

INSTRUCTIONS FOR VIRGINIA SCHEDULE VK-1 CONSOLIDATED OWNER'S SHARE OF INCOME AND VIRGINIA MODIFICATIONS AND CREDITS

Schedule VK-1 Consolidated

PTEs reporting 10 or more owners must use the Department's new Schedule VK-1 Consolidated to report the owner's share of income, modifications, allocations, and the total additions, subtractions and credits reported on the Schedule VK-1. The consolidated summary is in Excel format and may be converted to a PDF. Information may be extracted or manually entered from the Schedule VK-1. The Form 502 Instructions must be used with the Schedule VK-1 Consolidated form layout for field computations, additions, subtractions, tax tables and mailing addresses. The Schedule VK-1 Consolidated Summary, located on the Department's website, www.tax.virginia.gov, describes the required format and specifications. The Summary's Appendix contains detailed steps for using Excel, including screenshots. Also, an Excel template is available on the Department's website for your use. Please note that the Web Upload System will not accept the VK-1 Consolidated Form.

For information on specific credits, see either the Schedule CR Instructions for individuals or the Tax Credits section of the Instructions For Preparing Form 500 for corporations.

Additional Owner Information

Line a: Date Owner Acquired Interest in the Pass-Through Entity. Enter in MM-DD-YYYY format.

Line b: Owner's Entity Type. Enter the code that corresponds to the owner's entity type:

<u>Entity Type</u>	<u>Code</u>
Individual Who Was a Virginia Resident	RES
Individual Who Was Not a Virginia Resident	NON
General Partnership	PG
Limited Partnership	PL
Limited Liability Company	LL
Limited Liability Partnership	LP
S Corporation	SC
C Corporation	CC
Trust or Estate	TE
Other	OB

Line c: Owner's Participation Type. Enter the code that corresponds to the owner's type of membership or participation in the pass-through entity:

<u>Participant Type</u>	<u>Code</u>
General Partner	GPT
Limited Partner	LPT
LLC/LLP Member	LLM
S Corporation Shareholder	SHR
Other	OTR

Line d: Owner's Participation Percentage. For an S corporation shareholder, enter the owner's percentage of stock ownership for the tax year, as shown on the owner's federal Schedule K-1 (Form 1120S), Line F. For a partner or other recipient of federal Schedule K-1 (Form 1065), enter the ending percentage for the partner's profit share as shown on the Schedule K-1, under Line J.

For a partner in an electing large partnership, the federal Schedule K-1 (Form 1065B) does not indicate a participation percentage, but the partnership must determine such a percentage in order to distribute Virginia modifications and credits among the owners. The percentage should be determined in a manner substantially similar to the profit sharing percentage at the end of the year provided for a regular partnership, unless there is compelling reason otherwise.

The participation percentages as shown on Schedules VK-1 for all owners of the pass-through entity should equal 100% in the aggregate.

The participation percentage should be entered as a percent with two decimal places. For instance, the participation percentage for an S corporation shareholder who holds one-third ownership is entered as "33.33%."

Line e: Amount Withheld by PTE for Owner. Enter the amount withheld by the pass-through entity for the nonresident owner.

Line f: Withholding Exemption. If the entity does not have to pay the withholding tax or if it is not required to include the income of an owner in its withholding tax calculations, enter the exemption code in the space provided.

<u>Withholding Exemption Reason</u>	<u>Code</u>
Exempt from federal or Virginia income tax (individuals)	01
Entities other than individuals and corporations that are exempt from federal income taxes	02
This individual owner is included in a unified return	03
PTE is a publicly traded partnership	04
Corporations exempt from Virginia income tax; or noncaptive REITs.	05
Undue hardship (PTE).	06
PTE's income is from rents with four or fewer dwelling units.	07

Page 1, Lines 1 - 18 and Page 2 - Virginia Tax Credits

These items on Schedule VK-1 correspond to related items with the same line numbers on the pass-through entity's return, Form 502 (Lines 1-11) and to certain lines of Sections A, B and C of Form 502ADJ. In general, Form 502 and Form 502ADJ show the pass-through entity's total amount for the item, while each Schedule VK-1 shows one owner's share of the item. The owner's share of an item is usually determined by the owner's participation percentage (see above), but some partnership agreements may provide for special allocations. The entries on each line of the Schedules VK-1 for all owners of the pass-through entity should equal, in the aggregate, the corresponding entry on Form 502 and Form 502ADJ, except for Line 7.

Line 7. The entry on Line 7 will be the same for all owners of the entity and the same as Line 7 of Form 502 (the pass-through entity's Virginia apportionment percentage).

Additions, subtractions and credits should be allocated among owners in proportion to each owner's percentage of ownership or participation in the pass-through entity or as provided in the

partnership agreement or other entity document. However, each owner may only claim the additions, subtractions or credits allowed on the owner's Virginia income tax return. That is, an individual owner may only claim additions, subtractions or credits applicable to individual income tax, while a corporateowner may claim only those additions, subtractions or credits applicable to the Virginia corporate income tax.

The Virginia Public School Construction Grants Program and Fund (code 43) and the Tobacco Quota Buyout Program (code 48) deductions must be claimed as deductions on the shareholder's individual income tax return. The deduction for an S-Corporation subject to Bank Franchise Tax is reported as an "other" addition or subtraction on Schedule VK-1 and as a positive or negative deduction on the shareholder's individual income tax return. For the Schedule VK-1 Consolidated, report Lines 1-11 and totals from Lines 13, 18 and 43.