FORM CO-411 Instructions
Corporate Income Tax Return

Please print in BLUE or BLACK ink only.

Effective January 1, 2023.

Effective for tax years starting January 1, 2023, and later, Vermont adopts the Finnigan Method for unitary groups. Under Finnigan, the entire group will be treated as one taxpayer. Therefore, if the parent or any affiliate engages in activity that breaches the narrow scope of protections afforded under PL 86-272, then the entire group is taxable. In that case, all sales into Vermont must be included in the numerator regardless of which member of the group incurred them.

Act No. 148 (S.53). Taxation; Corporate Income Tax; Conformity to federal tax laws. All changes are effective January 1, 2023. This act includes four sections that change the way multi-state companies apportion income to Vermont and restructures the corporate minimum tax. The four changes of this corporate tax reform package include:

- Move to Single Sales Factor
  - Vermont no longer uses a three-factor apportionment formula (sales/property/payroll). It now considers only sales into the state.
- Repeal Throwback Rule
  - Vermont sales factor no longer includes sales from Vermont to the federal government or to a state where those sales are not taxable.
- Move from Joyce to Finnigan
  - "Joyce" and "Finnigan" represent two different methods to determine nexus and the calculation of in-state activity of unitary groups.
  - The Finnigan approach looks at the unitary group as a whole and treats the group as one taxpayer - either having nexus with the state or not.
- Repeal Exclusion of 80/20 Companies in Unitary Group.
  - Requires all US corporations to now be included in a unitary group.

Special Considerations: The passage of these recent statutory changes supersedes any conflicting passages within our previous unitary regulations (Vt. Reg. § 1.5862(d), The Department is working on updating these regulations to incorporate the statutory changes. Regulations that do not conflict with current law continue to apply.

Reminders and Additional Information

You may be required to e-file your return. Please review the mandate before mailing a paper return. We may reject your paper return or assess a fee. Search for "e-file mandate" on our website at **www.tax.vermont.gov** for detailed information.

Be sure to use the myVTax taxpayer portal www.myvtax.vermont.gov to your best advantage. MyVTax users spend less time on the phone and conduct business with the Department of Taxes far more efficiently. After setting up an account, you can make payments, file your extension, verify prior returns, verify estimated payments, view letters that we sent, communicate securely with the Department, and more. You can provide third-party access to others such as your preparer or payroll service. Even if you haven't yet set up an account, you can still electronically make payments, file an extension, verify estimated payments, and respond to notices. **www.myvtax.vermont.gov.**

We expect to match entries on your Vermont return with entries on your federal return. If an entry on your Vermont return differs from the expected entry, you must include an explanation and reconciliation. If you do not provide supporting information, then we may adjust your return based on the available information.

Schedule K-1VT and disregarded entities. If this corporation is the single member of any LLCs that are disregarded entities for income tax filing and receive income/loss from pass-through entities, note that Vermont Schedule K-1VT has extended instructions for a "disregarded entity" that does not file a Vermont income tax return. Please review the Schedule K-1VT instructions "Notes for disregarded entities." If Schedule K-1VT is not properly completed, or if required supporting information is not included, then processing of your return is subject to delays.

PL 86-272. If you are claiming protection from net income taxation under PL 86-272, your Vermont numerator will be "0" for Vermont sales when computing Schedule BA-402. However, you are still required to pay the minimum entity tax based on gross receipts from Vermont sources. You must complete Line 17 of Form CO-411 to report gross receipts from all Vermont sources in order to compute the minimum entity tax correctly.

Homeowners and Condominium Associations that filed federal Form 1120-H, U.S. Income Tax Return for Homeowners Associations. We have edited the instructions to clarify the tax calculation for a qualifying association. Associations that "check the box" **1)** will owe tax on the Vermont net taxable income, **2)** will owe tax ranging from $1 to $299 if Vermont net taxable income is less than $5,000, **3)** will owe no tax only if no taxable income is reported on federal Form 1120-H.

TCJA: Global Intangible Low-Taxed Income (GILTI) guidance for Vermont filers. "GILTI" income is subject to Vermont tax. Search for "TCJA" on our website at **www.tax.vermont.gov** for detailed information and treat calculations of that tax according to the instructions below.

Examples of Activities Giving Rise to Nexus with Vermont:

The following list is meant to provide examples of activities that could create income tax nexus. As the Department cannot address every possible scenario that could arise, this list is meant to provide general guidance and is not all-inclusive. Please see TB-70 for more information.

- Owns or leases real property or personal property in Vermont.
- Uses or sells intangible property in Vermont, including the receipt of royalties and the licensing of software and other properties.
- Makes sales of tangible personal property into Vermont.
- Maintains an office, store, warehouse in Vermont in home or otherwise.
- Has one or more employees working in Vermont, including employees who work or telecommute from their homes in Vermont.
- Provides services in Vermont, through employees and/or independent contractors
- Sends representatives to exhibit at a trade show, conference, craft fair, festival, etc. or to conduct training or seminar in Vermont.
- Gives a performance in Vermont.
- Meets with clients in Vermont.
- Holds inventory or goods on consignment in Vermont.
- Delivers goods into Vermont (e.g., acting as a carrier independent of a sale of tangible personal property).
- Uses Vermont roadways to transport tangible personal property.

- Makes loans using Vermont property as collateral.
- Makes loans to Vermont residents.

All C Corporations use Form CO-411 and related schedules. The form set accommodates standalone corporations as well as combined reporting for unitary groups. See details in "Forms and Schedules Summary" section, below.

To exclude income received from a pass-through entity which was already taxed on a composite return (of that pass-through entity) the previously taxed income must be deducted. This is required due to the adoption of mandatory composite filing requirements for certain pass-through entities. This only applies to corporations **1)** receiving distributed income from a pass-through entity which has paid composite tax and **2)** having additional activity in Vermont which requires them to file a corporate income tax return. The deduction is reported as a negative amount on Schedule BA-402, Apportionment & Allocation Schedule, Line 1b (non-apportionable income) and flows through to Form CO-411, Line 8. Unitary businesses must still report the pro-rata share of factors passing through to its owner, regardless of a composite filing.

Who Must File?

C Corporations (Stand-alone Corporations, not a member of an affiliated group)

Every Corporation must file Form CO-411 if:

- It was registered with the Secretary of State during the tax year; or
- It was incorporated under the law of the State of Vermont; or
- It had any business activity or received any income, positive or negative, allocable or apportionable to Vermont including income received as a shareholder, partner or member.
- It has an open corporate income tax account.
- **NOTE:** If a business wants to maintain the account even when it has no activity or tax liability for the year, it must file a "NO VERMONT ACTIVITY" return. No tax is due.

Affiliated Groups of Corporations Engaged in Unitary Business

Taxable corporations which are part of an affiliated group engaging in unitary business are required to file combined reports, reporting the combined net income of the group. See 32 V.S.A. § 5862(d).

In general, an "affiliated group" means a group of two or more corporations in which more than 50% of the voting stock of each member corporation is directly or indirectly owned by a common owner or owners, either corporate or noncorporate, or by one or more of the member corporations.

"Unitary business" means one or more related business organizations engaged in business activity both within and outside the state. The various business organizations in a unitary business should exhibit a unity of ownership, operation, use, and interdependence of their functions. Taxable corporations which are part of an affiliated group engaging in unitary business are required to file combined reports, reporting the combined net income of the group.

Determination of Tax

Effective for tax years starting January 1, 2023, Vermont adopted the Finnigan Method for calculating tax for combined groups. The entire group is considered as a single taxpayer. The group must consolidate financial entries for all entities with sales or activity in Vermont into a single Schedule BA-402, Apportionment Schedule, and apply that to the combined group income/loss.

Credits are accounted for on a separate company basis and their use is limited to the affiliate that generated it.

Consolidated Returns

Members of a federal consolidated group that are ***not*** engaged in unitary business may elect to file a single consolidated Vermont return under 32 V.S.A. § 5862(c), provided that the consolidated members have the same fiscal year. The Vermont consolidated group includes only the members of the federal consolidated group that are taxable in Vermont and might not contain all of the corporations in the federal group. An election to file a consolidated return is binding for five years.

Determination of Whether or Not the Corporations are Conducting Unitary Business

Review Regulation § 1.5862(d) - Unitary Combined Reporting to determine if an affiliated group is conducting unitary business (in which case the group must file a combined return – see above). Examples of affiliated groups not conducting unitary business are the following: **(1)** all members of the group conduct all of their business within Vermont, or **(2)** the members of the consolidated group truly have no interconnection other than common ownership (i.e., no common lines of business, no shared resources, no common management).

Parent Corporation

The consolidated return must be filed by the parent corporation of the federal group.

Nonprofit and Exempt Organizations

A nonprofit organization that engaged in activities in Vermont which produced unrelated business income subject to federal income tax under I.R.C. § 511 during the tax year is required to file a Vermont Corporate Income Tax Return. For more information, review the "Nonprofit Income Tax Return Instructions" at the end of this document and Technical Bulletin TB-59, Unrelated Business Income of Exempt Corporations, on the Department's website.

Please note that TB-59 describes the rare circumstance where unrelated business income might be received directly by the nonprofit and also meet the tests of apportionablity. Nonprofits often receive partnership income from investments and will almost always pay taxes to the state of the activity on this type of unrelated business taxable income. When this is the case, any deductions, losses, or income at a different tier must be sourced according to our regulations regarding nonapportionable income. Then, Vermont Schedule K-1VT income will flow through in its entirety from the source.

What if the Corporation Has a Vermont Corporate Tax Account, but Is Not Currently Doing Business in Vermont?

Corporations having an existing Vermont Corporate Income Tax account, but not otherwise doing business in Vermont, are not required to pay the minimum tax. The corporation must file **Form CO-411.** Mark the **"No Vermont Activity"** box on the bottom of page 1 of Form CO-411. This exception may be claimed if you are a foreign business that has periodic, recurring activity in Vermont and in the current year the entity has no nexus with Vermont.

Vermont Businesses May Not Claim "No Vermont Activity." Other non-cash activities such as holding land, providing services to Vermont customers, and engaging in activity that leads to a net loss disqualify a business from claiming "No Vermont Activity." Please see Technical Bulletin TB-70 for more information.

What about Subchapter S Corporations, Partnerships, and Limited Liability Companies (LLCs)?

Subchapter S Corporations, Partnerships, and multi-member Limited Liability Companies electing not to be taxed as a corporation should file **Form BI-471, Vermont Business Income Tax Return.** See separate instructions for that form.

Forms and Schedules Summary

- **Form CO-411, Corporate Income Tax Return:** This is the initiating form, and the three pages are required for all corporate income tax filers.
- **Schedule BA-402, Apportionment & Allocation Schedule:** For use by all taxable entities having activity (income and/or expenses, regardless of profit or loss) in Vermont and/or at least one other state/ province. Complete Schedule BA-402 unless the apportionment is 100% for Vermont. Returns filed without Schedule BA-402 will be adjusted to 100% Vermont apportionment.
- **Form BA-403, Application for Extension of Time to File Vermont Corporate/Business Income Tax Return:** To request an extension of time to file the Vermont Corporate or Business Income Tax return. An extension of time to file a federal return automatically extends the time to file with Vermont until 30 days beyond the federal extension date. However, tax is due on the original due date.
- **Schedule BA-404, Tax Credits Earned, Applied, Expired, and Carried Forward:** Required for companies that have earned or applied tax credits or incentives. This schedule is required of each separate entity claiming credits if a consolidated return or combined report is filed. Be sure to include all documentation required per the program guidelines of the credit you are claiming.
- **Schedule BA-410, Affiliation Schedule:** We have redesigned Schedule BA-410 to list all companies included in the filing group as reconciled to the federal consolidated group(s). List each company included in the federal returns that are used to compute Line 1 of Form CO-411, and then state whether they are unitary, disregarded, or a pass-through owned by a corporation in the group.
- **Form CO-414, Corporate Estimated Tax Payment Voucher:** To make estimated payments for corporate income tax (generally quarterly) throughout the year.
- **Form CO-422, Corporate Income Tax Return Payment Voucher:** To direct a payment to a corporate income tax account and period, if you do not have another form or coupon available. Form CO-422 is not necessary if you are sending a check with Form CO-411, Form CO-414, or Form BA-403.
- **Schedule CO-419, Apportionment of Foreign Dividends:** Used by unitary-combined filers (if applicable) to determine the amount of apportioned foreign dividends taxable to the State of Vermont. Refer to Regulation § 1.5862(d)-7(f) and -8(b) regarding what dividends are taxable.
- **Schedule CO-420, Foreign Divident Factor Increments:** Used by unitary-combined filers (if applicable) to determine the incremental factors to Sales and Receipts in order to provide factor relief for apportionment of foreign dividends. Prepare one Schedule CO-420 for each entity that paid foreign dividends subject to modified apportionment to any member of the combined group. Do not prepare Schedule(s) CO-420 if there are no foreign dividends or if factor relief and modified apportionment are not being calculated.
- **Federal Information:** For all taxable members of the group, provide at least the following (More information may be required for more complex returns):
    - The first five pages of the federal Form 1120, U.S. Corporation Income Tax Return, or other return filed (one form if the consolidated group is the same as the Vermont unitary group, or one for each separate member if the affiliates are not part of the same federal consolidated group). If the consolidated/combined group is different than the federal group, this will be a pro forma return. A pro forma return must be clearly labelled "pro forma," must include a copy(ies) of the return(s) filed with the IRS and must include a reconciliation with the return(s) filed with the IRS.
    - Federal Form 4562, Depreciation and Amortization as filed and pro forma, if any members of the group have taken "bonus" depreciation;
    - Copies of federal statements regarding other income and deductions, net operating loss, and taxes and licenses.

Additional Statements that are not Vermont Forms or Schedules. Statements should be attached to e-filed returns as pdf or Excel files.

- **Consolidation Schedules for Group Returns:** If your return is based on a federal return(s) that reports the activity of more than one entity, provide your work papers that you used to develop the following:
    - Tax base, apportionable, and nonapportionable income
    - Apportionment denominator
    - Apportionment numerator
    - Reconciliation items in Lines 1 through 1g
    - Any other information required to reconcile your federal return(s) with your Vermont return
- **Reconciliations to Federal Information:** We expect to match entries on your Vermont return with entries on your federal return. If an entry on your Vermont return differs from the expected entry, you must include an explanation and reconciliation. If you do not provide supporting information, then we may adjust your return based on the available information.
- **Bonus Depreciation Reconciliation:** Vermont is decoupled from federal bonus depreciation provisions of I.R.C. § 168(k). If you have utilized bonus depreciation, provide a summary sheet that shows federal and state depreciation calculation and differences reported on Line 2.
- **Vermont Net Operating Loss statement and summary:** Required for corporations that incur, apply, and/or carry forward a Vermont Net Operating Loss. For details, see the instructions that follow and Technical Bulletin TB-35, Net Operating Losses, on the Department's website.
- **Changes in composition of Vermont unitary group - for Group returns:** Attach a statement listing the name and FEIN of all companies that **1)** are newly included in the group return for this tax year, and **2)** were included in the group last year but are no longer included in the group return.

General Instructions

Filing Dates and Payments

Returns are due on the date prescribed for filing under the Internal Revenue Code, or the extended due date. The Vermont extended due date is 30 days beyond the federal extended due date. Corporations needing a Vermont extension should file **Form BA-403** by the original due date, and mark the "Extended Return" box in Part A when filing their corporate return. **Form BA-403** requires that you indicate which federal income tax form will be filed. If only a federal extension was filed, please attach a copy of federal Form 7004, Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns.

For nonprofits reporting Unrelated Business Income (UBI) on Form CO-411, the due date is the same as the date the federal return is due. If any extension is requested, the Vermont extended due date is 30 days after the federal extended due date.

An extension of time to file does not extend the time to pay the tax due. Any tax due, including the Vermont minimum tax, must be paid by the original due date of the return. Any tax due which is unpaid by the original due date will accrue interest and late payment penalties.

Incomplete Returns

An incomplete return is deemed to have not been filed. Submitting an incomplete return may adversely affect your rights, and may toll the statute of limitations of the return.

Your return must include all required forms, schedules, supporting information, copies of federal forms and schedules, and other information that is identified among the instructions, Vermont statutes and regulations and other guidance issued by the Department. We may request additional information that you must provide before your return is complete.

If information necessary to support the request for a credit is missing, your filing may be processed but the credit denied. This may result in a bill or reduced refund. The Department will send you a letter requesting the missing information and give you an opportunity to supply the required information. The credit will not be processed until the Department receives the missing document(s) or information.

Returns That Cannot Be Processed

If we cannot process the return that you submit, the Department will notify you by letter, and you will be required to submit it again. The date you resubmit the return becomes the filing date of your return. The Department may assess a $25 processing fee to partially cover the cost of taking steps to notify you in addition to our normal processing procedures. Examples of unacceptable filing include, but are not limited to, the following: forms marked "Draft" or "Do not file," forms not pre-approved by the Department, photocopies of forms, reduced or enlarged forms, forms from the incorrect tax period, faxed forms, returns not written in blue or black ink, forms missing required schedules, or forms generated from different sources. Mixed forms most often occur when forms from different software vendors are included within the same return.

Estimated Taxes

Any corporation anticipating a Vermont tax liability more than $500 must make estimated payments by the 15th day of the 4th, 6th, 9th, and 12th months of the taxable year. Use **Form CO-414,** Corporate Estimated Tax Payment Voucher.

Interest, Late Fees, and Penalties

Interest is charged on payments not made by the statutory due date. The rate of interest is established each year. Go to **www.tax.vermont.gov/research-and-reports/interest-rates** to see current and historical interest rates. If the filing is more than 60 days late from the original due date, a $50 late file penalty applies even if no tax is due unless the return is timely filed under extension. The failure to pay an income tax liability when due will result in imposition of a penalty equal to 1% per month of the outstanding liability. Estimated payments not made when due are subject to interest and a late payment penalty of 1% for each month that the payment is late, up to a maximum of 25%.

Changes in Return Information

An amended Vermont income tax return must be filed whenever the taxpayer's federal tax return is amended or corrected, or whenever the information on the Vermont return, as previously filed, is incorrect. An amended return cannot be filed until the original income tax return has been filed. An amended Vermont return is due within 180 days after you become aware of any changes. This requirement may be the result of any information that makes your return materially false, inaccurate, or incomplete; you are notified by the Internal Revenue Service that your federal taxable income has been adjusted; or you file an amended return with the Internal Revenue Service. If an amended return is not filed with Vermont within the prescribed time, late filing fees may be assessed and penalty may be assessed on any additional tax. Include a copy of the IRS report if the change is a result of a federal audit.

Amended Returns

File an amended return using Form CO-411 for the tax year you are amending. Mark the “Amended Return” box in the upper right corner. Complete all header information, including the “Tax Year Begin” and “End” fields. Include a brief statement or explanation summarizing the nature of the amendment(s). Include statements and reconciliations, as necessary, to illustrate and clarify all changes.

Your amended return must be a complete return. Do NOT submit only those forms or schedules with changes. A properly prepared amended return will typically include all the same Vermont forms, Vermont schedules and supporting schedules that were included with the original return. Take care that your amended return conforms with the information under the section “Returns That Cannot Be Processed.”

Amended returns claiming a refund must be filed within three years from the date a return is required to be filed or six months after a refund was received from the United States with respect to a change in the amount of taxable income reported in a return filed under the laws of the United States.

Net Operating Losses

For taxable years beginning Jan. 1, 2007, and later, a Vermont Net Operating Loss (VNOL) is defined as “any negative income after allocation and apportionment of Vermont net income pursuant to 32 V.S.A. § 5833.” The VNOL is available to carry forward to offset Vermont income for 10 years following the loss year. Carry backs are not available. For a more detailed explanation of VNOL, see Technical Bulletin TB-35, Net Operating Losses, on the Department’s website.

For any year in which a VNOL is incurred, is available, or is applied, corporations must include a detailed schedule summarizing loss years, utilization years, expiration years, and available carryover.

For tax years 2007 and later, Form CO-411, Line 1, no longer includes any federal net operating loss deducted from taxable income.

Carry backs – VNOL may not be carried back to a prior year. VNOL remains available to carry forward even if the company has elected to carry back the operating loss for federal purposes.

Corporate Income Tax Return Instructions

HEADER INFORMATION – COMPLETE ALL FIELDS THAT APPLY.

Use ALL CAPS for alpha characters on all returns and schedules.

Entity Name/Address

Print or type the entity name and address in the space provided. If the address is in a country other than the United States, enter the name of the foreign country in the space provided.

Other Information

- Place an “X” in the appropriate boxes to the right of the entity name and address to indicate if:
    - The entity’s Name Changed
    - There has been an Accounting Period/Fiscal Year-End Change
    - This is an Extended Return – (Form BA-403 should have been filed on or before the Original return due date)
    - This is a return for a Unitary group
    - Public Law 86-272 protection is claimed – in this case only the minimum tax will be due.
    - The Mailing Address has changed
    - This is an Amended Return

- A Federal Extension has been requested - In this case a copy of the Federal Form 7004, Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns, should be included.
- This is a Revenue Agent's Report (RAR) Amended Return
- This is a Pro Forma - Cannabis Return
- This is a Final Return - This means the entity has ceased doing business in Vermont, and the Corporate Income Tax account will be closed.

- Enter the entity's Federal Employer Identification Number
- Enter the entity's primary NAICS (North American Industrial Classification System) code. See **www.census.gov/naics** for applicable codes.
- Enter the beginning and ending dates of the entity's fiscal year (YYYYMMDD). If the business uses a 52/53 week year, use the first and last day and month that would be reported if the 52/53 system was not being used.
- **For affiliated groups only:** Enter the total number of companies in the Water's Edge Group and the number of taxpayer affiliates with activity and/or sales in Vermont. Leave these fields blank if return is being filed for a stand-alone corporation.
- Place an "X" in the appropriate box to indicate federal tax return filed.

Line-by-Line Instructions

Use a negative sign ("-") to indicate a negative number.

Line 1 — **Federal Taxable Income:** Enter the amount from federal Form 1120, Line 28.

Net Operating Loss: For tax years starting Jan. 1, 2007, and later, Vermont is not coupled to the federal net operating loss deduction. Any federal NOL deduction (generally federal Form 1120, Line 29a) should not be deducted from Line 28 (taxable income) to arrive at the income amount for Form CO-411, Line 1. Vermont Net Operating Loss will be deducted from Form CO-411, Line 11.

For a Combined Report: Enter the group's combined net income or loss as reported to the federal government, and accounting for modifications above. If the Vermont group consists entirely or mostly of a federal consolidated group, enter the amount from the return filed with the IRS. Do not **1)** include financials from companies that are not included in the federal consolidated return, or **2)** remove financials from companies excluded from the Vermont return. These adjustments will be made below.

Line 1a — **Special Deductions as filed with IRS:** Enter the amount as filed with the IRS on federal Form 1120, Line 29b. **For a combined report,** enter the special deductions reported on the return of the consolidated group, as directed in Line 1 above. **Enter Line 1a as a negative number.**

Note: Lines 1b through 1f are for combined reports for unitary groups. Leave blank for returns for stand-alone corporations.

Provide a statement detailing the calculations for numbers reported on Lines 1b through 1f. Identify all companies included in Lines 1b and 1c.

Line 1b — **Income/Loss from additional unitary member corporations that are *included* in the Vermont combined group, but are *not* part of the federal consolidated return:** Enter the sum of Lines 28 on federal Form 1120 for all unitary entities not included in Line 1, as filed with the IRS, and prior to eliminations. Also use this line to report taxable income from any entities which file an 1120PC, 1120-F, 1120-REIT, or similar IRS forms filed by a unitary member that is included in the Vermont combined report, but is not included in the IRS consolidated return.

Line 1c **Income/Loss from entities included in the federal consolidated return in Line 1, but *excluded* from Vermont combined group:** This line **removes** the net income/loss of these entities from Vermont net income. Enter the sum of Lines 28 on federal Form 1120 for all non-unitary entities, prior to eliminations. Examples of these companies include captive insurance companies (excluded from Vermont unitary groups by law/regulation) and corporations included in the consolidated return that are not unitary with the group. Enter a negative number to subtract net income of these corporations from Line 1, or a positive number to add back a net loss.

Line 1d **Special Deductions: Vermont adjustments to federal special deductions:** Enter net amount(s) and Vermont adjustment(s) (if necessary) to the federal special deductions line(s) (Form 1120, Line 29b) to reach the correct amount of special deductions for the Vermont Unitary group. The purpose of these adjustments is to ensure that earnings and profits of the unitary group are taxed correctly (for instance, taxing the income that generates dividends paid and received by the group once, but only once) in accordance with Vermont law and regulations, including Vt. Reg. § 1.5862(d)-7(e)(4). (Do **not** include the special deductions already reported on Line 1a.) Use this line to:

1. Report the net Special Deductions (Form 1120 Line 29b) of companies identified in Lines 1b and 1c – that is, those companies where the Vermont unitary group differs from the federal consolidated group.
   - **a.** For companies included in the Vermont group that are not included in the federal consolidated return (Line 1b), report the adjustment as a negative to subtract the deduction from net income.
   - **b.** For companies excluded from the Vermont group that are included in the federal consolidated return (Line 1c), report the adjustment as a positive number.
2. Allow a deduction for dividends when the income has been previously taxed by Vermont.
3. Report any tax dividend income coming from outside the unitary group.

   Note that Vermont does not consider REIT dividends to be “dividends” in the sense described here and must be included in the group income in the same manner as prescribed under I.R.C. § 243(d).

Provide a statement detailing the calculations for this line. This net adjustment may be positive or negative.

Line 1e **Eliminations: Vermont adjustments to federal eliminations:** Enter State adjustments to federal eliminations to reach the recomputed eliminations deduction according to Vt. Reg. § 1.5862(d)-7(e)(5). This may be positive or negative.

Line 1f **Other: Other Vermont adjustments to Combined Net Income:** Enter any other adjustments to combined net income necessitated by our statutes and regulations. Include a statement on any “other” adjustments taken on this line and cite the rule requiring the adjustment.

Line 1g **Federal Taxable Income as Adjusted for Combined Net Income:** Add Lines 1 through 1f. Enter your calculations for combined net income as prescribed under 32 V.S.A. § 5862(d) and the rules thereunder.

Special Considerations: Foreign Income: Subpart F income reported by a parent on a federal consolidated return is a taxable element of combined net income under Reg. § 1.5862(d)-7(f). Foreign income reported by a parent may not be blocked from Vermont income by another corporation, including a domestic corporation that would otherwise be excluded from the affiliated group. Taxpayers should balance to the amounts of foreign income reported on the federal consolidated return actually filed with the IRS to be in compliance with our unitary combined net income statutes and regulations.

Line 2 **Bonus Depreciation Adjustment:** Vermont does not allow the special “bonus” depreciation provision of the *Federal Jobs Creation and Worker Assistance Act of 2002,* the *Federal Jobs and Growth Tax Relief Reconciliation Act of 2003,* the *Economic Stimulus Act of 2008,* the *Tax Cuts and Jobs Act of 2017,* or the 2009 extension for certain transportation and aircraft property (I.R.C. § 168[k]). If taken in the current or in prior years, the federal taxable income must be recomputed without the 30%, 50%, or 100% special bonus depreciation. Report the net adjustment from federal income to Vermont income as a result of disallowing bonus depreciation. Report an increase in income as a positive number, and a decrease as a negative number. Attach a statement of explanation as described in the “Additional Statements” section.

For combined reports, Line 2 should include the bonus depreciation adjustment for the entire Vermont combined group, not just the consolidated group included in Line 1.

Line 3 **Federal Taxable Income adjusted for disallowance of Bonus Depreciation:** Add Lines 1 and 2 to arrive at federal taxable income, as adjusted to disallow bonus depreciation.

Line 4 **Vermont Adjustments to Taxable Income.** For combined reports, Line 4 adjustments should include adjustments for the entire Vermont combined group, not just the consolidated group included in Line 1.

Add:

Line 4a **Interest on non-Vermont state and local obligations:** Enter the amount of interest received from non-Vermont state and local obligations that were exempted from federal tax (for example, Municipal bonds).

Line 4b **State and local income or franchise taxes:** Enter the amount of state and local tax deductions taken on the federal return(s). State and local income taxes are taxes on or measured by income; franchise taxes are those measured by net income, or for the privilege of doing business, or capital stock taxes. These are deductible for federal income tax, but taxable in Vermont. Attach a statement showing a detail of the taxes claimed as deductions on the federal return(s).

Subtract:

Line 4c **Non-apportionable income or loss allocated everywhere:** Enter the amount of non-apportionable income or loss included on Schedule BA-402, Line 1a, or leave blank.

Line 4d **Foreign dividends received from overseas business organizations as defined by Reg. § 1.5862(d):** For unitary groups only. Enter the total amount of net income included on federal Form 1120, Schedule C, Lines 14, 16(b), 16(c), 17, and 19, then subtract the amount from Line 22. (The Section 250 deduction should reduce the foreign dividends deduction on the Vermont return, as it reduces the total amount of foreign income included in Line 1 of the CO-411.) Parents that file a consolidated federal return with the IRS should generally balance to the foreign income amounts on the consolidated Schedule C as filed with the IRS.

Dividends from Lines 12, 14, and 16(a) may also be includable if the income leading to the distribution was not taxed by Vermont in prior year returns and subject to a modified apportionment factor, calculated on Schedules CO-419 and CO-420. If you are calculating the modified apportionment factor, these dividends are subtracted from apportionable income here, and then the amount of taxable foreign dividends calculated with the modified apportionment percentage is added back on Form CO-411, Line 9.

Foreign dividends and Subpart F income declared by the unitary group on a federal consolidated return is included in the calculation of foreign dividend income. If an otherwise excluded entity is the recipient of this income, but the entity is included in a federal consolidated return filed by the parent, the income is treated under Vermont Reg 1.5862(d)-7(f) as attributable to the unitary group, and is taxable with no imputed dividend deductions.

If there are no taxable foreign dividends, or you are not calculating the modified apportionment, enter -0-.

Standalone corporations, enter -0-.

Line 4e	**Interest on U.S. Government obligations:** Enter the amount of interest received from U.S. Government obligations included on the federal return(s).
Line 4f	**"Gross Up" required by I.R.C. § 78 and other excludable income:** Enter the total amount of income included on federal Form 1120, Schedule C, Line 15 to the extent this income has been included in Vermont combined income declared in Line 1 of the CO-411.
Line 4g	**Targeted Job Credit salary and wage expense:** Enter the wage expense, if any, associated with the Work Opportunity Credit (formerly described as the Targeted Job or WIN Credits) but disallowed on the federal return by I.R.C. § 280C(a). Note this allowance is limited in scope to solely any disallowed wages associated with the specific credit cited here, and no others.
Line 5	**Net Apportionable Income:** Line 3 plus Lines 4a and 4b less Lines 4c through 4g.
Line 6	**Vermont Apportionment Percentage:** Enter 100% or the amount from Schedule BA-402, Line 14. Express as a percentage, with six digits to the right of the decimal. Attach Schedule BA-402 if Line 6 is not 100%, or if any income is apportioned or allocated to a jurisdiction other than Vermont. If no Schedule BA-402 is attached, Line 6 will be adjusted to 100%.
Line 7	**Income Apportioned to Vermont:** Multiply Line 5 by Line 6.
Line 8	**Income Allocated to Vermont:** Enter the amount from Schedule BA-402, Line 1b. If income was received from a pass-though entity, and that entity paid composite tax, enter the negative amount in order to exclude that income and prevent double taxation. (This should be reported on Schedule BA-402, Line 1b.) Include a statement identifying the entity that earned the income and paid composite tax. **NOTE:** If the pass-through is engaged in a unitary business with corporate owner, deduct the composite income here but include the pro rata unitary sales factor from the pass-through in the apportionment schedule on Schedule BA-402, Line 9.
Line 9	**Foreign Dividends Apportioned to Vermont:** For combined reports only. Enter the amount from Schedule BA-402, Line 1d (same as Schedule CO-419, Line 6). Refer to Regulation § 1.5862(d) -7(f) and -8(b), and Schedules CO-419 and CO-420, and Instructions. Enter -0- if this return is for a standalone corporation.
Line 10	**Net Vermont Income Allocated and Apportioned to Vermont:** Add Lines 7, 8, and 9.
Line 11	**Vermont Net Operating Loss (VNOL) deduction applied** (attach schedule in PDF format). If Line 10 is negative, you have a VNOL, available to carry forward to offset Vermont net taxable income for up to 10 years. VNOL may not be carried back to a prior year return. VNOL remains available to carry forward even if the company has elected to carry back the operating loss for federal purposes. VNOL would have been incurred as a negative amount after apportionment and allocation of Vermont income in 2007 or later or may have been converted from available pre-2007 NOLs into an "Initial VNOL" in 2007. For tracking, VNOL must be applied on a first-in, first-out basis. Any converted Initial VNOL must be used first. Include a statement/schedule to track the availability of the VNOL. The schedule must detail loss years, utilization years, expiration years, and available carryover. If VNOL used or carried over includes any Initial VNOL converted from remaining pre-2007 NOL, provide a copy of the conversion worksheet from the 2007 return, updating for amounts used. Enter any deduction taken for a VNOL. Line 11 cannot be greater than Line 10; VNOL cannot reduce Vermont Net Taxable Income below zero.
Line 12	**Vermont Net Taxable Income for this entity.** Subtract Line 11 from Line 10.
Line 13	**Vermont Tax.** Apply Vermont Tax Rates (below) to amount on Line 12. Compute the tax using the tax computation schedule, below. Enter this amount or the minimum tax, whichever is more. The minimum tax is due even if the corporation operated at a loss. Minimum tax is based on Vermont Gross Receipts, reported on Line 17, and defined in the instructions to Line 17, below.

Graduated rates effective for tax years beginning on or after January 1, 2023.

TAX COMPUTATION SCHEDULE

If Vermont Net Income is:	Tax is:
$10,000 or less	6.0% (or minimum tax, per Vermont Gross Receipts).
$10,001 to $25,000	$600 plus 7.0% of excess over $10,000.
$25,001 and over	$1,650 plus 8.50% of excess over $25,000

If Vermont Gross Receipts are:	Minimum Tax is:
$500,000 or less	$100
$500,001 - $1,000,000	$500
$1,000,001 - $5,000,000	$2,000
$5,000,001 - $300,000,000	$6,000
$300,000,000 and over	$100,000

Exceptions to the minimum tax are:

1. **SMALL FARM CORPORATIONS** as defined in 32 V.S.A. § 5832(2)(A), pay a minimum annual entity tax of $75, and income tax greater than that based on the graduated rates, above. The entity must be solely owned by active participants and have Vermont gross receipts of less than $100,000.
2. **INACTIVE OUT-OF-STATE CORPORATIONS** are not required to pay the annual entity tax. Inactive corporations are non-Vermont corporations with no taxable activity or investments in this state that file to keep the account active. This exception may be claimed if you are a foreign business that has periodic, recurring activity in Vermont and in the current year the entity has no nexus with Vermont. Check the "No Vermont Activity" box if the exception applies.

   Vermont businesses may not claim "No Vermont Activity." By statute, a Vermont business registered with the Secretary of State must pay tax under 32 V.S.A. § 5811(15)(B), regardless of whether it generated income. (See also 32 V.S.A. § 5832(2)(C) stating that C corporations may have no gross receipts and still be required to pay the minimum entity tax. Other non-cash activities, such as holding land, providing services to Vermont customers, and engaging in activity that leads to a net loss disqualify a business from claiming "No Vermont Activity." Please see Technical Bulletin TB-70 for more information.
3. **HOMEOWNERS AND CONDOMINIUM ASSOCIATIONS** that file federal Form 1120-H are not required to pay the Vermont minimum corporate tax by an administrative decision of the Department. A homeowners/condo association is subject to Vermont income tax under 32 V.S.A. § 5832, at current tax rates, on its taxable income as defined by 26 U.S.C. § 528(d)(1). If the association makes this election, then it is exempted from the minimum tax only. The election does not exempt the association from the corporate income tax on its federal taxable income. If the association does not make this election, then it must pay both the minimum tax and any additional income tax due based on the rates. Mark the appropriate box, claiming the exemption, at the bottom of Form CO-411, page 1. Include a copy of federal Form 1120-H.

Line 14 **Credits.** If Vermont tax credits are claimed, **Schedule BA-404** must be filed, and all authorization documents, documentation, and calculations as required by the program guidelines of the credit being claimed must be attached. Enter the amount from Schedule BA-404, Column C, Line 11. **Line 14 cannot reduce tax below the minimum tax.**

For unitary groups, credits are accounted for on a separate company basis and their use is limited to the affiliate that generated it.

Line 15	**Use Tax.** Use this line to report use tax due. When a seller does not charge the buyer Vermont Sales Tax on an item taxable in Vermont, the buyer must pay Vermont Use Tax. Nontaxable items such as food and clothing are excluded. Taxable items sold over the internet, by mail-order, by phone, or bought out-of-state and used in Vermont generally qualify. Use tax applies whether you are resident or nonresident. The use tax rate is the same as the sales tax rate: 6%.
Line 16	**Tax Due for this entity** Subtract Line 14 from Line 13, then add Line 15.
Line 17	**Gross Receipts** Enter the total gross receipts for the corporation attributable to Vermont. Gross receipts are the total amounts the organization received from all Vermont sources during its annual accounting period, without subtracting any costs or expenses. The amount of the gross receipts may not be less than zero. This amount is used to determine the minimum tax.
Line 18	**Payments.**
Line 18a	**Estimated Payments.** Enter the total amount of Estimated Payments made for this tax year.
Line 18b	**Payment with Extension.** Enter the amount of any payment with Extension made for this tax year.
Line 18c	**Nonresident Estimated Payments.** Enter the amount of estimated payments made on behalf of this company by pass-through business (S-Corp, Partnership, or LLC) of which this corporation is a shareholder, partner, or member. Payments would have been made by the pass-through business using Form **WH-435,** Estimated Income Tax Payments for Nonresident Shareholders, Partners, or Members. The entity's business income tax return must be filed in order to receive credits for the payments.
Line 18d	**Real Estate Withholding Payments.** Enter the amount of real estate withholding (REW) on sales (**Form RW-171, Vermont Withholding for Transfer of Real Property, Schedule A**). REW would have been withheld at closing on your behalf by the buyer of Vermont real estate that you sold.
Line 18e	**Prior Year Overpayment Applied.** Enter the amount of prior year overpayment applied to the current year taxes.
Line 18f	**Total Payments.** Enter the sum of Lines 18a through 18e.
Line 19	**Balance Due.** If Line 16 is more than Line 18f, subtract Line 18f from Line 16. Make check payable to ***Vermont Department of Taxes.***
Line 20	Payment submitted with this return.
Line 21	**Overpayment.** If Line 18f is more than Line 16, subtract Line 16 from Line 18f.
Line 22	**Overpayment to be applied to next tax year.** Enter the amount of overpayment to be applied toward next year's corporate income taxes.
Line 23	**Overpayment to be refunded.** Enter the amount of overpayment to be refunded. Line 22 plus Line 23 must equal Line 21.

Be sure to sign and date the return. Provide a daytime phone number to expedite resolution of any issues that may arise. Check the box if you authorize the Vermont Department of Taxes to contact your tax preparer directly with any questions about this return.

Send return and check to:

Vermont Department of Taxes
133 State Street
Montpelier, VT 05633-1401

Vermont Nonprofit Income Tax Return Instructions

Nonprofit organizations with unrelated business income in Vermont are required to complete Form CO-411 and include a copy of their federal return.

Who must file?

A nonprofit organization that carried out business in Vermont and had unrelated business income of greater than $1,000 in Vermont is required to complete the Vermont Corporate Income Tax Return. If your nonprofit has affiliates that engaged in your unrelated business income, you will need to follow the instructions for combined reporting. If you have no affiliates engaged in unrelated business activities, complete Form CO-411. For purposes of determining if there is a filing requirement, and consistent with federal treatment, the $1,000 threshold refers to gross receipts, not net income.

Carrying out business in Vermont for any tax year means:

- Owning property in Vermont that yielded rental income
- Having an office in Vermont where employees carried out unrelated business
- Carrying out services in Vermont that produced unrelated business income.

Unrelated business income is defined by the Internal Revenue Service. Publication 598 from the Internal Revenue Service provides the following general description:

> Unrelated business income is the income from a trade or business regularly carried on by an exempt organization and not substantially related to the performance by the organization of its exempt purpose or function, except that the organization uses the profits derived from this activity.

The two key terms in this description are “regularly carried out” and “not substantially related to the performance … of its exempt purpose or function.” Vermont uses the same definition of unrelated business income as does the Internal Revenue Service. If your income meets the requirements to report income on federal Form 990-T, then you must complete Vermont corporate income tax forms as well.

How to file?

The instructions for Form CO-411 are the same instructions that nonprofits need to follow for filing the state return. In addition, nonprofits shall include the first page of federal Form 990 and the complete Form 990-T. The unrelated taxable income reported on Form 990-T, Line 34, is reported as taxable income on Form CO-411, Line 1.

Apportionment of income

If a nonprofit organization’s income is derived entirely from activities within the state, its Vermont net income is allocated entirely to Vermont. If the nonprofit organization’s income is derived from activities conducted both in Vermont and another state or states, its Vermont net income is apportioned as provided in 32 V.S.A. § 5833 on Schedule BA-402. For example, income derived from sales of tangible personal property that occur in more than one state as a fundraising activity is apportioned between or among the states. In cases where the nonprofit organization is a part of an affiliated group and other members of the affiliated group report unrelated business income, the Vermont nonprofit organization must complete Schedule BA-402 and apportion the combined group’s unrelated business income.

See Technical Bulletin TB-59, Unrelated Business Income of Exempt Corporations, on the Department’s website for further information on this subject.

Contacting the Department

Mailing address:

Vermont Department of Taxes
133 State Street
Montpelier, VT 05633-1401

Taxpayer Services:	(802) 828-5723
Email Address:	tax.corporate@vermont.gov
Website Address:	www.tax.vermont.gov
Forms:	(802) 828-2515