

# 2019 SCHEDULE IN-153 Instructions

## Capital Gains Exclusion

### Who is Eligible to File?

Vermont allows a portion of net adjusted capital gains, as defined by Internal Revenue Code Section 1(h), to be excluded from Vermont taxable income. Qualified dividends are not eligible for capital gains treatment for Vermont tax purposes. Taxpayers may elect **either** the **Flat Exclusion** or the **Percentage Exclusion**. The amount excluded under either method cannot exceed 40% of federal taxable income or \$350,000, whichever is less. If your 2019 federal Form 1040, U.S. Individual Income Tax Return, shows a capital loss, you are not eligible to complete this form. No Vermont exclusion is available when a net capital loss is reported, even if the sale of farm or standing timber resulted in a capital gain.

### Part I Flat Exclusion

The general exclusion amount for tax year 2019 is \$5,000 or the actual amount of net adjusted capital gains, whichever is less.

#### Special instructions for Line 1.

If you did not file federal Form 1040, Schedule D, enter the Capital gain amount from Form 1040, Line 6, on Line 1.

### Part II Percentage Exclusion

In 2019, the rules regarding capital gain has changed. Different rules apply to income before or on and after July 1, 2019.

**For income received before July 1, 2019**, taxpayers may choose to exclude 40% of their adjusted net capital gain from the sale of assets held for more than three years. Only certain categories of capital gain income are eligible for this exclusion. Capital gains from the sale of the following assets are not eligible for exclusion under the Percentage Method even if they have been held for more than three years:

1. Real estate or a portion of real estate used as a taxpayer's primary or nonprimary home
2. Depreciable personal property (*except for farm or standing timber*)
3. Stocks or bonds which are publicly traded or traded on an exchange
4. Any other financial instruments which are publicly traded or traded on an exchange

**Effective for income received on or after July 1, 2019**, taxpayers may choose to exclude 40% of their adjusted net capital gain up to \$350,000 (maximum Vermont exclusion \$875,000) from the sale of assets held for more than three years. Only certain categories of capital gain income are eligible for this exclusion. Capital gains from the sale of the following assets are not eligible for exclusion under the Percentage Method even if they have been held for more than three years:

1. Real estate or a portion of real estate used as a taxpayer's primary or nonprimary home
2. Depreciable personal property (*except for farm or standing timber*)
3. Stocks or bonds which are publicly traded or traded on an exchange
4. Any other financial instruments which are publicly traded or traded on an exchange

For more information on the Capital Gains Exclusion, please see Vermont Income Statute 32 V.S.A. § 5811(21)(B) at <https://legislature.vermont.gov/statutes/section/32/151/05811>, or Vermont Department of Taxes regulation Reg. § 1.5811.(21)(B)(ii) found on our website at [www.tax.vermont.gov/regulations](http://www.tax.vermont.gov/regulations).

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## Part III Capital Gain Exclusion Amount

Part III applies the limitation of 40% of federal taxable income and calculates your capital gain exclusion. Enter the amount from Line 21 on Form IN-112, Part I, Line 7.

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### Contacting the Department

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