

2025 SCHEDULE FIT-166 Instructions

Vermont Income Adjustments and Tax Computations for Fiduciaries

Please print in BLUE or BLACK ink only.

Please do not staple or bind your return.

You may use binder clips, paper clips, or rubber bands.

LINE-BY-LINE INSTRUCTIONS

PART I Taxable Municipal Bond Income

Interest and dividend income from non-Vermont state and local obligations are taxable in Vermont. A Vermont obligation is one from the State of Vermont or Vermont municipality.

- Line 1** Enter the total interest and dividend income received from all state and local obligations exempted from federal tax. You may not reduce interest and dividend income by investment expenses if those expenses are not used to reduce income on your federal return. If the taxpayer is an owner of a pass-through entity and received Schedule K-1 VT(s), include the adjustment value for Non-Vermont State and Local Obligations distributed on Lines 9A and 38A here as part of the taxpayer's total interest and dividend income received from all state and local obligations exempted from federal tax.
- Line 2** Enter the interest and dividend income from Vermont obligations. This may have been paid directly or through a mutual fund or other legal entity that invests in Vermont state and local obligations. If the income is received from a mutual fund that has only a portion of its assets invested in Vermont state and local obligations, enter only the Vermont obligation amount.
- Line 3** Line 1 minus Line 2. Enter result here and also on Form FIT-161, 2025 Fiduciary Return of Income, Line 2a. This is the amount of interest and dividend income from non-Vermont state and local obligations that must be included in Vermont taxable income.
- Line 4** Check this box if all municipal bond income was distributed and should not be taxed on this return.

PART II Additions and Subtractions to Tax

Lines 1a and 1b

Complete these lines if the estate or trust is liable for tax on lump-sum distributions from federal Form 4972, Tax on Lump-Sum Distributions; federal Form 5329, Additional Taxes on Qualified Plans and Other Tax-Favored Accounts; or recapture of federal investment credit from federal Form 4255, Recapture of Investment Credit.

- Line 1c** Add Lines 1a and 1b and multiply the sum by 24%.
- Line 2a** Investment tax credit from federal Form 3468, Investment Credit. This credit is limited to the amount of investment tax credit attributable to the Vermont-property portion.
- Line 2b** Multiply Line 2a by 24%.
- Line 2c** Vermont-Based Research and Development Credit carryforward. Unused Vermont-based research and development tax credit may be carried forward no more than five years following the year the credit is claimed.

Line 2d Charitable Housing Credit. Charitable investments in housing in Vermont.

Line 2e Add Lines 2b, 2c, and 2d.

PART III Income Adjustment Calculation

Nonresident or part-year resident estates or trusts must complete Part III to determine the non-Vermont portion of income used in calculating the adjustment percentage on Form FIT-161, Line 10.

Lines 1 through 8

Enter in Column A all the items that are part of federal income as they appear on the federal Form 1041, U.S. Income Tax Return for Estates and Trusts. This includes the net income reported on the Electing Small Business Trust portion of the federal Form 1041. Enter in Column B the Vermont portion of all items listed in Column A. If taxpayer received Schedule K-1VT(s), please report any income items distributed in Parts III and VII of that schedule as follows:

- The sum of Schedule K-1VT Lines 12A through 18A, Lines 21A through 26A, and Line 37A must be included on Schedule FIT-166, Part III, Line 5A as everywhere pass-through income.
- The sum of Schedule K-1VT Lines 12B through 18B, Lines 21B through 26B, and Line 37B must be included on Schedule FIT-166, Part III, Line 5B as Vermont source pass-through income.
- The sum of Schedule K-1VT Lines 19A and 20A must be included on Schedule FIT-166, Part III, Line 4A as everywhere capital gain.
- The sum of Schedule K-1VT Lines 19B and 20B must be included on Schedule FIT-166, Part III, Line 4B as Vermont source capital gain.

Note: As a result of this reporting, the items on Lines 1 through 8 may not match the income items reported on federal Form 1041. The aggregate of those federal items, however, must match the total of Column A.

Lines 3, 5, and 6

All values reported in the Part III adjustment must be *before* recalculation for exclusion of bonus depreciation. If taxpayer is an owner of a pass-through business, the amounts included from Schedule K-1VT will not contain any bonus depreciation adjustment.

Contacting the Department

Mailing address:

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

Telephone: 866-828-2865 (toll-free in Vermont)
Telephone: 802-828-6820 (local and out-of-state)
Fax: 802-828-2720
Email Address: tax.estate@vermont.gov