

SCHEDULE CO-420 Instructions

Foreign Dividend Factor Increments (for Unitary Filers Only)

General Information

Prepare Schedule CO-420 for each entity paying dividends.

Vermont provides factor relief for the dividends received from overseas business organizations as defined in Reg. § 1.5862(d) – 8(b). In order to obtain factor relief, a separate apportionment percentage for foreign dividends must be calculated. Relief is achieved by increasing the denominators (everywhere amounts) in the apportionment factors, which dilutes the apportionment percentage applied to taxable foreign dividends.

Use Schedule CO-420 to determine the incremental amount (increment) added to the denominator (everywhere factor) for Sales and Receipts when calculating the apportionment percentage to be applied to foreign dividends. (For tax years starting January 1, 2023, and later, Vermont has changed from three factor apportionment to a single sales factor.)

Prepare Schedule CO-420 for each entity paying dividends. The increment (that is, the amount by which the “Everywhere” factor will be increased) will be determined using Schedule(s) CO-420, and then carried forward to Schedule CO-419, Apportionment of Foreign Dividends (for Unitary only), for calculation of the modified apportionment factors, modified apportionment percentage, and then the amount of foreign dividends apportioned to Vermont.

If more than one entity is paying dividends, the increment to carry forward to Schedule CO-419 will be the sum of the increments calculated for all dividend payors. Specifically, carry forward the sum of:

Schedule CO-420 to **Schedule CO-419**
Both Lines 10 Line 2A

WHO QUALIFIES FOR FACTOR RELIEF?

Unitary foreign dividend payors whose dividends qualify for factor relief include:

- Foreign corporations as defined by the Internal Revenue Code, including but not limited to: Controlled foreign corporations (CFC), I.R.C. § 936 Sales Companies, and
- Foreign sales corporation (FSC)
- Business organizations that made deemed dividends to a member of the unitary group.

Line-by-Line Instructions

Please print clearly in BLUE or BLACK ink only.

Enter the name and Federal Employer Identification Number (FEIN) of the Principal Vermont Corporation.

Enter the name(s) and FEIN(s) of the entity paying dividends to a member of the unitary group, for whom this Schedule CO-420 is being prepared.

Affiliate #1

Line 1 Enter the amount of dividend paid or deemed paid net of any deductions (such as I.R.C. § 250 or I.R.C. § 965(c)).

Line 2 Enter the payor entity's taxable income, computed using U.S. tax standards.

Line 3 Determine the percentage of taxable income paid as dividend. Divide Line 1 by Line 2. Calculate as a percentage, showing six digits to the right of the decimal. If the result is greater than 100.000000%, enter as 100.000000%. If less than zero, enter -0-. If taxable income is zero or less, enter 100.000000%.

Lines 4 – 8

Report the amounts for the dividend payor in accordance with U.S. Tax law and Vermont rules and regulation for apportionment. Refer to the instructions for Schedule BA-402, Apportionment and Allocation Schedule, and Regulation § 1.5833, Allocation of Income.

Line 9 Add Lines 4 through 8.

Line 10 Multiply Line 9 by Line 3. Enter the result. This is the sales and receipts increment factor for this dividend payor.

Affiliate #2

Lines 1 through 10

Follow instructions for Affiliate #1, Lines 1 through 10, respectively.

Report to Schedule(s) CO-419

If there is only one payor of dividends (and therefore only one Schedule CO-420), carry the amount from Schedule CO-420, Line 10, to Schedule CO-419, Line 2A.

The sales and receipts increment (Both Lines 10 from all attached Schedules CO-420) will be entered onto Line 2 of Schedule CO-419.