

SCHEDULE FIT-162 Instructions

Vermont Capital Gains Exclusions for Estates or Trusts

INSTRUCTIONS

Vermont allows a portion of net adjusted capital gains, as defined by Internal Revenue Code 26 U.S.C. §1(h), to be excluded from Vermont taxable income. Qualified dividends are not eligible for capital gains treatment for Vermont tax purposes. Taxpayers may elect **either the Flat Exclusion or the Percentage Exclusion**. The amount excluded under either method cannot exceed 40% of federal taxable income.

Important note for capital loss: If your federal Form 1041, U.S. Income Tax Return for Estates and Trusts shows a capital loss, you are not eligible to complete this form. No Vermont exclusion is available when a net capital loss is reported, even if the sale of farm or standing timber resulted in a capital gain.

Part I Flat Exclusion

The general exclusion amount for the tax year is \$5,000 or the actual amount of net adjusted capital gains, whichever is less.

Special instructions for Line 1

If you do not file federal Form 1041, Schedule D, Capital Gains and Losses, enter the amount from federal Form 1041, Line 4, onto Form FIT-162, Line 1.

Part II Percentage Exclusion

Taxpayers may choose to exclude 40% of their adjusted net capital gain from the sale of assets held for more than three years. Only certain categories of capital gain income are eligible for this exclusion. Effective July 1, 2019, the 40% capital gains exclusion for certain types of capital gain is limited to \$350,000. This means the benefit of this exclusion phases out at capital gains of \$875,000.

Capital Gains from the sale of the following assets are **NOT eligible for exclusion** under the percentage method even if they have been held for more than three years:

1. Real estate or a portion of real estate used as a taxpayer's primary or nonprimary home
2. Depreciable personal property (*except for farm or standing timber*)
3. Stocks or bonds which are publicly traded or traded on an exchange
4. Any other financial instruments which are publicly traded or traded on an exchange

Part III Capital Gain Exclusion Amount

This part applies the limitation of 40% of federal taxable income and calculates your capital gain exclusion. Enter the amount from Part III, Line 21, onto Form FIT-161, Line 4b.

Contacting the Department

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