

SCHEDULE K-1VT

Shareholder, Partner, or Member Information

Please print in **BLUE** or **BLACK** ink only.

Schedule K-1VT reports the Vermont-source income earned by a business entity that is passed through to the owners. In general, pass-through entities, including S-Corporations, Partnerships, and some Limited Liability Companies, should include a Schedule K-1VT for each Shareholder, Partner, or Member (S/P/M) with their Vermont Business Income Tax Return (Form BI-471). There are exceptions for composite returns, described below.

Every business must provide each S/P/M with a copy of their Schedule K-1VT on or before the due date of Form BI-471.

Businesses that file Form BI-476 instead of BI-471 should **not** include Schedule(s) K-1VT with the return. They may prepare the schedule(s) and provide them to the owner(s) if desired.

For detailed information on filing requirements and definitions of income and residency, refer to the following resources:

- Title 32, Vermont Statutes Annotated, § 5811, § 5823, § 5861, § 5912, § 5914, § 5920
- Technical Bulletin #06

COMPLETE A SEPARATE SCHEDULE K-1VT FOR EACH S/P/M.

EXCEPTION: If the business has elected or is required to file a composite return to report and pay tax for its non-Vermont Resident S/P/Ms, consolidate their information on to a single K-1VT. The “recipient” information (name, FEIN, etc.) should be that of the reporting business entity. The percent ownership and other numerical fields should be the sum of the figures for all owners included in the composite filing. Mark the “Composite” checkbox “Yes.”

The entity may, at its discretion, complete K-1VTs for each separate owner that is included in the composite filing. (An example of where this might be helpful would be if one or more owner in the composite filing has a Vermont income tax filing requirement due to other Vermont activity. The K-1VT would demonstrate the income distributed, which would be deducted from the owner’s income tax return in order to avoid double-taxation. These K-1VTs should not be attached to the BI-471 sent to the Department.)

Line 5 would be \$0. Estimated payments would not pass through to owners, but would be applied as a credit against tax at the entity level.

NOTE: Starting in 2014, if an entity files a composite return, all non-Vermont-residents must be included in the composite filing. “Partial composite” returns will not be accepted.

Above the Header Information – REQUIRED ENTRIES

Enter the begin and end dates of the fiscal year of the business filing the return.

Enter the Business Name and Federal ID Number of the business filing the return.

Header Information – REQUIRED ENTRIES

All information in the Header Section is required. Failure to correctly complete this information will result in processing delays and/or late filing penalties for your return.

Name, Address, ID Number

If the Shareholder, Partner, or Member (S/P/M) is an entity other than an individual, enter the Entity Name of the S/P/M, and its Federal I.D. Number. If the S/P/M is an individual, enter the Individual Last Name, First Name, and Middle Initial, and his/her Social Security Number. See also “Notes for disregarded entities and trusts” below, if applicable.

Enter the complete address of the S/P/M.

Enter the Foreign Country for the S/P/M if other than the United States.

Recipient S/P/M Type:

I - Individual (including Trusts that report directly on an individual income tax return, as opposed to filing a fiduciary return)

C - C-Corporation, 501(c)(3)

S - S-Corporation

L - Limited Liability Company (not a disregarded entity)

P - Partnership

T - Trust (filing a fiduciary return)

X – Exempt Organization - If the S/P/M is an exempt entity, not subject to income taxation (such as an ESOP or nonprofit to which this income is **not** characterized as unrelated business income). Provide a statement of the name(s) and FEIN(s), and description of why or authority by which they are exempt from income taxation.

Residency Status

Check the appropriate box to indicate the residency status of the S/P/M. Review 32 V.S.A. § 5811 if necessary.

Percentage of Entity's income or loss to this recipient

Enter the percentage of the entity's Vermont sourced income distributed or allocable to this S/P/M, written as a percent, and calculated to six places to the right of the decimal point. (So, for example, exactly 5% would be written as 5.000000%.) Note that this is a percentage of income or loss, not percentage of ownership. "Various" is not a valid entry.

- The sum of this field across all attached K-1VTs must add up to exactly 100.000000%.
 - The sum of this field across all K-1VTs marked as "nonresident" (as opposed to "VT Resident") must add up to the amount reported on Schedule BI-472, Line 14 or Schedule BI-473, Line 15 (whichever is attached).
 - Otherwise, processing will be delayed.
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Did this entity pay tax on this income as part of a composite return?

For any S/P/M that is a resident of Vermont, mark "No."

If the business has not elected and is not required to file composite, mark "No" on all K-1VTs.

For composite entities, the Department requires a single K-1VT that aggregates the information of all S/P/Ms included in the composite filing. However, some businesses and preparers choose to create a separate K-1VT to distribute to each S/P/M. For either the individual or aggregate composite K-1VT:

- Mark "Yes" if this S/P/M is a non-Vermont resident, and is included in the company's composite return, whether the composite return is elected by the taxpayer or mandated by the state (due to having more than 50 non-Vermont resident S/P/Ms).
- If the S/P/M is included in the composite return, K-1VT, Line 5 will be \$0, and the S/P/M will not receive any of the estimated payments credited at the entity level. Those payments will be applied to composite tax, and any overpayment would be available to the entity for refund or as a credit forward to the next tax year.
- If the S/P/M is included in the composite return, and has no other activity, income, or loss in Vermont, they are relieved of their requirement to file their own Vermont income tax return.
- **Instructions for K-1VT recipients:** If you received a K-1VT and this box was marked "yes," you should not include this income on your own Vermont income tax return. Additionally, you are not able to claim any non-resident withholding paid by the entity that issued you this K-1VT. If Line 5 reads any amount other than \$0, the K-1VT has not been completed correctly.

NOTE: As of 2014, "partial composite" returns are not allowed. Any company electing or mandated to file a composite return must include all non-Vermont residents. There is no opt-out on an individual basis.

Line-By-Line Instructions

- Line 1** **Vermont Business Income** - Enter this recipient S/P/M's share of Vermont Business Income. The sum of this line across all attached K-1VTs must add up to the sum of the amounts reported on Schedule BI-472, Line 8 and Line 10, or the sum of the amounts reported on Schedule BI-473, Line 9 and Line 11.
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- Line 2** **Capital Gains allocated to Vermont** - Enter this recipient S/P/M's share of Capital Gains allocated to Vermont.
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- Line 3** **Other income allocated to Vermont** - Enter this recipient S/P/M's share of other income allocated to Vermont.
- NOTE:** The sum of Line 2 and Line 3 across all attached K-1VTs must add up to the sum of the amounts reported on Schedule BI-472, Line 9, Line 11, and Line 12, or the sum of the amounts reported on Schedule BI-473, Line 10, Line 12, and Line 13.
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- Line 4** **Amount of total Vermont income *NOT* characterized as Unrelated Business Income (UBI) for Federal purposes (tax-exempt entities only)** - If recipient is a nonprofit, exempt entity, or federal form 990 series filer, enter the amount of income that is *not* characterized as unrelated business income for federal income tax purposes. That is, enter the amount of income that is exempt from taxation under the IRC and Vermont law.
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- Line 5** **Total annual nonresident estimated payments allocated to this shareholder** - If this recipient S/P/M is a Vermont resident, enter 0.
- If this recipient S/P/M is a nonresident, enter the portion of the amounts from BI-471 Lines 10 and 11 (paid with Form WH-435 and including catch-up payment, if applicable) to be distributed to this S/P/M's income tax account. (If the S/P/M is included in the composite return, no estimated payments will be allocated to them.)
- NOTE:** For non-composite entities, the sum of Line 5 across all K-1VTs should equal the sum of BI-471, Lines 10 and 11, less any amount requested as a refund on Form BI-471, Line 18, but not less than the estimated payment requirement calculated on Form BI-471, Line 2.
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- Line 6** **Total annual real estate withholding payments allocated to this shareholder** - If this recipient S/P/M is a Vermont resident, enter 0.
- Enter the amount of any real estate withholding payments allocated to this S/P/M. Real estate withholding would have been paid by the buyer of Vermont real estate this business sold in this fiscal year, and reported on Schedule A of Form RW-171, or may have been distributed to this entity from such a seller of which this entity is an owner, via a Schedule K-1VT.
- NOTE:** The sum of Line 6 across all K-1VTs must equal the sum of BI-471 Lines 8 and 9. Real estate withholding must be distributed to S/P/Ms and may not be refunded to the entity, unless a composite return is being filed.
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- Line 7** **Share of total federal bonus depreciation difference** - Enter the difference between bonus depreciation taken for federal income tax purposes and depreciation allowed for Vermont. Bonus depreciation taken in the current year is not allowed for Vermont purposes and results in an increase in Vermont income. Bonus depreciation taken in a prior year results in a decrease in the current year Vermont income. If the decrease from past bonus depreciation exceeds the current year disallowance, report the negative value on Line 7 and report the decrease in income on Line 14c of Form IN-111.

Notes for disregarded entities and trusts

If the S/P/M is a disregarded entity that does not file a Vermont income tax return, provide information for the owner of that entity who will file a return. Include a statement that explains the chain of ownership and identifies the disregarded entity. Providing K-1VTs for entities that do not file Vermont income tax returns will delay allocation of estimated payments.

Examples:

- A) The recipient is a single-member LLC owned by an individual that reports all activity on Federal Form 1040, Schedule C. Provide the name and SSN of the individual filing Schedule C, and indicate "I" in the recipient type box.
- B) The recipient is a single-member LLC owned by a C-Corporation. Provide the corporation's name and FEIN, and indicate "C" in the recipient type box.
- C) The recipient is a trust that reports all activity directly on the recipient's individual income tax return. Provide the name and SSN of the individual on whose return the trust is reported, and indicate "I" in the recipient type box.
- D) The recipient is a trust which files a fiduciary return with Vermont. Provide the entity name and the FEIN of the trust. Indicate "T" in the recipient type box.
- E) The recipient is a corporation that does not file a stand-alone corporate income tax return, but is included in a combined report for a unitary group. Provide the name and FEIN of the Principal Vermont Corporation. Include a statement identifying the corporation that is the direct owner.

For assistance, call (802) 828-5723.