

Schedule IN-119 Instructions

Vermont Tax Adjustments and Nonrefundable Credits

Please print in **BLUE** or **BLACK** ink only.

Line-by-Line Instructions

Part I ADJUSTMENTS TO VERMONT INCOME TAX

Additions to Vermont Tax

- Line 1** Tax on Qualified Plans and tax-favored accounts, including individual retirement accounts (IRAs), health savings accounts (HSAs), and medical savings accounts (MSAs) reported on federal Form 1040, U.S. Individual Income Tax Return.
- Line 2** Recapture of Investment Tax Credit from federal Form 4255, Recapture of Investment Credit.
- Line 3** Tax on Lump-Sum Distributions from federal Form 4972, Tax on Lump-Sum Distributions.
- Line 4** Add Lines 1 through 3 and enter result.
- Line 5** Multiply Line 4 by 24% and enter result.
- Line 6** **Recapture of Vermont tax credit(s).** Recapture occurs when a previously claimed credit is changed. Vermont piggy backs on federal recapture law. Recapture occurs when a taxpayer claims but ultimately did not receive the federal credit or claims and received the federal credit but had it reduced.
- Line 7** Add Lines 5 and 6.

Subtractions from Vermont Tax

- Line 8** **Credit for Child and Dependent Care Expenses** from federal Form 2441, Child and Dependent Care Expenses. Do not use this line if you qualify for the Low Income Child and Dependent Care Credit on Schedule IN-112, Part II, Line 1. **You cannot take both credits.**
- Line 9** Enter **Credit for the Elderly or the Disabled** from federal Schedule R (1040), Credit for the Elderly or the Disabled.
- Line 10** **Investment Tax Credit** from federal Form 3468, Investment Credit, and federal Form 3800, General Business Credit. This credit is limited to the amount of Investment Tax Credit attributable to the **Vermont-property** portion and what is allowed against the federal income tax for the taxable year.
- Line 11** **Vermont Farm Income Averaging Credit** This credit is available to farmers who calculate federal tax using federal Schedule J. Complete the worksheet.
- Line 12** Add Lines 8 through 11.
- Line 13** Multiply Line 12 by 24% and enter the result.

VT FARM INCOME AVERAGING WORKSHEET

1. Calculate and enter here Federal income tax using Federal Schedule D, Federal Schedule D Worksheet, or Federal tax rate schedules as if Schedule J was not used. . 1. \$ _____

less
2. Enter Federal tax from Federal Schedule J, Line 23 2. \$ _____
3. Subtract Line 2 from Line 1. This is your VT Farm Income Averaging Credit. Enter the result on Schedule IN-119, Part I, Line 11. 3. \$ _____

Line 14 Vermont-Based Solar Energy Investment Credit carryforward

Unused Vermont-based solar energy investment tax credits may be carried forward for five years following the year a credit is claimed. Solar credits carried forward and claimed under 32 V.S.A. § 5822(d) should be applied to this line. These credits are a component of the Investment Tax Credit and are the only portion that credit that can be carried forward. Solar credits are reported on federal Form 3468, Investment Credit, and federal Form 3800, General Business Credit. Only the Vermont-property portion of the federal credit can be used to factor Vermont's solar energy investment credit.

Solar credits earned and carried forward under 32 V.S.A. § 5822(d) are valued at 24% of the Vermont-property portion of the federal credit. **Please note:** Solar credits under 32 V.S.A. § 5930z, which were valued at 100% of the Vermont property portion of the federal credit, can no longer be applied or carried forward.

Line 15 Add Lines 13 and 14.

Net Adjustment to Vermont Tax

Line 16 Subtract Line 15 from Line 7. Enter on Form IN-111, Vermont Individual Income Tax Return, Line 9. Please check the box to the left if this is a negative.

Part II VERMONT INCOME TAX CREDITS**Line 1 Vermont Higher Education Investment Plan (VHEIP)**

The credit is available only for contributions to the 529 plan administered by the Vermont Student Assistance Corporation (VSAC). For more information, read Technical Bulletin TB-66, Credit for Vermont Higher Education Investment Plan, on our website. You may be eligible for a tax credit on contributions made during calendar year 2021 to VHEIP. The tax credit equals 10% of the first \$2,500 of contributions per beneficiary. For jointly filed returns, the tax credit equals 10% of the first \$5,000 of contributions per beneficiary. For more information on VHEIP, visit the VSAC website at www.vsac.org, call (800) 637-5860 Monday through Friday, 8:00 a.m. to 7:00 p.m., or email VHEIPquestions@VHEIP.org.

Taxpayers receiving tax credit for Lines 2 through 8 and Line 10 through S corporations, LLCs, LLPs, or partnerships, enter the name of each entity and its FEIN on the schedule.

Line 2 Charitable Housing A taxpayer making an investment in an eligible housing charity may receive a credit against Vermont income tax. The Commissioner of Housing and Community Development calculates the credit.

Line 3 Qualified Sale of Mobile Home Park Please call the Department at (802) 828-2865 if you believe that you qualify for this credit.

Line 4 Research & Development Credit A taxpayer may receive a credit against Vermont income tax equal to 27% of the amount of federal tax credit allowed in the taxable year for research and development expenditures eligible under section 41(a) of the Internal Revenue Code and which are made within Vermont. Any unused credit available may be carried forward up to 10 years. The Department will publish annually the names of taxpayers who receive the credit.

AFFORDABLE HOUSING CREDIT (Line 5) - 32 V.S.A. § 5930u

Line 5 This credit requires prior approval by the Vermont Housing Finance Agency.

A copy of the certificate and the credit allocation to the affordable housing project by the housing agency must be provided for each credit claimed.

This credit is applied for five consecutive tax years, beginning with the tax year of the eligible cash contribution. Total tax credits available equal the amount of the first year allocation, plus the succeeding four years allocations. Affordable housing tax credits which exceed the current tax year's liability may be carried forward up to 14 succeeding tax years.

DOWNTOWN & VILLAGE CENTER PROGRAM TAX CREDITS (Lines 6 through 8) - 32 V.S.A. § 5930cc

These credits require prior approval by the Vermont Agency of Commerce and Community Development. Tax credits which exceed the current year's tax liability may be carried forward for up to nine succeeding years following the first year the credit was claimed. Credits unclaimed five years after the approval date are automatically rescinded and are available to the Tax Credits and Grants Coordinator for award in subsequent years.

Line 6 Historic Rehabilitation Tax Credit - 32 V.S.A. § 5930cc(a) The qualified applicant of a qualified historic rehabilitation project shall be entitled, upon the approval of the state board, to claim against the taxpayer's state individual income tax, corporate income tax, or bank franchise or insurance premiums tax liability a credit of 10% of qualified rehabilitation expenditures as defined in the Internal Revenue Code, 26 U.S.C. § 47(c), properly chargeable to the federally certified rehabilitation.

Line 7 Facade Improvement Tax Credit - 32 V.S.A. § 5930cc(b) The qualified applicant of a qualified facade improvement project shall be entitled, upon the approval of the state board, to claim against the taxpayer's state individual income tax, state corporate income tax, or bank franchise or insurance premiums tax liability a credit of 25% of qualified expenditures up to a maximum tax credit of \$25,000.

Line 8 Code Improvement Tax Credit - 32 V.S.A. § 5930cc(c) The qualified applicant of a qualified code improvement project shall be entitled, upon the approval of the state board, to claim against the taxpayer's state individual income tax, state corporate income tax, or bank franchise or insurance premiums tax liability a credit of:

- 50% of qualified expenditures up to a maximum tax credit of \$12,000 for installation or improvement of a platform lift,
- a maximum credit of \$40,000 for the installation or improvement of a limited use/limited application elevator,
- a maximum tax credit of \$50,000 for installation or improvement of an elevator,
- a maximum tax credit of \$50,000 for installation or improvement of a sprinkler system, and
- a maximum tax credit of \$30,000 for the combined costs of installation or improvement of data or network wiring or a heating, ventilating, or cooling system, and
- a maximum tax credit of \$50,000 for the combined costs of all other qualified code improvements.

Line 9 Add Column C, Lines 1 through 8. If no credit claimed on Line 10, enter this amount on Form IN-111, Line 18.

VERMONT ENTREPRENEURS' SEED CAPITAL FUND CREDIT 32 V.S.A. § 5830b

- Line 10** Taxpayers who invest in this state-chartered corporation may receive a tax credit. The corporation provides investment capital to new Vermont firms or existing Vermont firms that are expanding in the state.
- The credit may be claimed for a contribution made in the taxable year and may be carried forward for up to four succeeding years.
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- Line 11** Enter adjusted Vermont income tax amount from Form IN-111, Line 16.
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- Line 12** Enter credit for income tax paid to another state or Canadian province from Form IN-111, Line 17.
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- Line 13** Subtract Line 12 from Line 11.
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- Line 14** Enter the lesser of Line 9 or Line 13.
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- Line 15** Subtract Line 14 from Line 13. The result cannot be less than zero.
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- Line 16** Multiply Line 15 by 50%.
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- Line 17** Enter the lesser of Line 10 or Line 16.
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- Line 18** Total Credits Allowable. Enter the total of Lines 14 and 17.
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- Line 19** **Total Income Tax Credits Available.** Enter the lesser of Line 13 or Line 18. Enter this amount on Form IN-111, Line 18.
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Contacting the Department

Mailing address:

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