

# Schedule IN-119 Instructions

## Vermont Tax Adjustments and Nonrefundable Credits

Please print in BLUE or BLACK ink only.

### Line-by-Line Instructions

#### Part I ADJUSTMENTS TO VERMONT INCOME TAX

##### Additions to Vermont Tax

- Line 1** Tax on Qualified Plans and tax-favored accounts, including individual retirement accounts (IRAs), health savings accounts (HSAs), and medical savings accounts (MSAs) reported on federal Form 1040, U.S. Individual Income Tax Return.
- Line 2** Recapture of Investment Tax Credit from federal Form 4255, Recapture of Investment Credit.
- Line 3** Tax on Lump-Sum Distributions from federal Form 4972, Tax on Lump-Sum Distributions.
- Line 4** Add Lines 1 through 3 and enter result.
- Line 5** Multiply Line 4 by 24% (0.24) and enter result.
- Line 6** **Recapture of Vermont tax credit(s).** Recapture occurs when a previously claimed credit is changed. Vermont piggy backs on federal recapture law. Recapture occurs when a taxpayer claims but ultimately did not receive the federal credit or claims and received the federal credit but had it reduced.
- Line 7** Add Lines 5 and 6.

##### Subtractions from Vermont Tax

- Line 8** Enter **Credit for the Elderly or the Disabled** from federal Form 1040, Schedule R, Credit for the Elderly or the Disabled.
- Line 9** **Investment Tax Credit** from federal Form 3468, Investment Credit, and federal Form 3800, General Business Credit. This credit is limited to the amount of Investment Tax Credit attributable to the **Vermont-property** portion and what is allowed against the federal income tax for the taxable year.
- Line 10** **Vermont Farm Income Averaging Credit** This credit is available to farmers who calculate federal tax using federal Form 1040, Schedule J, Income Averaging for Farmers and Fishermen. Complete the worksheet.
- Line 11** Add Lines 8 through 10.
- Line 12** Multiply Line 11 by 24% (0.24) and enter the result.

#### VERMONT FARM INCOME AVERAGING WORKSHEET

1. Calculate and enter here federal income tax using federal Form 1040, Schedule D, federal Form 1040, Schedule D Worksheet, or federal tax rate schedules as if federal Form 1040, Schedule J was not used. . . . . 1. \$ \_\_\_\_\_  

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2. Enter federal tax from federal Form 1040 Schedule J, Line 23 . . . . . 2. \$ \_\_\_\_\_
3. Subtract Line 2 from Line 1. This is your Vermont Farm Income Averaging Credit. Enter the result on Schedule IN-119, Part I, Line 10. . . . . 3. \$ \_\_\_\_\_

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**Line 13 Vermont-Based Solar Energy Investment Credit carryforward**

Unused Vermont-based solar energy investment tax credits may be carried forward for five years following the year a credit is claimed. Solar credits carried forward and claimed under 32 V.S.A. § 5822(d) should be applied to this line. These credits are a component of the Investment Tax Credit and are the only portion that credit that can be carried forward. Solar credits are reported on federal Form 3468, Investment Credit, and federal Form 3800, General Business Credit. Only the Vermont-property portion of the federal credit can be used to factor Vermont's solar energy investment credit.

Solar credits earned and carried forward under 32 V.S.A. § 5822(d) are valued at 24% of the Vermont-property portion of the federal credit. **Please note:** Solar credits under 32 V.S.A. § 5930z, which were valued at 100% of the Vermont property portion of the federal credit, can no longer be applied or carried forward.

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**Line 14** Add Lines 12 and 13.

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**Net Adjustment to Vermont Tax**

**Line 15** Subtract Line 14 from Line 7. Enter on Form IN-111, Vermont Individual Income Tax Return, Line 9. This can be a negative. Use a hyphen ("-") to indicate negative amounts.

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**Part II VERMONT INCOME TAX CREDITS****Line 1 Vermont Higher Education Investment Plan (VHEIP)**

**The credit is available only for contributions to the 529 plan administered by the Vermont Student Assistance Corporation (VSAC).** For more information, read Technical Bulletin TB-66, Credit for Vermont Higher Education Investment Plan, on our website. You may be eligible for a tax credit on contributions made during the current calendar year to VHEIP. The tax credit equals 10% of the first \$2,500 of contributions per beneficiary. For jointly filed returns, the tax credit equals 10% of the first \$5,000 of contributions per beneficiary. If you are not the owner of the account you are contributing to, you may still be eligible to take the credit. To expedite processing of your credit if you are not the account holder, please include with your filing a copy of the year end statement for the account along with proof of your contribution. A distribution from a VHEIP account that is not used exclusively for costs of attendance at an approved postsecondary education institution (as defined by Vermont law) triggers a repayment requirement of ten percent of the distribution up to the maximum of the total Vermont credits received by the taxpayer. For more information on VHEIP, visit the VSAC website at [vsac.org](http://vsac.org), call (800) 637-5860 Monday through Friday, 8:00 a.m. to 7:00 p.m., or email [VHEIPquestions@VHEIP.org](mailto:VHEIPquestions@VHEIP.org).

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**Taxpayers receiving tax credit through S corporations, LLCs, LLPs, or partnerships for Lines 2 through 8 and Line 10, enter the name of each entity and its FEIN on the schedule.**

**Line 2 Charitable Housing** A taxpayer making an investment in an eligible housing charity may receive a credit against Vermont income tax. The Commissioner of Housing and Community Development calculates the credit.

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**Line 3 Qualified Sale of Mobile Home Park** Please call the Department at (802) 828-2865 if you believe that you qualify for this credit.

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**Line 4**      **Research & Development Credit** A taxpayer may receive a credit against Vermont income tax equal to 27% of the amount of federal tax credit allowed in the taxable year for research and development expenditures eligible under section 41(a) of the Internal Revenue Code and which are made within Vermont. Any unused credit available may be carried forward up to 10 years. The Department will publish annually the names of taxpayers who receive the credit.

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**AFFORDABLE HOUSING CREDIT (Line 5) - 32 V.S.A. § 5930u**

**Line 5**      **This credit requires prior approval by the Vermont Housing Finance Agency.**

A copy of the certificate and the credit allocation to the affordable housing project by the housing agency must be provided for each credit claimed.

This credit is applied for five consecutive tax years, beginning with the tax year of the eligible cash contribution. Total tax credits available equal the amount of the first year allocation, plus the succeeding four years allocations. Affordable housing tax credits which exceed the current tax year's liability may be carried forward up to 14 succeeding tax years.

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**DOWNTOWN & VILLAGE CENTER PROGRAM TAX CREDITS (Lines 6 through 8) - 32 V.S.A. § 5930cc**

These credits require prior approval by the Vermont Agency of Commerce and Community Development. Tax credits which exceed the current year's tax liability may be carried forward for up to nine succeeding years following the first year the credit was claimed. Credits unclaimed three years after the approval date are automatically rescinded and are available to the Tax Credits and Grants Coordinator for award in subsequent years.

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**Line 6**      **Historic Rehabilitation Tax Credit - 32 V.S.A. § 5930cc(a)** The qualified applicant of a qualified historic rehabilitation project shall be entitled, upon the approval of the state board, to claim against the taxpayer's state individual income tax, corporate income tax, or bank franchise or insurance premiums tax liability a credit of 10% of qualified rehabilitation expenditures as defined in the Internal Revenue Code, 26 U.S.C. § 47(c), properly chargeable to the federally certified rehabilitation.

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**Line 7**      **Facade Improvement Tax Credit - 32 V.S.A. § 5930cc(b)** The qualified applicant of a qualified facade improvement project shall be entitled, upon the approval of the state board, to claim against the taxpayer's state individual income tax, state corporate income tax, or bank franchise or insurance premiums tax liability a credit of 25% of qualified expenditures up to a maximum tax credit of \$25,000.

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**Line 8**      **Code Improvement Tax Credit - 32 V.S.A. § 5930cc(c)** The qualified applicant of a qualified code improvement project shall be entitled, upon the approval of the state board, to claim against the taxpayer's state individual income tax, state corporate income tax, or bank franchise or insurance premiums tax liability a credit of:

- 50% of qualified expenditures up to a maximum tax credit of \$12,000 for installation or improvement of a platform lift,
- a maximum credit of \$60,000 for the installation or improvement of a limited use/limited application elevator,
- a maximum tax credit of \$75,000 for installation or improvement of an elevator,
- a maximum tax credit of \$50,000 for installation or improvement of a sprinkler system, and
- a maximum tax credit of \$50,000 for the combined costs of all other qualified code improvements.

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**Line 9** Add Column C, Lines 1 through 8. If no credit claimed on Line 10, enter this amount on Form IN-111, Line 18.

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**VERMONT ENTREPRENEURS' SEED CAPITAL FUND CREDIT 32 V.S.A. § 5830b**

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**Line 10** Taxpayers who invest in this state-chartered corporation may receive a tax credit. The corporation provides investment capital to new Vermont firms or existing Vermont firms that are expanding in the state.

The credit may be claimed in the taxable year for a contribution made on or before Jan. 1, 2020, and may be carried forward for up to four succeeding years.

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**Line 11** Enter adjusted Vermont income tax amount from Form IN-111, Line 16.

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**Line 12** Enter credit for income tax paid to another state or Canadian province from Form IN-111, Line 17.

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**Line 13** Subtract Line 12 from Line 11.

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**Line 14** Enter the lesser of Line 9 or Line 13.

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**Line 15** Subtract Line 14 from Line 13. The result cannot be less than zero.

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**Line 16** Multiply Line 15 by 50% (0.50).

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**Line 17** Enter the lesser of Line 10 or Line 16.

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**Line 18** Total Credits Allowable. Enter the total of Lines 14 and 17.

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**Line 19** **Total Income Tax Credits Available.** Enter the lesser of Line 13 or Line 18. Enter this amount on Form IN-111, Line 18.

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## Contacting the Department

**Mailing address:**

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

**Email:** [tax.individualincome@vermont.gov](mailto:tax.individualincome@vermont.gov)

**Phone:** (866) 828-2865 (toll-free in Vermont)

**Phone:** (802) 828-2865 (local and out-of-state)

**Fax:** (802) 828-2720