

# SCHEDULE IN-113 Income Adjustment

## WHO MUST FILE IN-113

You must file Schedule IN-113 if you are either:

- a nonresident or part-year resident and earned or received Vermont income,

**OR**

- a Vermont resident claiming income exempt from Vermont income tax

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**Nonresident:** Complete both Parts I and II to determine the allocation of Vermont income. Visit our website for definition of nonresident income.

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**Resident:** Complete Part II to adjust for the following income exempt from Vermont income tax: military pay, federal railroad retirement income, or bond/note income from qualified investments.

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**Part-Year Resident:** Part-year residents may, in some cases, be able to adjust Vermont income by both the Vermont percentage of income and claim a credit for income tax paid to another tax jurisdiction. The income tax paid must be for income earned in Vermont while a Vermont resident. Visit our website for information.

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**For Married Filing Separately or Civil Union Filing Separately,** all income of the individual filing must be included in Column A, not just Vermont income. The adjustment calculation excludes non-Vermont income.

**Supporting Documents Required:** Copies of the federal Form 1040, U.S. Individual Income Tax Return, and any federal schedules reporting Vermont income or loss.

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**Dates of Vermont Residency in 2018** Enter the dates you lived in Vermont in 2018. Leave blank if you did not live in Vermont.

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**Name of State(s) During Non-Vermont Residency** Write the names of the other states, Canadian provinces, or countries where you were a resident in 2018.

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## PART I (For Nonresidents and Some Part-Year Vermont Residents)

Unless otherwise indicated in the line instruction, the Vermont portion is the income received from Vermont or received while a Vermont resident.

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**Lines 1 - 13, Column A** Enter the income for these categories as shown on your federal income tax return.

**NOTE:** For Line 3A - Use taxable amount "Ordinary dividends" from federal Form 1040, U.S. Individual Income Tax Return.

For Line 10A - Use amount from federal Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc., *before* recalculation for exclusion of bonus depreciation.

For Line 12A - Use amount reported on federal Form 1040.

For Line 13A - Use amounts from federal Form 1040, Schedule 1, lines reporting "other gains and losses" and "other income."

**Nonresidents:** Use Line 13A to adjust for non-Vermont state and local obligations and U.S. obligation interest.

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**Line 13, Column A** Examples of other income: gambling winnings including lotteries, raffles, or lump-sum payment from sale of right to receive future lottery annuity; reimbursement this year for items itemized last year such as medical expenses; interest; income from rental of personal property; taxable distributions from Coverdell Education Savings Account or Qualified Tuition Plan, medical savings account or Archer Medical Savings Account.

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**Lines 1 - 13, Column B** Enter the Vermont portion for these categories from your federal income tax return.

**NOTE:** For Line 3B - Use the amount of ordinary dividends received while a Vermont resident.

For Line 9B - Include amount from Line 2 of Vermont Schedule K-1VT, Shareholder, Partner, or Member Information plus all additional Vermont-sourced capital gains.

For Line 10B - Use sum of Line 1 and Line 3 of Schedule K-1VT *before* recalculation for exclusion of bonus depreciation.

For Line 12B - Enter total amount received for Vermont unemployment.

For Line 13B - Use the amount of other income earned or received from federal Form 1040, Schedule 1, lines reporting "other gains and losses" and "other income," from Vermont sources.

**Nonresidents:** Do not include tax-exempt interest here to adjust for non-Vermont state and local obligations and U.S. obligation interest.

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**Lines 15 - 23, Column A** Enter the amount for these categories as shown on your federal Form 1040.

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**Lines 15 - 23, Column B** Enter the portion of the deductions paid or incurred during your Vermont residency or resulting from Vermont income earned or received.

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**Line 24, Column A** Enter the combined amounts of Educator Expenses and Tuition and Fees from federal Form 1040.

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**Line 24, Column B** The Vermont portion of Educator Expenses and Tuition and Fees during Vermont residency.

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**Line 25, Column A** Enter deduction(s) to Adjusted Gross Income that are included in the total on federal Form 1040.

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**Line 25, Column B** Enter the portion of the deductions paid or incurred during your Vermont residency or resulting from Vermont income earned or received.

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## **PART II Adjustment for Vermont Exempt Income**

**Line 30** If Part I is completed, enter the amount from Line 27. Otherwise, enter Adjusted Gross Income from Form IN-111, Line 1.

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**Line 31** **Part-Year Residents and Nonresidents:** Enter the amount from Part I, Line 29. **Full-Year Residents:** Enter -0-.

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**Line 32** Enter the amount of Vermont exempt military pay received in 2018 that is included in your federal Adjusted Gross Income. Exempt military pay is:

- I.** Wages earned from the armed services for full-time active duty outside of Vermont. **You may be asked to provide the Required Supporting Documents:** Copy of active duty orders.
  - II.** Up to \$2,000 for National Guard or U.S. Reserve training pay earned in Vermont if your Adjusted Gross Income for tax year 2018 is less than \$50,000. **You may be asked to provide the Required Supporting Documents:** Copy of DFAS form or certification statement from unit that all training was completed during the calendar year.
  - III.** Student loan repayment can be taken only if the amount is included in your Adjusted Gross Income. Enter the repayment benefit made under 10 U.S.C. Chapters 109 and 1609 for **2018**. **You may be asked to provide the Required Supporting Documents:** Certification statement from armed services showing your name, address, Social Security Number, amount of student loan repayment, and payment date.
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**Line 33** Enter the amount you received in 2018 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. **You may be asked to provide the Required Supporting Documents:** Copies of 1099, 1099RB, WP-4, or any other document you received showing payment of these benefits.

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**Line 34** The interest or income from a bond or note of: **(1)** Vermont Student Assistance Corporation, **(2)** Build America, **(3)** Vermont Telecommunications Authority, or **(4)** Vermont Public Power Supply Authority is exempt from Vermont 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.

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**Line 35** Add Lines 31 through 34 and enter result. This is the total amount of income not subject to Vermont income tax. No entry is needed on this line if you did not have entries on Lines 31 through 34.

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**Line 36** Subtract Line 35 from Line 30. This is the Vermont income subject to tax.

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**Line 37** Divide Line 36 by Line 30. Also enter on Form IN-111, Line 15.

Carry out to four decimal places. *Example:* XX.XXXX%

### **Dealing with negatives:**

- If Line 30 is a negative and Line 36 is a positive, enter 100%
- If Line 36 is a negative, enter 0%
- If Lines 30 and 36 are negative, enter 0%