

Overview: Vermont Corporate Income Taxes

Senate Finance: February 7, 2017

What businesses file a Corporate Income Tax return in Vermont?

Every C Corporation that for a given tax year: 1) was incorporated under the laws of the state of Vermont; 2) received income allocable or apportioned to Vermont; or 3) has an open corporate income tax account.

Other businesses; such as S-Corporations, LLCs, and partnerships; file Business Income Tax returns (Vermont forms BI-471 and BI-476). Most of this income is passed through to individuals who pay the taxes via Personal Income Tax.

How Does Vermont Define Taxable Income for Corporations?

Vermont's Corporate Income Tax form, the CO-411, begins with federal taxable income – defined as the Federal Form 1120 Line 28 (taxable income) minus Line 29b (special deductions).

What is Combined, or Unitary, reporting?

Beginning in 2006, corporations that are part of an affiliated group engaging in unitary business are required to file combined reports, reporting the combined net income of the group. In general, an “affiliated group” means a group of two or more corporations where more than 50 percent of the voting stock of each member corporation is directly or indirectly owned by a common owner or group of owners.

The term “unitary business” refers to organizations engaged in activity both in and outside of Vermont where there exists a unity of ownership, operations, and use, or an interdependence of their functions. For more information, reference 32 VSA §5862(d).

How does Vermont apportion income to a corporation?

If income or a loss to a taxable entity is derived from activity conducted entirely within Vermont, the net income is apportioned to Vermont in full. For entities operating in more than one state, Vermont uses a three-factor formula with a double weight on the sales factor. Those three factors are:

1. **Gross Sales or charges for services** performed within Vermont compared to such sales everywhere.
2. Total **wages, salaries, or personal service compensation** to employees or agents within Vermont compared to everywhere.
3. The average value of **real and tangible personal property** owned or rented within Vermont compared to property everywhere.

The sales factor is then added twice and the other two factors are added once. They are then divided by four to derive Vermont's apportionment factor. For more information, please see Schedule BA-402.

Overview of Corporate Income Tax Rates

In 2007, corporate tax rates were decreased to the following levels:

Corporate Income Tax Rate Schedule	
Income Bracket	Tax Rate
\$10K or less	6%
\$10K - \$25K	7% of value between \$10K - \$25K
> \$25K	8.5% of value greater than \$25K

A corporation with Vermont net table income of \$100,000 and no credits would therefore have a liability of \$8,025. Broken down by tax bracket: \$600 for the first \$10,000 (6%), \$1,050 for the second \$15,000 (7%), and \$6,375 for the remaining \$75,000 (8.5%).

In 2013, corporate minimum taxes increased from \$250 to the following levels:

Minimum Corporate Tax Schedule	
If VT Gross Receipts Are	Min Tax is
\$2,000,000 or less	\$300
\$2,000,001 - \$5,000,000	\$500
\$5,000,001 or more	\$750

94% of corporations that paid the minimum corporate tax in TY14 paid the \$300 minimum tax. Many of these payers are large national and multi-national corporations that report no business presence in Vermont (there are numerous reasons why this might occur).

Key Forms

Among the main forms used for calculating Vermont corporate income tax liabilities are:

- **IRS Form 1120:** Federal Corporate Income Tax Return;
- **CO-411:** Vermont Corporate Income Tax Return;
- **Schedule BA-402:** Apportionment and Allocation Schedule;
- **Schedule BA-404:** Credits earned, applied and carried forward;
- **Schedule BA-406:** Credit Allocation Schedule;
- **Schedule BA-410:** Corporate Income Tax Affiliation Schedule;
- **Schedule CO-421:** Unitary Affiliate Schedule;

VT Net Apportionable Income	TY14 Combined Corporate Returns				Number of Companies by VT Apportionment		
	Filers	VT Net Taxable Income	VT Net Apportionable Income	Total Tax Due	100%	100% > x > 0%	0%
Losses	418	(205,070,162)	(33,069,558,964)	230,753	15	293	110
0	<i>Suppressed</i>						
1 - 5,000	<i>Suppressed</i>						
5,001 - 10,000	-	-	-	-	-	-	-
10,001 - 100,000	10	212,676	457,052	19,131	<i>Suppressed</i>		
> 100,000	544	657,149,278	316,655,828,521	58,822,802	<i>Suppressed</i>	409	133
Grand Total	972	452,291,792	283,586,726,609	59,072,686	15	702	243

VT Net Apportionable Income	TY14 Non-Combined Corporate Returns				Number of Companies by VT Apportionment		
	Filers	VT Net Taxable Income	VT Net Apportionable Income	Total Tax Due	100%	100% > x > 0%	0%
Losses	2,818	(324,950,723)	(18,014,009,832)	762,867	1,430	884	504
0	614	(113,846)	-	95,465	403	29	182
1 - 5,000	534	653,769	809,311	147,200	442	63	29
5,001 - 10,000	157	694,364	1,117,785	56,306	96	40	21
10,001 - 25,000	248	2,604,855	4,162,173	184,618	140	70	38
25,001 - 100,000	505	12,379,580	27,555,791	961,119	217	183	105
100,001 - 300,000	292	11,999,956	52,423,638	974,347	58	152	82
> 300,000	1,132	95,235,731	56,363,467,575	8,078,911	31	738	363
Grand Total	6,300	(201,496,314)	38,435,526,441	11,260,833	2,817	2,159	1,324

*The CIT tax year is defined by when the filing period begins. Any filing period beginning in 2014 (Jan-Dec 2014) is a tax year 2014 return.

*Unitary combined and consolidated returns are lumped together under combined/consolidated.

*Data is from Form CO-411 returns that were posted as of 11/18/16.

TY14 Corporate Summary					
Company Type	# of Filers	% of Filers	Tax Liability	% Tax Liability	
Combined	972	13%	59,072,686	84%	
Not Combined	6,300	87%	11,260,833	16%	
Total	7,272	100%	70,333,519	100%	

Combined Filers with VT Apportionment greater than 50%				
VT Net Apportionable Income	Filers	VT Net Taxable Income	VT Net Apportionable Income	Total Tax Due
Losses	23	(168,381,326)	(168,871,852)	13,200
0 - 100,000	<i>Suppressed</i>			
> 100,000	13	38,932,353	49,081,670	1,659,763
Grand Total	36	(129,448,973)	(119,790,182)	1,672,963

Form **1120**

Department of the Treasury
Internal Revenue Service

U.S. Corporation Income Tax Return

For calendar year 2016 or tax year beginning _____, 2016, ending _____, 20

OMB No. 1545-0123

2016

► Information about Form 1120 and its separate instructions is at www.irs.gov/form1120.

A Check if:

- 1a Consolidated return (attach Form 851)
- b Life/nonlife consolidated return
- 2 Personal holding co. (attach Sch. PH)
- 3 Personal service corp. (see instructions)
- 4 Schedule M-3 attached

TYPE OR PRINT

Name

Number, street, and room or suite no. If a P.O. box, see instructions.

City or town, state, or province, country, and ZIP or foreign postal code

B Employer identification number

C Date incorporated

D Total assets (see instructions)

\$

E Check if: (1) Initial return (2) Final return (3) Name change (4) Address change

Income	1a Gross receipts or sales	1a		
	b Returns and allowances	1b		
	c Balance. Subtract line 1b from line 1a	1c		
	2 Cost of goods sold (attach Form 1125-A)	2		
	3 Gross profit. Subtract line 2 from line 1c	3		
	4 Dividends (Schedule C, line 19)	4		
	5 Interest	5		
	6 Gross rents	6		
	7 Gross royalties	7		
	8 Capital gain net income (attach Schedule D (Form 1120))	8		
	9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)	9		
10 Other income (see instructions—attach statement)	10			
11 Total income. Add lines 3 through 10	11			

Deductions (See instructions for limitations on deductions.)	12 Compensation of officers (see instructions—attach Form 1125-E)	12		
	13 Salaries and wages (less employment credits)	13		
	14 Repairs and maintenance	14		
	15 Bad debts	15		
	16 Rents	16		
	17 Taxes and licenses	17		
	18 Interest	18		
	19 Charitable contributions	19		
	20 Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)	20		
	21 Depletion	21		
	22 Advertising	22		
	23 Pension, profit-sharing, etc., plans	23		
	24 Employee benefit programs	24		
	25 Domestic production activities deduction (attach Form 8903)	25		
	26 Other deductions (attach statement)	26		
	27 Total deductions. Add lines 12 through 26	27		
	28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11.	28		
	29a Net operating loss deduction (see instructions)	29a		
	b Special deductions (Schedule C, line 20)	29b		
c Add lines 29a and 29b	29c			

Tax, Refundable Credits, and Payments	30 Taxable income. Subtract line 29c from line 28. See instructions	30		
	31 Total tax (Schedule J, Part I, line 11)	31		
	32 Total payments and refundable credits (Schedule J, Part II, line 21)	32		
	33 Estimated tax penalty. See instructions. Check if Form 2220 is attached	33		<input type="checkbox"/>
	34 Amount owed. If line 32 is smaller than the total of lines 31 and 33, enter amount owed	34		
	35 Overpayment. If line 32 is larger than the total of lines 31 and 33, enter amount overpaid	35		
36 Enter amount from line 35 you want: Credited to 2017 estimated tax ► Refunded ►	36			

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer _____ Date _____ Title _____

May the IRS discuss this return with the preparer shown below? See instructions. Yes No

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name	Firm's EIN			
Firm's address	Phone no.			



VT Form CO-411	CORPORATE INCOME TAX RETURN
--------------------------	------------------------------------

Entity Name (Principal Vermont Corporation)			Check appropriate box(es) <input type="checkbox"/> ACCOUNTING PERIOD CHANGE <input type="checkbox"/> AMENDED RETURN <input type="checkbox"/> EXTENDED RETURN <input type="checkbox"/> UNITARY COMBINED <input type="checkbox"/> UNITARY CONSOLIDATED <input type="checkbox"/> FINAL RETURN (CANCELS ACCOUNT)		
Address		Federal ID Number	Primary 6-digit NAICS number		
			Tax year BEGIN date (YYYYMMDD)	Tax year END date (YYYYMMDD)	
City	State	ZIP Code	Number of companies in Water's Edge Group		Number with Vermont Nexus
Foreign Country (if not United States)			Federal tax return filed (check one box) <input type="checkbox"/> 1120 <input type="checkbox"/> 1120-F <input type="checkbox"/> 990-T <input type="checkbox"/> 1120-H <input type="checkbox"/> Other		

Place an "X" in the box left of the line number to indicate a loss amount. **Enter all amounts in whole dollars.**

1. FEDERAL TAXABLE INCOME 1. _____

2. Bonus Depreciation Adjustment (see instructions) 2. _____

3. Federal Taxable Income adjusted for disallowance of Bonus Depreciation (Line 1 plus Line 2) 3. _____

4. **ADD** (a) Interest on non-Vermont state and local obligations..... **4(a).** _____

(b) State and local income or franchise taxes **4(b).** _____

LESS (c) Non-business income or loss allocated everywhere (Schedule BA-402, Line 1a, or leave blank) **4(c).** _____

(d) Foreign dividends received **4(d).** _____

(e) Interest on U.S. Government obligations. . . . **4(e).** _____

(f) "Gross Up" required by IRC Sec. 78 and other excludable income. **4(f).** _____

(g) Targeted Job Credit salary and wage expense addback **4(g).** _____

5. NET APPORTIONABLE INCOME 5. _____
 (Line 3 plus Lines 4(a) and 4(b) less Lines 4(c) through 4(g)).

Check box if exception to minimum tax applies:

<input type="checkbox"/> SMALL FARM CORPORATION (\$75 minimum)	<input type="checkbox"/> NO VERMONT ACTIVITY (\$0)	<input type="checkbox"/> HOMEOWNER'S / CONDO ASSOC. (Federal Form 1120-H only) (\$0)
--	--	--

Entity Name	
Federal ID Number	Fiscal Year Ending (YYYYMMDD)



- 6. Vermont Apportionment Percentage (100% or amount from Schedule BA-402, Line 22). Calculate percentage to six places to the right of the decimal point. 6. _____ . _____ %
- 7. Apportionable Income (Form CO-411, Line 5) 7. _____ .
- 8. Income Apportioned to Vermont (Multiply Line 6 by Line 7) 8. _____ .
- 9. Income Allocated to Vermont (Schedule BA-402, Line 1b) 9. _____ .
- 10. Foreign Dividends Allocated to Vermont (Schedule BA-402, Line 1d) 10. _____ .
- 11. Net VT Income Allocated and Apportioned to Vermont (Add Lines 8, 9, and 10) 11. _____ .
- 12. VT Net Operating Loss deduction applied (attach schedule) 12. _____ .
- 13. VT Net Taxable Income for this entity. (Subtract Line 12 from Line 11) 13. _____ .
- 14. VT Tax. Apply VT Tax Rates (below) to amount on Line 13 14. _____ .
- 15. Credits (Schedule BA-404, Column C, Line 13) 15. _____ .
- 16. **Tax Due** for this entity (Subtract Line 15 from Line 14) 16. _____ .
- 17. Gross Receipts (For purpose of minimum tax calculation. See instructions) 17. _____ .

TAX COMPUTATION SCHEDULE	
(Effective for taxable periods beginning January 1, 2012)	
<u>IF VT NET INCOME IS</u>	<u>TAX IS</u>
\$10,000 or less	6.00%
\$10,001 to \$25,000	\$600 plus 7.00% of excess over \$10,000.
\$25,001 and over	\$1,650 plus 8.50% of excess over \$25,000.
<u>IF GROSS RECEIPTS ARE</u>	<u>MINIMUM TAX IS</u>
\$2,000,000 or less	\$300
\$2,000,001 - \$5,000,000	\$500
\$5,000,001 and over	\$750

Return is due on the date prescribed for filing under the Internal Revenue Code, unless extended.

Payment is due on the date prescribed for filing under the Internal Revenue Code, even if the return is extended. Corporations with liabilities over \$500, see instructions for estimated payments, VT Form CO-414.

Entity Name	
Federal ID Number	Fiscal Year Ending (YYYYMMDD)



Amount from Line 16 _____

18. Total Tax Due (Sum of Line 16 on page 2 and Line 11 of all attached CO-421) **18.** _____

19. PAYMENTS

19a. Estimated Payments **19a.** _____

19b. Payment with Extension **19b.** _____

19c. Nonresident Estimated Payments (Form WH-435) **19c.** _____

19d. Real Estate Withholding Payments (Form RW-171) **19d.** _____

19e. Prior Year Overpayment Applied **19e.** _____

19f. Total Payments (Add Lines 19a through 19e) **19f.** _____

20. Balance Due. If Line 18 is more than Line 19f, subtract Line 19f from Line 18. . . **20.** _____
 Make checks payable to **VT DEPARTMENT OF TAXES**

21. Overpayment. If Line 19f is more than Line 18, subtract Line 18 from Line 19f . **21.** _____

22. Overpayment to be applied to next tax year **22.** _____

23. Overpayment to be refunded (Subtract Line 22 from Line 21) **23.** _____

I hereby certify that I am an officer or authorized agent responsible for the taxpayer's compliance with the requirements of Title 32 of the Vermont Statutes and that this return is true, correct, and complete to the best of my knowledge. If prepared by a person other than the taxpayer, this declaration further provides that under 32 V.S.A. § 5901, this information has not been and will not be used for any other purpose, or made available to any other person, other than for the preparation of this return unless a separate valid consent form is signed by the taxpayer and retained by the preparer.

	Signature of Officer or Authorized Agent	Date	Daytime telephone number (optional) ()	May the Dept. of Taxes discuss this return with the preparer shown? <input type="checkbox"/> Yes <input type="checkbox"/> No
	Printed name	E-mail address (optional)		

Paid Preparer's Use Only	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>
	Preparer's printed name	Preparer's Social Security No. or PTIN	
	Firm's name (or yours if self-employed) and address		
	EIN	Preparer's Telephone Number ()	Preparer's e-mail address (optional)

Make check payable to: **Vermont Department of Taxes**

5454 **Send return and check to:** Vermont Department of Taxes
 133 State Street
 Montpelier, VT 05633-1401

Form CO-411
 Page 3 of 3
 Rev. 10/16



VT Schedule BA-402	APPORTIONMENT & ALLOCATION SCHEDULE
------------------------------	---

**Attach to Form CO-411
 or Form BI-471**

- Enter all amounts in **WHOLE DOLLARS**
- For Unitary filers, complete a separate Schedule BA-402 for each taxable affiliate.

Entity Name (same as on Form CO-411 or Form BI-471)	Fiscal Year Ending (YYYYMMDD)	Federal ID Number
---	-------------------------------	-------------------

FOR UNITARY GROUPS ONLY - Name of Affiliate	Affiliate's Federal ID Number
---	-------------------------------

PART 1 Directly Allocated Nonbusiness Income and Foreign Dividends

Place an "X" in the box left of the line number to indicate a loss amount.

Everywhere	Vermont
1. Nonbusiness Income	
<input type="checkbox"/> 1a. _____	<input type="checkbox"/> 1b. _____
Foreign Dividends	
1c. _____	1d. _____

PART 2 Apportioned Income (Do not enter negative values in Part 2)

Section A Sales and Receipts Factor

Everywhere	Vermont
2. Sales or gross receipts	
2. _____	
3. Services performed in Vermont	3. _____
4. Sales delivered or shipped to purchasers in Vermont from outside Vermont	4. _____
5. Sales delivered or shipped to purchasers in Vermont from within Vermont	5. _____
6. Sales shipped from Vermont to the U.S. Government	6. _____
7. Sales shipped from Vermont to purchasers in a state where the entity is not taxable	7. _____
8. Business interest	
8a. _____	8b. _____
9. Royalties	
9a. _____	9b. _____
10. Gross rents	
10a. _____	10b. _____
11. Other business income (attach statement)	
11a. _____	11b. _____
12. TOTAL INCOME, SALES AND GROSS RECEIPTS (Add Lines 2-11)	
12a. _____	12b. _____
12c. Vermont Sales and Receipts factor as percent of everywhere. (Divide Line 12b by Line 12a). Calculate percentage to six places to the right of the decimal point. .12c. _____ %	

Entity Name (same as on Form CO-411 or Form BI-471)	
Federal ID Number	Fiscal Year Ending (YYYYMMDD)



Section B Salaries and Wages Factor

Everywhere

Vermont

13. TOTAL SALARIES AND WAGES

13a. _____.

13b. _____.

13c. Vermont as percent of everywhere (Divide Line 13b by Line 13a).

Calculate percentage to six places to the right of the decimal point.....13c. _____.

Section C Property Factor (Average value during year)

Everywhere

Vermont

14. Inventories

14a. _____.

14b. _____.

15. Buildings and other depreciable assets (original cost)

15a. _____.

15b. _____.

16. Depletable assets (original cost)

16a. _____.

16b. _____.

17. Land

17a. _____.

17b. _____.

18. Other assets (attach schedule)

18a. _____.

18b. _____.

19. Rented real and personal property (Multiply annual rent by 8)

19a. _____.

19b. _____.

20. TOTAL PROPERTY (Add Lines 14 through 19)

20a. _____.

20b. _____.

20c. Vermont as percent of everywhere (Divide Line 20b by Line 20a).

Calculate percentage to six places to the right of the decimal point.....20c. _____.

Section D Vermont Apportionment Factors

21. VERMONT COMBINED FACTORS (Sales and Receipts, Double-weighted) (Add

Line 12c twice, and Lines 13c and 20c above). Calculate percentage to six places to the right of the decimal point.

21. _____.

22. VERMONT APPORTIONMENT FACTOR (Divide Line 21 by 4 or as indicated below).

Calculate percentage to six places to the right of the decimal point.

22. _____.

Express as a decimal to six places. If there are less than three factors with an "EVERYWHERE" denominator, then divide Line 21 as follows:

- Sales/Receipts and Salaries and Wages - divide by 3
- Sales/Receipts and Property - divide by 3
- Salaries and Wages and Property - divide by 2
- Sales/Receipts only - divide by 2
- Salaries and Wages only - divide by 1
- Property only - divide by 1

(Transcribe to Form CO-411, Line 6; or Schedule CO-421, Line 1; or Schedule BI-472, Line 7; or Schedule BI-473, Line 8.)