. If you qualify for a partial exemption, you may move on to Section II to calculate the amount of the exemption.**

### SECTION I: Do you qualify for the Vermont Social Security full or partial exemption?

1. Did you report an amount on federal Form 1040, U.S. Individual Income Tax Return, Line 6b, earning Social Security benefits that were taxable in the current tax year?
- No, STOP.** You do not qualify for this exemption.
- Yes.** Proceed to question 2.
2. If you are:
- Married filing jointly, is your Adjusted Gross Income (AGI) on Form IN-111, Vermont Income Tax Return, Line 1, less than \$70,000?
  - Single, head of household, qualifying widow(er), or married filing separately, is your AGI on Form IN-111, Line 1, less than \$55,000?
- No, STOP.** You do not qualify for this exemption.
- Yes.** You qualify for Vermont's Social Security exemption. Proceed to question 3.
3. If you are:
- Married filing jointly, is your AGI less than \$60,000?
  - Single, head of household, qualifying widow(er), or married filing separately, is your AGI less than \$45,000?
- No.** Please proceed to Section II of this worksheet.
- Yes.** You qualify for a **full exemption.** Please enter the full amount from federal Form 1040, Line 6b, on Schedule IN-112, Part I, Line 12.

### SECTION II: Calculating your Social Security Partial Exemption

This section is for married joint filers with an Adjusted Gross Income (AGI) between \$60,000-\$70,000 and for single, head of household, qualifying widow(er), or married separate filers with an AGI between \$45,000-\$55,000.

4. If you are:
- Married filing jointly, enter \$70,000.
  - All other filing statuses, enter \$55,000. . . . . **4.** \_\_\_\_\_
5. Enter your AGI from Form IN-111, Line 1. . . . . **5.** \_\_\_\_\_
6. Subtract Line 5 from Line 4. If Line 5 is greater than Line 4, enter -0-. . . . . **6.** \_\_\_\_\_
7. Divide Line 6 by \$10,000. This value will be a decimal. Please round to the second decimal place (*Example: .481 would round to .48*). . . . . **7.** \_\_\_\_\_
8. Enter the lesser of Line 7 or the value 1 (This line should not be greater than 1). . . . . **8.** \_\_\_\_\_
9. Enter the amount from federal Form 1040, Line 6b. . . . . **9.** \_\_\_\_\_
10. Amount of **partial exemption.** Multiply Line 9 by Line 8.  
Enter this amount on Schedule IN-112, Part I, Line 12. . . . . **10.** \_\_\_\_\_

**Note about civil unions:** If you are in a civil union and filing jointly, you should file for this exemption as married filing jointly. If you are a civil union and filing separately, you should file as married filing separately.

income tax to the extent the interest or income is included in federal Adjusted Gross Income. Enter the amount of interest or income from these sources that is also included in your federal Adjusted Gross Income.

- Line 15** Reserved
- Line 16** **Total Federal Adjusted Gross Income Subtractions.** Add Lines 7 through 14.
- Line 17** **Net Modifications to Federal Adjusted Gross Income.** Subtract Line 16 from Line 6. If Line 6 is less than Line 16, use a hyphen (“-”) to indicate a negative. Enter on Form IN-111, Vermont Income Tax Return, Line 2.

## Part II Refundable Credits

### Line 1 **Low Income Child & Dependent Care Credit** (Vermont Residents only)

If care expenses are from both accredited and non-accredited providers, complete the worksheet to calculate the credit.

Eligible taxpayers receive 50% of the federal Child and Dependent Care Credit as a refundable Vermont income tax credit instead of the nonrefundable 24% credit from Schedule IN-119, Vermont Tax Adjustments and Nonrefundable Credits.

Taxpayers must meet the following requirements:

- Your income must be either:
  - less than \$30,000 federal Adjusted Gross Income for taxpayers filing as Single, Head of Household, Married Filing Separately, Civil Union Filing Separately
- OR**
- less than \$40,000 federal Adjusted Gross Income for taxpayers filing as Married Filing Jointly, Civil Union Filing Jointly, Qualifying Widow(er)
- Care in 2021 must be provided by a home or facility located in Vermont accredited by the Vermont Agency of Human Services. Include a copy of your federal Form 2441, Child and Dependent Care Expenses. To determine if your care provider is accredited, go to our website or call the Department of Children and Families at (800) 649-2642.

### LOW INCOME CHILD & DEPENDENT CARE WORKSHEET

- Accredited care provider amount . . . . . 1. \_\_\_\_\_
- Total care amount . . . . . 2. \_\_\_\_\_
- Divide Line 1 by Line 2 . . . . . 3. \_\_\_\_\_

$$\begin{array}{ccccccc} \$ & \underline{\hspace{2cm}} & \times & \underline{\hspace{2cm}} & = & \$ & \underline{\hspace{2cm}} \\ \text{Federal Credit} & & & \text{Line 3 above} & & \text{Eligible Credit} & \\ \text{(Form 2441,} & & & & & & \text{Low Income Credit} \\ \text{Line 10)} & & & & & & \text{IN-112, Part II,} \\ & & & & & & \text{Line 1} \end{array}$$

You may wish to also calculate your VT tax credit using 24% of the full Federal credit and compare to the credit calculated on this worksheet to determine which credit is best for you. **NOTE: You cannot take both credits.**

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

In order to qualify for the Vermont Earned Income Tax Credit, a taxpayer must first be eligible for a federal Earned Income Tax Credit.

**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 2** Enter the amount of your federal Earned Income Tax Credit.
- Line 3** Multiply Line 2 by 36% (0.36). Enter the result.

### Part-Year Residents

- Line 4A** Enter the federal amount of wages, salaries, tips, etc.
- Line 4B** Enter the portion of federal wages, salaries, tips, etc. earned while a Vermont resident.
- Lines 5A & 5B** Other earned income includes income from a business, partnership, or farm.
- Line 6A** In Column A, add Lines 4 and 5 and enter the result.
- Line 6B** In Column B, add Lines 4 and 5 and enter the result.
- Line 7** Divide Line 6A by Line 6B. Enter the result as a percentage carried out to two decimal places but not greater than 100%. This is the percentage of 2021 income earned in Vermont that is eligible for the Vermont Earned Income Tax Credit.
- Line 8** Enter the amount of your federal Earned Income Tax Credit.
- Line 9** Multiply Line 8 by 36% (0.36) and enter result.
- Line 10** Multiply Line 9 by Line 7. Enter the result.
- Line 11** **TOTAL REFUNDABLE CREDITS**  
Add Line 1 to Line 3 or Line 10. Enter this amount on Form IN-111, Line 25c.