2025 SCHEDULE BA-402 Instructions
Apportionment & Allocation Schedule

General Instructions

Please use BLUE or BLACK ink only.

This schedule is required for all Corporate Income Tax entities having activity (income or loss) outside of Vermont. You do not have to complete this schedule if your business activity is exclusively in Vermont. If a Schedule BA-402 is not attached to the return, apportionment will be assumed to be 100%. If you are claiming the "No Vermont Activity" exception from the minimum tax, then you must submit a Schedule BA-402 that accurately reports "everywhere" activity and no Vermont activity.

Review Reg. § 1.5833-1, Allocation and Apportionment of Vermont Net Income by Corporations. See **tax.vermont.gov/document/allocation-and-apportionment-regulation** for a copy of the regulation. Please note that the Department issued new regulations effective December 1, 2021. The Department considers the **Reg. § 1.5833** to also be applicable when defining Vermont business income from multi-state businesses passed through to individuals, estates, and trusts under **32 V.S.A. § 5823**. As such, except as otherwise provided in statute, preparers may appropriately rely on these regulations when preparing Part IV of Schedule BI-477, Vermont income Adjustment Calculation: Pass-Through Nonresident, (attached to Form BI-471, Business Income Tax Return). If the income or loss of a taxable entity is derived from any trade, business, or activity conducted entirely within Vermont, the net income shall be apportioned to Vermont in full.

Line-by-Line Instructions

Enter your Business Name and Federal Employer Identification Number

Enter the corporation name and Federal Employer Identification Number of the entity filing the tax return. Only one Schedule BA-402 is required to be filed per tax return. This must include the sum of the contributing factors for all members of the Vermont combined group.

PART 1 DIRECTLY ALLOCATED NON-APPORTIONABLE INCOME AND FOREIGN DIVIDENDS

Non-business or non-apportionable income (income which is not included in the apportioned tax base) are allocated directly to the state in which the income was generated, or in which the income-producing assets are located. If the income-producing asset has no location (is not a tangible asset), the income will be allocated to the state of commercial domicile, the principal place from which the business is directed or managed. Review **Reg. § 1.5833** for guidance on apportionable vs. non-apportionable income. Enter the amount of Non-apportionable Income from Everywhere.

Line 1A Enter the amount of Non-apportionable Income from Vermont.

Line 1B Amounts from Lines 1A and 1B will be used on Form CO-411, Corporate Income Tax Return, for corporate income tax filers.

Use Line 1B to report a deduction for income received from a pass-through entity of which this company is an owner, but upon which composite tax has already been paid by that pass-through entity. This situation would arise if a pass-through entity was required to file a composite return and pay tax, but the corporation filing this return had additional income or activity in Vermont, thus triggering a filing requirement. The Line 1B deduction is the mechanism to prevent double taxation of the pass-through income. **NOTE:** Unitary businesses must still report the pro-rata factors of the pass-through which filed the composite return.

Lines 2A and 2B should only be used by Unitary filers.

Line 2A Enter the total amount of Foreign Dividends paid to the unitary group. This is the amount reported on Form CO-411, Line 4(d).

Line 2B If applying for foreign dividends factor relief, enter the Vermont Foreign Dividends Taxable Income from Schedule CO-419, Line 6. Otherwise, multiply Line 2A by Line 14 and enter the amount here.

PART 2 APPORTIONMENT FACTORS

DO NOT REPORT NEGATIVE VALUES ON SCHEDULE BA-402. This schedule is to apportion or allocate activity, not report income. It is not possible to have negative activity in "Vermont" or "Everywhere." For certain items of gain or loss, report gross proceeds, not net gain or loss.

For Unitary filers, the "Everywhere" figures reported should be those for the entire group. If this entity holds an interest in a unitary pass-through entity, then the pro-rata share of the pass-through entity's apportionment factors must be added to Lines 3 through 12. If the pass-through entity is not unitary then the distributed income is reported on Lines 1A and 1B, and the pro-rata share of pass-through entity's apportionment factors are excluded from Lines 2 through 20.

SECTION A: Apportioned Income, Sales and Receipts Factor

Line 3 Enter the total sales or gross receipts for the year. Per **32 V.S.A. § 5833**, effective Jan. 1, 2020, and **Reg. § 1.5833**, sales of services and intangibles are now sourced using market-based sourcing. Gross receipts received from activity in the regular course of the taxpayer's trade or business, such as sales of tangible personal property and sales of real estate, shall be included in this line. **NOTE:** Any factors passed through from partnership income should be entered separately on Line 9.

Receipts from non-apportionable activity should be excluded.

Receipts do not include the following, even if the income is due to an apportionable activity:

1) damages and other amounts received as the result of litigation
2) property acquired by an agent on behalf of another
3) tax refunds and other tax benefit recoveries
4) contributions to capital
5) income from forgiveness of indebtedness
6) amounts realized from exchanges of inventory that are not recognized by the Internal Revenue Code
7) Amounts realized as a result of factoring accounts receivable recorded on an accrual basis
8) Hedging transactions
9) The holding of cash or securities
10) Treasury receipts, or the maturity, redemption, sale, exchange, loan or other disposition of cash or securities

See **Reg. § 1.5833** for more detail.

Line 4	**Enter the total of all receipts from services** received in or delivered to Vermont. Under the market-based approach, effective January 1, 2020, sales of services are assigned to Vermont when the services or benefits of the services are received in or delivered to Vermont, or if the customer or marketplace is located in Vermont.
Line 5	**Enter the sales of tangible personal property** shipped or delivered to Vermont from outside Vermont, except when the purchaser is the United States Government.
Line 6	**Enter the sales of tangible personal property** shipped or delivered to Vermont from within Vermont, except when the purchaser is the United States Government. Also use this line for **sales of real property** included in Line 2 if the property is in Vermont.
Line 7	**Special Industries:** Enter pro-rated sales sourced to Vermont according to the appropriate ratio for your industry. For broadcasters, you will apply a percentage of the applicable sales to Vermont based on the "audience factor," as determined by our regulations. For trucking companies, you will apply a percentage of the applicable sales to Vermont based on a ratio determined by your mileage. Attach a statement to the return showing your calculations and application of this ratio to your sales. **NOTE:** VERMONT REQUIRES PRIOR APPROVAL to use alternative apportionment for any person whose industry is not covered by the Special Rules.
Line 8	**Enter receipts from business interest and dividends.** Interest and dividends are apportioned if the acquisition, management, employment, development, or disposition of the property is or was related to the operation of the taxpayer's trade or business. Interest or dividends that are not apportioned are reported on Schedule BA-402, Lines 1A and 1B.
Line 9	**Factors from pass through entities:** Verify that the "unitary member" box is checked on all Schedules K-1VT issued to your organization. Where a unitary partnership exists, take the sum of all sales factors indicated on Line 15 of all Schedules K-1VT issued to you by these entities and enter that total here.
Line 10	**Enter receipts from royalties** as reported by filers of federal Form 1120S, U.S. Income Tax Return for an S Corporation, Schedule K, Line 6; federal Form 1065, U.S. Return of Partnership Income, Schedule K, Line 7; or federal Form 1120, U.S. Corporation Income Tax Return, Line 7. Royalties are sourced to Vermont on a market-based sourcing basis.
Line 11	**Enter the total gross rental receipts** for the year as reported by filers of federal Form 1120S, Schedule K, Line 3a; federal Form 1065, Schedule K, Line 3a; federal Form 8825, Line 2; or federal Form 1120, Line 6.
Line 12	**Enter other business income** as reported by filers of federal Form 1120S, Line 5; federal Form 1065, Line 7; or federal Form 1120, Line 10. Include taxable income from Vermont sources earned as a shareholder or partner and reported on federal Schedule K-1, e.g., from income-producing assets and activity located in Vermont. Include supporting detail for calculation of "Other Business Income" included on Line 12A and 12B. Schedules sent that re-state "Other" or "Miscellaneous" Income with no further detail may be considered incomplete or insufficient. If you do not include the required supporting information, then your return is incomplete.
Line 13	**Total sales and gross receipts.** Add Lines 3 through 12 and enter the "Everywhere" and "Vermont" values on Lines 13A and 13B, respectively. Calculate the Vermont apportionment percentage for sales and gross receipts by dividing Line 13B by Line 13A.

Line 14 **Vermont Sales and Receipts factor as percent of "Everywhere."** Calculate the Vermont apportionment percentage here. DIVIDE Line 13B by Line 13A. MULTIPLY the result by 100 and carry the result out to the sixth decimal place. Enter this figure on Form CO-411, Line 6.

SECTION B: Salaries and Wages Factor (Informational purposes only)

Line 15 **Enter the salaries and wages** paid or accrued during the taxable year for "Everywhere" and for "Vermont" on Lines 15A and 1B, respectively. Salaries and wages are apportioned to Vermont if they were paid for services performed in the state. Payments to employees for board, rent, housing, lodging, and any other benefits paid in exchange for labor will be treated as compensation if they are considered as income under the Internal Revenue Code. To the extent that employee services produce both business and nonbusiness income, proration is required.

SECTION C: Property Factor (Informational purposes only)

Lines 16-20 **Use the average of the beginning and ending values based on the original cost.**

DO NOT INCLUDE INTANGIBLE PROPERTY IN THIS FACTOR. Tangible personal property is within Vermont if it is physically situated or located here. Property of the taxpayer held in Vermont by an agent, consignee, or factor is situated or located within Vermont. **Property in transit** between locations of the taxpayer to which it belongs is considered to be at the destination for purposes of the property factor. Property in transit between a buyer and seller which is included by a taxpayer in the denominator of its property factor in accordance with its regular accounting practices is included in the numerator according to the state of destination. The value of **mobile or movable property** such as construction equipment, trucks, or leased electronic equipment which are located within and without this state during the tax period is determined for purposes of the numerator of the factor on the basis of total time within the state during the tax period. **Construction in progress, except as otherwise provided in the regulations, and Intangible Property should not be included in the property factor.** (See **Reg. § 1.5833(B)(5)**). If you report activity on Line 18, "Other assets," then you must include a schedule.

Line 21 The value of the **rented or leased real or tangible personal property,** both within and outside Vermont, is determined by multiplying the gross rent payable during the tax year by a factor of eight. The gross rent to be used includes all money or other considerations payable directly or indirectly for the use and possession of the property and includes payments measured as a percentage of profits, payments in addition to or in lieu of rent for interest, taxes, insurance, repairs, or other amounts paid on behalf of the lessor which may be required by the lease.

Line 22 **Total property values.** Add Lines 16 through 21 and enter the "Everywhere" values (left column) and the "Vermont" values (right column) on Lines 22A and 22B respectively.

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: **tax.vermont.gov**
Forms: 802-828-2515