

FORM LGT-181 Instructions

Land Gains Basis Calculation Foreclosure Property

Please print in BLUE or BLACK ink only.

General Information

32 V.S.A. § 10005(a) provides that “[t]he provisions of the Federal Internal Revenue Code shall determine the basis of land sold or exchanged except basis for land transferred by a mortgagee who acquired the land by foreclosure or transfer in lieu of foreclosure shall be the amount of debt due the mortgagee, increased by the costs of acquisition, and decreased by the amount of any tax benefit due to bad debt loss on the mortgage debt.

“Tax benefit” means the bad debt write-off multiplied in cases of “foreclosure by sale” under Vermont Rule of Civil Procedure 80.1 by mortgagees or judgment lien creditors, payments to other lienholders and debtors by the mortgagee or judgment lien creditor, which are required under this rule, are part of the basis.

This schedule will help you to determine the basis of land transferred by a mortgagee or judgment lien creditor who acquired the land by foreclosure or transfer in lieu of foreclosure based on the provisions and procedures explained above. The purpose of this schedule is to supply general information to the public about basis determination for land gains tax purposes and does not replace the need for competent legal advice.

Line-by-Line Instructions

In the box provided, enter the full name, and social security or federal identification number of the primary transferor (seller), the property address of the property being transferred, and the date of closing listed on the LGT-178 this form will accompany.

Section 1 Debt Due

Line 1 Enter the principal balance from the judgment this does not include interest.

Section 2 Cost of acquisition

Line 2a Enter the total of any legal fees paid by the seller when acquiring this property.

Line 2b Enter the total of any recording fees paid by the seller when acquiring this property.

Line 2c Enter the total of any other expenses paid by the seller when acquiring this property, you must enter a description of what type of expense this is or the expense will be denied.

Line 3 Add Lines 1- 2c and enter the result on this line.

Section 4 Tax benefit due to bad debt write down

Line 4a Enter the total amount of the loan write down.

Line 4b Enter the Tax Bracket from the federal and state marginal rates applicable to the mortgagee or judgment lien creditor (usually 34% for banks).

Line 4c Multiply Line 4a by Line 4b and enter the result on this line.

Line 5 Subtract Line 4c from Line 3 enter the result here and on Form LGT-178, Line H4.