

2025 SCHEDULE BI-473 Instructions

Composite Schedule

Please print in BLUE or BLACK ink only.

Do not complete this form if all shareholders are Vermont residents, all income is apportioned to Vermont, or if owners are maintaining pass-through tax treatment for Vermont income tax.

General Information

Schedule BI-473 is used to determine the amount of Vermont-sourced income and related tax due for business income tax filers who have elected or are required to file a composite return.

An entity may elect to file a composite return on behalf of its owners who are not residents of Vermont, calculating and paying tax at the entity level. Owners are generally relieved of their obligation to file their own Vermont income tax return, provided they have no other income or activity in Vermont.

Entities with more than 50 Vermont nonresident owners are required to file composite returns.

All Vermont nonresident owners and their income must be included in the composite return. "Partial composite" returns are not allowed. Refunds and credits of composite tax sought by underlying owners are not allowed.

See [32 V.S.A. § 5914](#) and [§ 5920](#) for more information.

Line-by-Line Instructions

Vermont has to design forms and schedules prior to IRS publication of forms. Please review the line description as well as references to federal form line numbers as line numbers may differ from those referenced. In the event of conflict, use the line descriptions.

Header Information

Enter the name of the business and its Federal Employer Identification Number (FEIN).

Line 1 **Taxable Income:** Enter the amount from Schedule BI-477, Vermont Income Adjustment Calculation: Pass-Through Vermont Sourcing, Line 28.

Line 2 **Vermont Income Tax Adjustment Percentage:** Enter the amount from Schedule BI-477, Line 32. Express as a percentage with six digits to the right of the decimal.

Line 3 **Vermont Adjusted Income:** Multiply Line 1 by Line 2.

Line 4 **Percentage of income from Line 3 passed through to taxable nonresidents:** Express as a percentage with six digits to the right of the decimal.

NOTE: If any owners are exempt entities not subject to income taxation, or if some or all of the income is exempt from taxation (such as government entity, Employee Stock Ownership plan, or nonprofit to which this income is not characterized as unrelated business income), do not include those owners as taxable nonresidents on Line 4. Provide a statement of the name(s), FEIN(s), percentage(s) and amount(s) of income, and description of why or authority by which they are exempt from income taxation.

Attach Schedules K-1VT, Vermont Shareholder, Partner, or Member Information, to this business income tax return for all owners (including Vermont residents not included in the composite return) for whom income from this business is tax exempt.

Example: Entity A generates \$1 million of income attributable to Vermont this year. The income is distributed equally, at 25% each, to the following: **1)** An exempt government entity, **2)** A Vermont resident individual, and **3)** two nonresident individuals.

Exclude the 25% ownership stake of the government entity when calculating Line 4 to reflect the correct distribution of income to taxable nonresident owners which is subject to nonresident withholding. The percentage of income from Line 3 passed to taxable nonresidents is 50%. Line 5 will reflect \$500,000 in total taxable Vermont income.

Line 5 **Total nonresident income:** Multiply Line 3 by Line 4.

Composite Net Operating Loss: If Line 5 is negative, you have a composite Net Operating Loss (NOL). Include a statement/schedule to track the availability of the composite NOL. The schedule must detail loss years, utilization years, expiration years, and available carryover.

For business income tax, composite NOL applies only to income attributable to Vermont nonresidents who are part of the composite return – e.g., the composite tax. For Vermont residents, or nonresidents who are maintaining pass-through tax treatment, any net operating loss would be applied according to the facts and rules of their income tax return.

Additionally, if the entity files a composite return one year but then files a noncomposite (transparent) return before full utilization of the composite NOL, the tax assets they accumulated while considered a composite (nontransparent) entity will be considered lost. This is because the taxpayer is switching between two sets of laws. Laws for nontransparent entities do not allow for the accumulation or carryforward of composite NOLs at entity level in the same manner. If an election to file composite must be made over the course of several years in order to retain those tax assets, the taxpayer should consider this during tax planning.

Composite NOL's may not be carried back to a prior year return. A composite NOL remains available to carry forward even if the company/owners have elected to carry back the operating loss for federal purposes,

Line 6 **Composite net operating loss deduction applied:** Composite business income tax filers may calculate and use a composite NOL, parallel to corporate income tax filers. Enter any deduction, as a positive number, taken for a composite NOL that would have been a negative amount after apportionment and allocation of Vermont composite income. An NOL is available to carry forward to offset composite income for 10 years following the loss year. Provide a schedule detailing the origin and utilization of the composite NOL.

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- Line 7** **Additional Adjustments:** Include any other adjustments to Vermont income not included on Schedule BI-477. Please provide supporting documentation calculating the additional adjustments. Supply a statement on the nature of the adjustment and cite the rule or regulation under which the adjustment is made.
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- Line 8** **Vermont taxable composite income:** Subtract Line 6 from Line 5 and add Line 7. This is the basis amount for required quarterly estimated payments for nonresidents. The current rate is 6.6%. If the total Form WH-435, Estimated Income Tax Payments (including “catch-up” payments), are less than 6.6% of the amount on Line 4, the company will be subject to assessment for the underpayment, interest, and penalty.
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- Line 9** **Composite Tax:** Multiply Line 8 by the composite tax rate, currently 7.6%. If negative, enter -0-.
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- Line 10** **Tax credits available for composite shareholders/partners/members:** Attach Schedules BA-404, Tax Credit Earned, Applied, Expired, and Carried Forward, and BA-406, Credit Allocation Schedule. Enter the amount from Schedule BA-404, Line 10.
- Under Vermont law, C Corporations are not eligible to receive solar energy investment credits. (Please see [Technical Bulletin TB-45](#), Solar Energy Investment Tax Credit, for more information.) If a member of the composite group is a C Corporation, any solar energy investment tax credit must be reduced by the pro rata share owned by that entity
- Please note that the concepts discussed in Line 5 (regarding switching between composite and noncomposite treatment in subsequent filings) carry the same risks for tax credits that apply toward composite NOL's. Transparent entities may carry forward tax assets from year to year; nontransparent entities may not. Filing a noncomposite return may cause the loss of any unused assets accrued while filing composite.
- NOTE:** Tax Credits may not reduce your tax liability to less than minimum tax.
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- Line 11** **Vermont Composite Tax due:** Subtract Line 10 from Line 9. Enter this amount on Form BI-471, Business Income Tax Return, Line 3.
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For assistance, call 802-828-5723.