

SCHEDULE BI-477 Instructions

Vermont Income Adjustment Calculation: Pass-Through Nonresident

General Information

Schedule BI-477 is new for 2023. It replaces Schedule BA-402, Vermont Apportionment & Allocation, for business income tax filers. Schedule BA-402 is no longer filed with Form BI-471.

Schedule BI-477 improves the calculation of Vermont income and tax for most pass-through entities and their owners. It mirrors the Vermont personal income tax statutes that dictate what is included in Vermont income. It also draws information directly from federal Schedules K-1, which will improve ease of administration, clarity, and accuracy.

Information from Schedule BI-477 (Line 27, 28, 29) will flow to Schedules BI-472, Vermont Non-Composite and BI-473, Vermont Composite to calculate requirements for nonresident estimated payments and composite tax, respectively.

While Schedule BI-477 is designed for pass-through businesses and generally applies the rules and methods for sourcing income for nonresident individuals, it relies on principles of corporate apportionment for apportionable business income. Taxpayers will calculate a Sales & Receipts factor in Section 2, Part VI, which will apply to Part IV, Business Income for businesses who operate in multiple states. This will contribute to the calculation of the Income Adjustment in Part V, which is parallel to that used for Vermont's personal income tax.

Parts I – IV report items of taxable income listed in 32 V.S.A. § 5823(b), as earned Everywhere and attributable to Vermont. (Ordinary business income in Part IV will use an apportionment percentage calculated in Part VI if that income is derived from activity in Vermont and at least one other jurisdiction.)

Part V determines the income adjustment, or portion of federal/everywhere income that is taxable to Vermont - similar to the Vermont individual income tax return and Schedule IN-113.

Part VI calculates the apportionment of business income for entities that have ordinary business income derived in Vermont and at least one other jurisdiction. This will be used in Part IV. This calculation is identical to apportionment of income for corporate income tax. Effective Jan. 1, 2023, Vermont uses the single sales factor method to calculate apportionment, replacing three factor apportionment.

Part VII reports property factors which will be used by owners who are C-Corporations and are required to include property factors from flow-through activity on the apportionment schedules attached to their Vermont corporate income tax returns.

Schedule BI-477 is required for all Partnership, S Corporations, and LLC pass-through 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 BI-477 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 BI-477 that accurately reports “Everywhere” activity and no Vermont activity.

Line-by-Line Instructions

Enter your Business Name and Federal Employer Identification Number.

PART I INCOME DERIVED FROM OWNERSHIP OF PROPERTY

Line 1A Net Rental Real Estate Income: Enter the amount from federal Form 1120-S, Schedule K, Line 2, or federal Form 1065, Schedule K, Line 2, as applicable.

Line 1B Enter the amount of Net Real Estate Income (loss) from Vermont Situs Property. This means property that is within Vermont.

Line 2A Other Net Rental Income: Enter the amount from federal Form 1120-S, Schedule K, Line 3c, or federal Form 1065, Schedule K, Line 3c, as applicable.

Line 2B Enter the amount of Other Net Rental Income (loss) from Vermont Situs Property.

Line 3A Royalties: Enter receipts from royalties as reported by filers of federal Form 1120-S, U.S. Income Tax Return for an S Corporation, Schedule K, Line 6, and federal Form 1065, U.S. Return of Partnership Income, Schedule K, Line 7.

Line 3B Enter the amount of Royalties from Vermont Situs Property.

PART II GAINS FROM THE SALE OR EXCHANGE OR PROPERTY

Line 4A Net long term capital gains or losses: Enter the sum of apportionable amounts from federal Form 1120-S, Schedule K, Line 8a, or federal Form 1065, Schedule K, Line 9a.

Line 4B Enter the amount of Net Long Term Capital Gain (loss) from Vermont Situs Property.

Line 5A Net short term capital gains or losses: Enter the sum of apportionable amounts from federal Form 1120-S, Schedule K, Line 7, or federal Form 1065, Schedule K, Lines 8.

Line 5B Enter the amount of Net Short Term Capital Gain (loss) from Vermont Situs Property.

Line 6A Guaranteed Payments for Capital (Partnerships only): If this entity is a partnership, enter the amount from federal Form 1065, Schedule K, Line 4b.

Line 6B Enter the amount of Guaranteed Payments for Capital from Vermont Situs Property.

Line 7A Collectibles: Enter the sum of apportionable amounts from federal Form 1120-S, Schedule K, Line 8b, or federal Form 1065, Schedule K, Line 9b.

Line 7B Enter the amount of Collectibles (28%) Gain (loss) from Vermont Situs Property.

Line 8A Unrecaptured IRC § 1250 Gain: Enter the sum of apportionable amounts from federal Form 1120-S, Schedule K, Line 8c, or federal Form 1065, Schedule K, Line 9c.

Line 8B Enter the amount of Unrecaptured I.R.C. § 1250 Gain from Vermont Situs Property.

Line 9A Net section 1231 gain or loss: Enter the amount from federal Form 1120-S, Schedule K, Line 9, or federal Form 1065, Schedule K, Line 10.

Line 9B Enter the amount of Net I.R.C. § 1231 Gain (loss) from Vermont Situs Property.

PART III WAGES, SALARIES, COMPENSATION

Line 10A Wages and Salaries: Enter the salaries and wages paid or accrued to owners/shareholders during the taxable year for "Everywhere".

Line 10B Enter the amount of Wages and Salaries to owners/shareholders for Services Performed in Vermont. Salaries and wages are sourced to Vermont if they were paid for services performed in the state.

Line 11A **Other Compensation:** Enter the amount of Other Compensation from Everywhere. Payments to owners 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 services produce both business and nonbusiness income, proration is required.

Line 11B Enter the amount of Other Compensation from Services Performed in Vermont.

Line 12A **Guaranteed Payments for Services (Partnerships only):** If this entity is a partnership, enter the amount from federal Form 1065, Schedule K, Line 4a.

Line 12B Enter the amount of Guaranteed Payments for Services Performed in Vermont.

PART IV BUSINESS INCOME

Ordinary business income and certain other items of income earned through conduct of business in Vermont and at least one other jurisdiction will be apportioned to Vermont subject to Vermont's corporate income apportionment laws and regulations. As of 2023, Vermont uses a single sales factor method.

Complete Section 2, Part VI, Vermont Apportionment, before proceeding to Line 13.

Line 13 **Vermont Sales and Receipts Factor:** Enter the Vermont Sales and Receipts Factor as a percent of Everywhere (From Section 2, Line 40).

Line 14A Ordinary Business Income: Enter the amount from federal Form 1120-S, U.S. Income Tax Return for an S Corporation, Line 21, or federal Form 1065, U.S. Return of Partnership, Line 22, as applicable.

Please note certain items included on federal Form 1120S, Schedule K, or federal Form 1065, Schedule K, may be subject to apportionment. Review Vermont Reg. §1.5833, Section A for discussion on items includable in apportionable income. Common examples are apportionable interest income and dividends that have been included on federal Form 1120-S, Schedule K, or federal Form 1065, Schedule K.

Line 14B Multiply the amount of Line 14A by the by the percentage on Line 13.

Line 15A **Net adjustment to income resulting from Vermont's disallowance of "bonus depreciation" (I.R.C. 168(k)).** Vermont does not allow the special "bonus" depreciation provision of I.R.C. § 168(d). If the company has utilized bonus depreciation, all items should be recomputed to disregard the effects of the bonus depreciation.

Insert the recomputed difference here. This amount should balance with Question C as entered on Form BI-471

Line 15B Multiply the amount of Line 15A by the percentage on Line 13.

Line 16A **Ordinary Business Income Adjusted to Disallow Bonus Depreciation:** Enter the sum of Lines 14A and 15A.

Line 16B Enter the sum of Lines 14B and 15B.

Line 17A **Interest Income:** Enter the apportionable amount of interest from federal Form 1120-S, Schedule K, Line 4, or federal Form 1065, Schedule K, Line 5. 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.

Do not include non-apportionable interest.

Line 17B Multiply the amount of Line 17A by the percentage on Line 13.

Line 18iA	Ordinary Dividends: Enter the apportionable amount of dividends from federal Form 1120-S, Schedule K, Line 5a, or federal Form 1065, Schedule K, Line 6a. Do not include non-apportionable amounts.
Line 18iB	Multiply the amount of Line 18iA by the percentage on Line 13.
Line 18iiA	Qualified Dividends: Enter the apportionable amount of qualified dividends from federal Form 1120-S, Schedule K, Line 5b, or federal Form 1065, Schedule K, Line 6b. Do not include non-apportionable amounts.
Line 18iiB	Multiply the amount of Line 18iiA by the percentage on Line 13.
Line 18iiiA	Dividend Equivalents: Enter the apportionable amount of qualified dividends from federal Form 1065, Schedule K, Line 6c. Do not include non-apportionable amounts.
Line 18iiiB	Multiply the amount of Line 18iiiA by the percentage on Line 13.
Line 19A	Enter other apportionable business income not captured in the above lines, including any apportionable income contained on federal Form 1120-S, Schedule K, Line 10, or federal Form 1065, Schedule K, Line 11. Include taxable income earned as a shareholder or partner and reported on federal Schedule K-1; i.e., from income-producing assets and activity. Include supporting detail for calculation of “Other Apportionable Business Income.” 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 19B	Multiply the amount of Line 19A by the percentage on Line 13.
Line 20A	Section 179 Deduction: Enter the amount from federal Form 1120-S, Schedule K, Line 11, or federal Form 1065, Schedule K, Line 12, as applicable.
Line 20B	Multiply the amount of Line 20A by the percentage on Line 13.
Line 21	Add Lines 1A through 6A, 9A through 12A, 16A through 19A, then subtract Line 20A. (Note that Lines 7 and 8 are omitted because those amounts are included in other gain/loss totals. Lines 14 and 15 are omitted because they contribute to Line 16.)

PART V INCOME ADJUSTMENT

Part V calculates a Vermont income adjustment percentage, in parallel to the computation on IN-111, Vermont Income Tax Return. Items of income not included in Part IV above will be added here to arrive at a correct total taxable income amount, which is the denominator for the income adjustment percentage.

Lines 22 through 26 will be blank for a majority of business income tax filers, and are only expected to be used by those with complex organizational structures and financial operations.

Line 22	Interest Income not derived from Vermont activity: Subtract Line 17A from federal Form 1065, Schedule K, Line 5, or federal Form 1120-S Line 4.
Line 23	Dividends not derived from Vermont activity: Subtract the sum of Lines 18iA, 18iiA, and 18iiiA from the sum of federal Form 1065, Schedule K, Lines 6a, 6b, and 6c; or federal Form 1120-S, Lines 5a and 5b.
Line 24	Other income or loss: Enter any other items of non-apportionable income or loss that are not included elsewhere on the schedule. Generally, subtract Line 19A from federal Form 1120-S, Schedule K, Line 10, or federal Form 1065, Schedule K, Line 11. In some cases, other adjustments may need to be made.

Line 25	Add Lines 21 through 24. This number represents a total “Everywhere” amount of income, including both apportionable and non-apportionable items.
Line 26	Other Adjustments: Enter the amount of Other Adjustments. Attach a detailed explanation. If the taxpayer included income on this form’s calculation that it received from a lower tier pass-through entity that has already remitted tax to Vermont on that income (i.e., composite tax), an adjustment to avoid double-taxation should be made here.
Line 27	Taxable Income: Add Lines 25 and Line 26. This number will be used on Schedule BI-473.
Line 28	Vermont Income: Add Lines 1B through 6B, 9B through 12B, 16B through 19B, then subtract Line 20B. This number will be used on Schedule BI-472. (Note that Lines 7 and 8 are omitted because those amounts are included in other gain/loss totals. Lines 14 and 15 are omitted because they contribute to Line 16.)
Line 29	Income Adjustment %: Divide Line 28 by Line 27, then multiply the result by 100 and carry the result out to the six decimal place. This number will be used on Schedule BI-473.
PART VI	VERMONT SALES AND RECEIPTS FACTOR Part VI calculates the Sales and Receipts factor to apply to the subset of the business’s receipts that are considered apportionable business income . This is the percentage of sales and receipts in Vermont compared to Everywhere, and is parallel to the process of apportionment for corporate income. Refer to instructions for Schedule BA-402, Vermont Apportionment and Allocation, and Regulation § 1.5833 for detailed information.
Line 30A	Sales or Gross Receipts: Enter the total sales or gross receipts for the year. Enter GROSS RECEIPTS COMPONENTS of net income amounts. The taxpayer may need to refer to various other federal forms or schedules to obtain the gross components of business receipts. For example, federal Form 1065, U.S. Return of Partnership Income, Page 1, Line 5, provides a net amount; the taxpayer must refer to federal Form 1040, U.S. Individual Income Tax Return, Schedule F, Profit or Loss from Farming, Line 9, for the GROSS amount for the purpose of this factor.
Line 31B	Enter the sales of services delivered to Vermont. Under the market-based sourcing approach, effective Jan. 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. Review Regulation § 1.5833 for details.
Line 32B	Enter the sales of tangible personal property delivered or shipped to purchasers in Vermont from outside Vermont.
Line 33B	Enter the sales of tangible personal property delivered or shipped to purchasers in Vermont from within Vermont.
Line 34B	Special Industries: For taxpayers in industries with alternate apportionment rules, and who have been approved to apply the alternate method. 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. PLEASE NOTE THAT VERMONT REQUIRES PRIOR APPROVAL to use alternative apportionment for any person whose industry is not covered by the Special Rules.

Line 35A	Apportionable Interest and Dividends: Enter receipts from apportionable 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.
Line 35B	Enter the amount of apportionable business interest and dividends from Vermont.
Line 36A	Royalties: Enter receipts from royalties as reported by filers of federal Form 1120-S, 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.
Line 36B	Enter the amount of Royalties from Vermont. Royalties are sourced to Vermont using market-based sourcing rules.
Line 37A	Gross rents: Enter the total gross rental receipts for the year as reported by filers of federal Form 1120-S, Schedule K, Line 3a; federal Form 1065, Schedule K, Line 3a; federal Form 8825, Line 2; or federal Form 1120, Line 6.
Line 37B	Enter the amount of gross rents from Vermont.
Line 38A	Enter Other apportionable business income, which may include but is not limited to amounts from federal Form 1120-S, Line 5; federal Form 1065, Line 7; or passed through from federal Form 1120, Line 10. Include taxable income earned as a shareholder or partner and reported on federal Schedule K-1; i.e., from income-producing assets. Include supporting detail for calculation of "Other apportionable business income."
Line 38B	Enter the amount of other apportionable business income reported in Line 38A that is sourced in Vermont. Include taxable income from Vermont sources earned as a shareholder or partner and reported on federal Schedule K-1; i.e., from income-producing assets and activity located in Vermont.
Line 39A	Total Gross Receipts – Everywhere: Add Lines 30A through 38A.
Line 39B	Total Gross Receipts – Vermont: Add Lines 31B through 38B.
Line 40	Vermont Gross Receipt factor: Divide Line 39B by 39A, then multiply the result by 100 and carry the result out to the sixth decimal place.

PART VII PROPERTY FACTOR (FOR INFORMATIONAL PURPOSES ONLY)

Lines 41-46 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, Intangible Property should not be included in the property factor.

Line 47A **Total Property – Everywhere:** Add Lines 41A through 46A.

Line 47B **Total Property – Vermont:** Add Lines 41B through 46B.

Contacting the Department

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