

SCHEDULE CO-420 Instructions

Foreign Dividend Factor Increments (for Unitary-Combined Only)



General Information

NEW FOR 2014: Schedule CO-420 has been redesigned to improve clarity. Prepare one Schedule CO-420 for each entity paying dividends. The schedule no longer accommodates calculations for multiple entities.

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 amounts (increments) added to the denominators (everywhere factors) for Sales and Receipts, Salaries and Wages, and Property, when calculating the apportionment percentage to be applied to foreign dividends.

Prepare one Schedule CO-420 for each entity paying dividends. The increment for each apportionment factor (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-Combined 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 all:

<u>Schedule CO-420</u>	to	<u>Schedule CO-419</u>
Lines 10.		Line 2
Lines 12.		Line 7
Lines 20.		Line 11

WHO QUALIFIES FOR FACTOR RELIEF?

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

- Vermont overseas business organization as defined in Vermont Reg. § 1.5862(d)-5 - entities whose income is included in a consolidated U.S. income tax return but whose activities are primarily outside the U.S. because 80% or more of the average of payroll and property is outside the 50 states and the District of Columbia.
- Controlled foreign corporations (CFC) that meet the payroll and property requirements of an overseas business organization as defined in Vermont Reg. § 1.5862(d)-5.
- IRC Section 936 Sales Companies that meet the payroll and property requirements of an overseas business organization.
- Foreign sales corporation (FSC) that meet the payroll and property requirements of an overseas business organization.
- Business organizations meeting the payroll and property requirements of an overseas business organization which 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 and FEIN of the entity paying dividends to a member of the unitary group, for whom this Schedule CO-420 is being prepared.

Line 1 Enter the amount of dividend paid or deemed paid.

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 – 9, 11, and 13 – 19

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 and Apportionment of Income.

Line 10 Multiply Line 9 by Line 3. Enter the result. This is the sales and receipts increment for this dividend payor, which will be added to the denominator/everywhere sales and receipts factor in order to determine the modified apportionment percentage.

Line 12 Multiply Line 11 by Line 3. Enter the result. This is the salaries and wages increment for this dividend payor, which will be added to the denominator/everywhere salaries and wages factor in order to determine the modified apportionment percentage.

Line 20 Multiply Line 19 by Line 3. Enter the result. This is the property increment for this dividend payor, which will be added to the denominator/everywhere property factor in order to determine the modified apportionment percentage.

Report to Schedule(s) CO-419

If there is only one payor of dividends (and therefore only one Schedule CO-420), carry the amounts from Schedule CO-420, Lines 10, 12, and 20, to Schedule CO-419, Lines 2, 7, and 11, respectively.

If multiple entities are paying dividends, the increments to carry forward to Schedule CO-419 (same lines as detailed above) will be the sum of the increments calculated for all dividend payors, that is the sum of the amounts on Lines 10, 12, and 20, respectively, across all attached Schedules CO-420.