



2010

Nebraska

Corporation

Income Tax Booklet

Included in this Booklet are:

Form 1120N,
Schedules A, I, II, III, and IV,
Form 7004N, and
Use Tax information.

ELECTRONIC PAYMENT OPTIONS ARE AVAILABLE.

See instructions.

Questions?

www.revenue.ne.gov

(800) 742-7474 (NE or IA) or (402) 471-5729

2010 Nebraska Corporation Income Tax Return

INSTRUCTIONS

Important Information for All Filers

Purpose. The [Nebraska Corporation Income Tax Return, Form 1120N](#), is used to report income, gains, losses, deductions, and credits, and to calculate the income tax liability of the corporate taxpayer.

Use Tax. A corporation may also be subject to use tax. See the additional information on page 5 of these instructions.

Terms

Apportionment. Apportionment is the process of determining the portion of income derived from sources within a state. The entire federal taxable income of a unitary business operating within and without Nebraska is presumed to be subject to apportionment.

Common Ownership. Common ownership means one or more corporations owning 50% or more of another corporation.

Corporate Taxpayer. A corporate taxpayer is:

- ◆ A single corporation, which is not a part of a unitary business, doing business in the state; or
- ◆ The part of a unitary business, whether it is one or more corporations, doing business in the state.

Single Economic Unit. A single economic unit is a business where there is a sharing or exchange of value between the parts of the unit. A sharing or exchange of value occurs when the parts of the business are linked by:

- ◆ Common management; or
- ◆ Common operational resources that provide material economies of scale, transfers of value, or flow of goods, capital, or services between the parts of the unit.

Subject to the Internal Revenue Code (IRC). Subject to the IRC means a corporation meets the requirements of IRC § 243 in order for its distributions to qualify for the dividends received deduction.

Taxable in Another State. Taxable in another state means that another state has jurisdiction to subject the corporation to a net income tax, whether or not that state actually imposes this type of tax, and the corporation actually pays a net income tax in that state if imposed. The corporation is not taxable in another state if it voluntarily files and pays a net income tax when not required to do so by the laws of that state.

Unitary Business. Unitary business means that a business is conducted as a single economic unit by one or more corporations with common ownership, and includes all activities in different lines of business that contribute to the single economic unit.

Unitary Group. Unitary group means the group of corporations conducting a unitary business. For example, a parent-subsidiary controlled group, conducting a unitary business is a unitary group.

General Filing Information

Income Subject to Nebraska Taxation. Nebraska income tax applies to the portion of the corporate taxpayer's taxable income derived from or attributable to sources within Nebraska. A corporate taxpayer which is subject to tax in another state must apportion its income, unless approval has been granted by the Tax Commissioner for an alternative method prior to filing the return.

A corporate taxpayer engaged in business in Nebraska and which is not subject to tax in another state must report its entire taxable income to Nebraska.

Combined Income Approach. When a group of corporations conducts a unitary business, a single combined return must be filed reporting the income of the entire group. A unitary group engaged in business within and without Nebraska will determine its Nebraska income using a single factor, sales only, apportionment formula. See the [Nebraska Schedule I — Apportionment of Multistate Business](#) instructions for additional information.

Enter All Amounts as Whole Dollars. Do not include cents on the return or schedules. Do not change the preidentified zeros in the cents column of the Form 1120N or schedules. Round any amount from 50 cents to 99 cents to the next higher dollar. Round any amount less than 50 cents to the next lower dollar.

Penalties and Interest. Either or both may be imposed in the following circumstances:

- ◆ Failure to file a return and pay the tax due on or before the due date;
- ◆ Failure to pay the tax due on or before the due date;
- ◆ Failure to file an amended Nebraska income tax return to report changes made to your federal return;
- ◆ Preparing or filing a fraudulent income tax return; or
- ◆ Understatement of income on an income tax return.

Filing a false or fraudulent Nebraska return is subject to penalty, even if the amounts reported are taken from your federal return. Unpaid tax is subject to interest at the statutory rate of five percent from the original due date to the date the tax is paid. See [Revenue Ruling 99-10-1](#) for applicable interest rates.

Reporting Changes or Corrections. If information on a previously-filed Nebraska corporate return is incorrect, an [Amended Nebraska Corporation Income Tax Return, Form 1120XN](#), must be filed. When filing an amended return, remember:

- ◆ Changes made by the Internal Revenue Service (IRS) or another state must be reported to the Nebraska Department of Revenue (Department) within 60 days; and
- ◆ You must attach a copy of the related federal or other state amended return and all related schedules or other documentation to explain the changes shown on the amended Nebraska return.

Any corporation filing an amended return with the IRS, resulting in a credit or refund, must report the change or correction within 60 days **after receiving proof that the IRS accepted the federal return.**

Nebraska Extension of Time. An extension to file may only be obtained by:

- ◆ Attaching a copy of a timely-filed Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns, Federal Form 7004, to the Nebraska return when filed;
- ◆ Attaching a schedule to the Nebraska return listing the federal confirmation number and providing an explanation that the electronic request for automatic federal extension was not denied; or
- ◆ Filing a [Nebraska Application for Extension of Time to File Corporation, Fiduciary or Partnership Return, Form 7004N](#), on or before the due date of the return, when you need to make a tentative Nebraska payment or when a federal extension is not being requested. When a federal extension of time has been granted, and additional time is necessary to file the Nebraska return, the Nebraska Form 7004N must be filed on or before the date the federal extension expires. Remember to attach proof of the federal extension to the Form 7004N.

Failure to attach the applicable extension document may result in a late filing penalty. An extension of time only extends the date to file the return. It does not extend the due date to pay the tax. Any

tax not paid by the original due date is subject to interest. By requesting an extension of time to file your federal return using the Federal Form 7004, you are granted an automatic 6-month extension. When a federal extension of time has been granted and additional time is necessary to file the Nebraska return, the Nebraska Form 7004N must be filed on or before the date the federal extension expires. An extension of time cannot exceed a total of seven months after the original due date of the return.

Estimating 2011 Income Tax. If the corporation needs to estimate 2011 taxes, the [2011 Nebraska Corporation Estimated Income Tax Payment Vouchers Booklet](#) can be found on the Department's website. If the corporation made estimated payments in 2010, it is encouraged to make estimated payments. For additional information on electronic payment options visit the Department's [website](#).

A [Nebraska Corporation Estimated Income Tax Payment Voucher, Form 1120N-ES](#), must be filed by every corporation subject to taxation under the IRC, which derives income from Nebraska, if the Nebraska income tax liability can reasonably be expected to exceed allowable credits by \$400 or more. The allowable credits are the premium tax credit, the Community Development Assistance Act credit, the Beginning Farmer credit, and various economic incentive program credits reported on Form 3800N.

Underpayment of Estimated Tax Penalty. A corporation may owe a penalty if the amount of tax due, after allowable credits, is \$400 or more.

If the amount of tax due is \$400 or more, the corporation must complete a [Corporation Underpayment of Estimated Tax, Form 2220N](#), to calculate any applicable penalty. The Form 2220N is available on the Department's website.

A corporation may reduce or eliminate the penalty by using the annualized income or adjusted seasonal installment method. To use one or both of these methods to calculate one or more required installments, recalculate and attach the Federal Schedule A, "Adjusted Seasonal Installment Method and Annualized Income Installment Method" using Nebraska income and other Nebraska amounts. Enter the corresponding amount from the recalculated Federal Schedule A on the appropriate lines of the Form 2220N.

Adjustment of Overpayment of Estimated Income Tax. A corporation which overpaid estimated income tax must use the [Corporation Application for Adjustment of Overpayment of Estimated Tax, Form 4466N](#), to apply for an adjustment of the overpayment when the overpayment is:

- ◆ At least 10% more than the expected tax liability calculated on the Form 4466N; and
- ◆ At least \$500.

Form 4466N must be filed by the 15th day of the third month after the end of the tax year and before the corporation files its corporate income tax return. A Form 4466N filed after this date will not be considered. An extension of time to file the corporate income tax return will not extend the time for filing Form 4466N.

Accounting Methods. The accounting method used for federal income tax purposes must be used for Nebraska income tax purposes. A corporate taxpayer may not change the accounting method used in reporting income in prior years, unless the change is approved by the IRS. A copy of this approval must accompany the first return which shows the change in the method of accounting.

Federal Return. A copy of the actual federal return and supporting schedules, as filed with the IRS, must be attached to this return. This includes, at a minimum, a copy of the first five pages, Schedule D, Form 4797, and other supporting schedules of the Federal Form 1120. If a consolidated federal return is filed, a copy of the consolidating schedules or workpapers for income and expenses, cost of goods sold, and balance sheets, as well as Form 851, Affiliations Schedule, must also be attached. Provide copies of schedules and other information which support the numbers reported on the Nebraska return. Other voluminous information that is part of the federal return filed, but that is not directly related to the Nebraska reporting, may be kept by the taxpayer, but must be made available upon request. **A pro-forma federal return is not acceptable.** The Nebraska return is based upon the actual federal return as filed or prepared for filing.

Complete Return. To constitute a complete return, all informational questions and lines on the return and applicable schedules must be completed and a copy of the federal return, as defined above, must be attached. Failure to attach the federal return information or to complete all informational

questions or lines on the returns or schedules will delay processing of the return. A penalty for failure to file a return may be imposed when the actual tax liability cannot be computed from the information appearing on the face of the Nebraska return.

Tax Period. A 2010 Form 1120N must be used to file for the calendar year 2010, or fiscal year beginning in 2010. Space is provided at the top of the return to enter the beginning and ending dates for short-period or fiscal-year filers. The taxable year for Nebraska must be the same as the taxable year used for the federal income tax return.

If a corporation changes its federal taxable year, it must also change its Nebraska taxable year. A copy of the approval from the IRS to change accounting periods must accompany the first return that shows the change.

Final Return. Check the “Final Return” box at the top of the return if the corporation ceased to exist during the 2010 tax year.

USE TAX

A corporation owes use tax when the proper sales tax has not been paid on purchases delivered into Nebraska. This often occurs when purchases are made from out-of-state, mail order, or Internet sellers. Use tax is also due when items purchased for resale are withdrawn from inventory for business or personal use.

EXAMPLE 1.

The corporation purchased a computer from a seller in South Dakota over the Internet for \$1,570 plus \$30 shipping and handling charges. Both charges are taxable. The computer is shipped to the corporation in Scottsbluff, Nebraska and no tax is charged or collected by the seller. The total state tax is \$88 (\$1,600 X 5.5%) and the local tax is \$24 (\$1,600 X 1.5%). The total use tax owed is \$112 (\$88 + \$24 = \$112).

EXAMPLE 2.

A motor vehicle repair shop in Scottsbluff, Nebraska provides motor vehicle repair service. The repair shop also owns a tow truck used for towing customers' motor vehicles needing repair. The shop purchases oil and oil filters tax exempt for resale using the [Nebraska Resale or Exempt Sale Certificate, Form 13](#). When oil and oil filters are removed from tax exempt inventory and used to change the oil in the business-owned tow truck, state and local use tax is due on the cost of the oil and oil filters.

For additional information, see the [Nebraska Consumer's Use Tax Information Guide](#) on the Department's website.

Who Must File?

Every corporation engaged in business in Nebraska, or having sources of income from Nebraska and subject to federal corporate income tax, must file a [Nebraska Corporation Income Tax Return, Form 1120N](#). This includes:

- ◆ **Cooperative organizations.** Cooperative organizations must file Form 1120N. Exempt farm cooperatives must attach their U.S. Income Tax Return for Cooperative Associations, Federal Form 1120-C. Cooperatives may exclude patronage dividends, dividends on capital stock, and nonpatronage income allocated to patrons that are allowable deductions or exclusions for federal income tax purposes.
- ◆ **Exempt organizations.** All exempt organizations required to file a federal return and pay tax at the federal corporate tax rates on unrelated business income are required to file the Form 1120N.

Corporations that must file a different Nebraska return:

- ◆ **S corporations.** Corporations which have elected to file under Subchapter S, as defined by IRC § 1361, file a [Nebraska S Corporation Income Tax Return, Form 1120-SN](#). If all shareholders are Nebraska residents and all income is derived from Nebraska sources, no return is required to be filed.

- ◆ **Financial institutions.** Institutions which maintain a permanent place of business in Nebraska and actively solicit deposits from residents of Nebraska must file a [Nebraska Financial Institution Tax Return, Form 1120NF](#).

When and Where to File

This return must be filed on or before the 15th day of the third month following the close of the taxable year. Cooperative organizations and foreign corporations with no locations within the United States must file on or before the original due date of their federal income tax return. The due date for cooperatives that meet the requirements of IRC § 6072(d) is the 15th day of the ninth month following the close of the taxable year. Exempt organizations reporting unrelated business income must file on or before the 15th day of the fifth month following the close of the taxable year.

The return must be filed with:

Nebraska Department of Revenue
PO Box 94818
Lincoln, Nebraska 68509-4818

How to Complete Form 1120N

Business Classification Code. Enter the six-digit number that best describes the corporation's principal business activity in Nebraska. The business classification codes may be found on the Department's website. Please review the code carefully.

Principal Business Activity in Nebraska. Enter the principal business activity of the corporation from the Business Classification Code listing.

Federal ID Number. Enter the Federal ID number assigned to the corporation by the IRS.

Nebraska ID Number. Enter the Nebraska ID number assigned to the corporation by the Department. If the corporation has not been assigned a Nebraska ID number, leave this field blank. A Nebraska ID number will be assigned when the return is received. The Department will send notification of the assigned Nebraska ID number to the address shown on the return.

Corporation Filing Status. All taxpayers must complete this portion of the return and answer all questions applicable to the corporation's status.

Question A. Check "Yes" if any of the following conditions apply:

- ◆ The corporation was included in a federal consolidated return;
- ◆ The corporation owns 50% or more of another corporation; or
- ◆ The corporation is owned at least 50% by another corporation.

If none of the above conditions apply, check "No" and skip questions B, C, and D.

Question B. Check "Yes" if this return includes the income, deductions, or credits of all corporations with common ownership.

Check "No" if one or more of the corporations with common ownership are not included in this return.

Question C. Check "Yes" if a return filed in any other state included the income, deductions, or credits of more than one corporation.

Check "No" if the return filed in all other states included only your corporation.

Question D. Under Nebraska law, a unitary group generally encompasses all corporations included in the federal consolidated income tax return. Therefore, only under extremely unusual circumstances may a corporation compute its Nebraska liability using the "separate report by a member of a controlled group of corporations" method. Documentation supporting the separate company filing should be attached to the Nebraska return when filed. This documentation must show that the corporation is not part of a single economic unit as defined in [Nebraska Corporate Income Tax Regulation 24-058.08](#).

LINE 1	Federal Gross Sales or Receipts, Less Returns and Allowances. Enter the amount of federal gross sales or receipts as entered on Federal Form 1120, less returns and allowances (total of line 1 and lines 4 through 10 of Federal Form 1120). If the corporate taxpayer filing Form 1120N is included in a consolidated federal return, enter the amount of consolidated gross sales or receipts less returns and allowances.
LINE 2	Federal Taxable Income. Enter the federal taxable income. A unitary group must enter the amount from line 30, Nebraska Schedule III .
LINE 3	Federal Net Operating Loss Deduction. Enter the federal net operating loss carryover allowed as a deduction on the federal return. See line 11 instructions for allowable Nebraska net operating losses.
LINE 4	Federal Capital Loss Carryover. Enter the portion of the federal capital loss carryover allowed this year.
LINE 5	<p>Other Adjustments. Enter the net amount of other adjustments, if any, to federal taxable income for Nebraska purposes from line 12, Nebraska Schedule A.</p> <p>The following examples are items which are not allowable adjustments decreasing federal taxable income:</p> <ul style="list-style-type: none"> ◆ The wage expense disallowed by the work opportunity tax credit; ◆ Federal income taxes or other federal taxes paid; ◆ The depreciation disallowed by the investment credit or other federally-required basis reduction; ◆ Income earned in another state. Instead, Nebraska Schedule I, Apportionment for Multistate Business, must be completed; and ◆ Income from a partnership. For additional information, see Nebraska Corporation Income Tax Regulation 24-056. <p>The federal deduction for state income tax is not an adjustment increasing federal taxable income.</p> <p>State and local government bond interest and dividend income is to be included on line 5. See line 1 instructions, Nebraska Schedule A.</p>
LINE 6	Total Adjustments. Add lines 3 and 4, plus or minus line 5, and enter result here.
LINE 7	Adjusted Federal Taxable Income. Enter line 2 plus or minus line 6.
LINE 8	<p>Nebraska Taxable Income Before Nebraska Carryovers. If all income is derived from sources within Nebraska, enter the amount from line 7.</p> <p>Corporate taxpayers that derive income from sources within and without Nebraska and are taxable in another state, must enter the amount from line 3, Nebraska Schedule I, Form 1120N.</p>
LINE 9	Nebraska Capital Loss Carryover. Enter the allowable Nebraska capital loss carryover. For a multistate taxpayer, a Nebraska capital loss consists of the loss on property which was used by the unitary business that did business in Nebraska, multiplied by the Nebraska apportionment factor for the year of the loss. If the corporate taxpayer reported a capital loss on corporate stock or other assets, the income from which was not previously treated as income apportionable to Nebraska, the loss cannot be treated as a Nebraska loss. Capital loss carryovers are only allowable to the extent of capital gains in the year of the deduction. Attach a detailed schedule which shows the computation of the capital loss carryover.
LINE 11	<p>Nebraska Net Operating Loss Carryover. Enter the allowable Nebraska net operating loss carryover. The amount allowable is based on the loss previously reported to Nebraska, and is not based on a percentage of the federal carryover. Any net operating loss or capital loss can only be carried forward, and only for a maximum period of five tax years.</p> <p>Attach a Nebraska Corporation Net Operating Loss Worksheet showing the calculation of the amount of Nebraska net operating loss carryover. If the Nebraska NOL carryforward was increased due to reclassifying part or all of the charitable contribution carryforward, details of the reclassification and the NOL modification must be provided.</p>

LINE 12

Net Nebraska Taxable Income. Enter line 10 minus Line 11.

LINE 13

Nebraska Tax. Use the following tax rate schedule to calculate the amount of total Nebraska tax to enter on line 13.

TAX RATE SCHEDULE			
If Net Nebraska Taxable Income from line 12 is —			
Over	But Not Over	Tax Rate is	On Excess Over
\$ 0	\$100,000	5.58%	\$ 0
\$100,000		\$5,580 + 7.81%	\$100,000

The tax rate is the rate in effect on the first day of the corporation’s taxable year. Corporations filing on a fiscal-year basis or filing a short-period return will compute the tax liability for the entire taxable period by using the tax rate in effect on the first day of the taxable period. A corporation using a 52-53 week fiscal year beginning during the last week in December must use the rate in effect on the following January 1st.

Insurance Companies. The tax rate used by an insurance company is the lesser of the rates listed above, or the corporate income tax rate imposed by the state or country in which the insurance company is domiciled, provided:

- ◆ The insurance company can show the Tax Commissioner that it is domiciled in a state other than Nebraska, or out of the country; and
- ◆ The state or country of domicile imposes on Nebraska domiciled insurance companies a retaliatory tax against Nebraska’s corporation income tax under [Neb. Rev. Stat. § 77-2734.02](#).

LINE 14

Premium Tax Credit. Enter the total amount of premium taxes paid (not accrued) by the corporate taxpayer in this taxable year. These taxes include:

- ◆ Premium taxes paid to the Nebraska Department of Insurance (NDOI) under [Neb. Rev. Stat. §§ 77-908](#) and [81-523](#); and
- ◆ Assessments paid to the NDOI for the Comprehensive Health Insurance Pool, which are allowed as an offset against any related premium and related retaliatory tax liability under [Neb. Rev. Stat. § 44-4233](#).

Premium taxes do not include amounts shown on the NDOI annual tax return as fees or the Workers’ Compensation Court cash fund tax.

EXAMPLE 3.

An insurance company made the following 2010 estimated premium tax payments and payments with its 2009 and 2010 NDOI returns.

Tax Year	Payment Type	Payment Date	Payment Amount	2010 Premium Tax Credit
2009	Payment with return	March 1, 2010	\$3,000	
Less: Fees included on the 2009 return			100	\$ 2,900
2010	Estimated	April 15, 2010	4,000	4,000
2010	Estimated	June 15, 2010	4,000	4,000
2010	Estimated	Sept, 15, 2010	4,000	4,000
2010	Estimated	March 1, 2011	4,000	0
Total				\$14,900

In this example, the insurance company will enter \$14,900 on line 14 as a credit for premium taxes paid.

A corporation claiming this credit must attach a copy of the NDOI annual tax return related to any payment claimed as a credit for premium taxes paid. A schedule listing the date and amount of payment, and the payee must also be attached.

Amounts paid by an electric cooperative organized under the [Joint Public Power Authority Act, Neb. Rev. Stat. § 70-1401](#), as in lieu of intangible tax may also be included on this line.

-
- LINE 15** **CDA Credit.** The Nebraska Community Development Assistance Act credit is allowable for contributions to approved projects of community betterment organizations recognized by the [Nebraska Department of Economic Development](#). Attach the [2010 Nebraska Community Development Assistance Act Credit Computation, Form CDN](#), and a copy of Form 1099NTC.
- For more details regarding this credit, see the Nebraska Department of Economic Development’s website or contact:
- Nebraska Department of Economic Development
Community and Rural Development Division
PO Box 94666
Lincoln, Nebraska 68509-4666
(402) 471-3775; or (800) 426-6505
www.neded.org
-
- LINE 16** **Form 3800N Nonrefundable Credit.** Enter the total nonrefundable credits from [Form 3800N](#). Attach a copy of Form 3800N and any supporting schedules.
-
- LINE 17** **Total Nonrefundable Credits.** Enter the total of lines 14, 15, and 16.
-
- LINE 18** **Nebraska Tax After Nonrefundable Credits.** Subtract line 17 from line 13. If line 17 is more than line 13, enter zero. Any excess will not be allowed as an overpayment on line 25; nor may it be used as a carryback or carryover to other taxable years.
-
- LINE 19** **Form 3800N Refundable Credit.** Enter the total refundable credits from Form 3800N. Attach a copy of Form 3800N and any supporting schedules.
-
- LINE 20** **Tax Deposited With Form 7004N.** Enter the amount of the tentative tax payment entered on line 11 of the [Form 7004N](#).
-
- LINE 21** **2010 Estimated Tax Payments.** Enter the total 2010 estimated tax payments, less any [Form 4466N](#) adjustment. Combined filers must complete and attach [Nebraska Schedule IV](#).
-
- LINE 22** **Beginning Farmer Credit and Nebraska Income Tax Withheld.** Enter the total amount of Beginning Farmer credit and any Nebraska income tax withheld from the [Statement of Nebraska Tax Credit, Form 1099BFC](#), and Forms 1099-MISC.
- The Form 1099BFC and Forms 1099-MISC must be attached to the Form 1120N.
- The Beginning Farmer credit is available to owners of agricultural assets which are rented to qualifying beginning farmers or livestock producers. Any claimant eligible for the credit will receive a copy of the Statement of Nebraska Tax Credit, Form 1099BFC, from the Nebraska Department of Agriculture.
- For more details regarding this credit, see the Nebraska Department of Agriculture’s website, or contact:
- Nebraska Department of Agriculture
PO Box 94947
Lincoln, NE 68509-4947
(402) 471-6890; or (800) 446-4071
www.agr.ne.gov
- Nebraska Income Tax Withheld.** Contractors are required to withhold five percent of any payments exceeding \$600 made to construction contractors who are not registered in the [Department of Labor’s Contractor Registration Database](#). If an amount was withheld from your corporation under this provision, a credit for the amount withheld is claimed on line 22.

LINE 23	Total Payments. Enter the total of lines 19, 20, 21, and 22.
LINE 24	<p>Tax Due. Enter the result of line 18 minus line 23, plus any applicable underpayment of estimated tax penalty. If the amount is less than zero, enter zero.</p> <p>E-Pay (ACH Debit). Pay your Nebraska tax liability electronically. It's secure, easy, and fast. See the Department's website at www.revenue.ne.gov, click on "Make a Payment" listed under "For Businesses."</p> <p>Credit Card. Secure credit card payments can be initiated through Official Payments Corporation (OPC) at www.officialpayments.com, or via telephone at (800) 2PAY-TAX. Eligible credit cards include American Express, Discover, MasterCard, and VISA. A convenience fee (2.49% of the tax payment, \$1 minimum) is charged to the card you use. This fee is paid to the credit card vendor, not the state, and will appear on your credit card statement separately from the tax payment.</p> <p>ACH Credit. The corporation, or its financial institution, must use computer software to create an electronic file in the appropriate ACH file format, and submit it to the Federal Reserve. This file instructs the corporation's bank to "credit" the state's bank. See the Department's website for additional information.</p> <p>Some corporations are required to make their corporate payments by electronic funds transfer (EFT). A corporation with an EFT mandate from the Department must make all corporate payments using one of the electronic methods outlined above.</p> <p>Check or Money Order. Include a check or money order payable to the Nebraska Department of Revenue with your return. Checks written to the Department may be presented for payment electronically.</p> <p>Underpayment of Estimated Tax Penalty (line 99). Enter the amount from line 26 of the Corporation Underpayment of Estimated Tax, Form 2220N.</p>
LINE 25	Overpayment. If line 23 is greater than line 18, enter the result of line 23 minus line 18.
LINE 26	Amount Credited to 2011 Estimated Tax. Enter the amount of overpayment from line 25 that is to be applied to the 2011 estimated tax.
LINE 27	Overpayment to be Refunded. Enter the amount of overpayment to be refunded after subtracting line 26 from line 25. For purposes of economy and efficiency, the Department encourages all taxpayers to have refunds electronically direct deposited to their financial institution by using the line 28 instructions.
LINE 28	Direct Deposit. To deposit the refund directly into your checking or savings account, enter the routing number and account number found on the bottom of the checks used with the account. The routing number is listed first and must be nine digits. The account number is listed to the right of the routing number and can be up to 17 digits. Enter these numbers in the boxes found on lines 28a and 28c, and complete line 28b, Type of Account. The box on line 28d must be checked whenever a refund will go to a bank account outside the United States in order to comply with new banking rules regarding International ACH Transactions (IATs). These refunds cannot be processed as direct deposits and instead will be mailed.
SIGNATURE	<p>Sign and Date the Tax Return. This return must be signed by a corporate officer. Include your daytime phone number and e-mail address in case the Department needs to contact you about your account. By including your e-mail address, you are agreeing that the Department may use it to transmit confidential information through a secure website.</p> <p>If the corporation authorizes another person to sign the return, there must be a power of attorney on file with the Department or attached to the return. The Power of Attorney, Form 33, is available on the Department's website.</p> <p>An unsigned return will delay processing.</p> <p>Paid Preparer's Use Only. Any person who is paid for preparing a taxpayer's return must sign the return as preparer. Additionally, the preparer must enter their Preparer Tax Identification Number (PTIN). Additionally, the preparer must enter their Preparer Tax Identification Number (PTIN) and their firm's name and Federal Employer Identification Number (EIN).</p>

Nebraska Schedule A Instructions

Summary of Line 5 Adjustments

Purpose. [Nebraska Schedule A](#) is used to adjust the corporate taxpayer's federal taxable income reported on line 2 of the Form 1120N. The Nebraska Schedule A must be completed by all corporate taxpayers making any adjustments on line 5 of Form 1120N. Any adjustments that are summarized on Nebraska Schedule A are carried forward to line 5, Form 1120N.

Adjustments Increasing Federal Taxable Income

LINE 1

State and Local Government Interest and Dividend Income. Enter all state and local government interest or dividends which are exempt from federal income tax and not issued by Nebraska state and local government subdivisions.

For dividends received from a regulated investment company, only the portion of the dividend attributable to Nebraska obligations is not added to federal taxable income for Nebraska tax purposes. Attach a detailed workpaper or schedule showing the total state and local government obligation income and detailing the source and amount of each Nebraska obligation which reduced the total dividend income received.

Adjustments Decreasing Federal Taxable Income

LINE 2

Qualified U.S. Government Interest Deduction. Enter the amount of interest and dividend income from U.S. government obligations actually included in federal gross income. This represents income which the state is prohibited from taxing by federal law, and is an adjustment decreasing federal taxable income.

[Corporate Income Tax Regulation 24-048](#) lists U.S. interest and dividend income which can be included on line 2, Nebraska Schedule A. Interest income from repurchase agreements involving U.S. government obligations **is not** deductible as U.S. government interest.

Gains or losses from the sale or other disposition of federal securities are taxable for state income tax purposes.

For dividends received from a regulated investment company, only the portion of the dividend attributable to interest on U.S. government obligations may be excluded. Attach a detailed workpaper or schedule listing the source and amount of income derived from each obligation for which a deduction is claimed.

LINE 3

Foreign Dividends, Gross-up, or Special Foreign Tax Credit Deduction. Enter the amount of adjustment for foreign dividends, foreign dividend gross-up, or special foreign tax credit deduction from line 12, [Nebraska Schedule II](#).

LINE 4

Allocable, Nonapportionable Income. Enter the amount of any claimed allocable, nonapportionable income (nonbusiness income). Allocable, nonapportionable income is income which is not part of the unitary business, and has not been claimed as income that is a part of the unitary business that is subject to apportionment by another state with substantially the same law as Nebraska.

Note: Entries must be made on lines 5 and 6, or the entire amount of allocable, nonapportionable income claimed may be disallowed.

Attach a detailed description of the claimed amount, together with evidence that the income is not part of a unitary business. Also, attach an affidavit from a corporate officer that the corporate taxpayer has not claimed the same income to be a part of a unitary business subject to apportionment in another state with substantially the same law as Nebraska.

LINE 5	Related Expenses. Enter the amount of related expenses. Related expenses include all direct and indirect expenses attributable to the activities producing the allocable, nonapportionable income amount entered on line 4.
LINE 6	Interest Expense Disallowance. Enter the interest expense calculated for the allocable, nonapportionable income. To calculate the interest expense: <ul style="list-style-type: none"> ◆ Divide the taxpayer's average investment in the activities producing the income by the taxpayer's average total assets to obtain a ratio; and ◆ Multiply this ratio by the total interest deduction allowed in the computation of federal taxable income.
LINE 7	Net Allocable, Nonapportionable Income. Enter the result of line 4 minus lines 5 and 6.
LINE 8	Nebraska College Savings Program. Nebraska allows a subtraction from a participant's federal taxable income for the amount of annual contributions made to the Nebraska College Savings Program administered by the State Treasurer. The maximum annual exempt contribution per return is \$5,000. Contributions to other states' 529 college savings plans cannot be deducted on line 8. Interest and earnings from the Nebraska College Savings Program may be deducted to the extent that the income is included in federal taxable income. This adjustment must be taken on line 11, Other Adjustments. Donations, gifts, and grants to the Nebraska educational savings plan trust for deposit to the endowment fund are allowed to be subtracted on line 8 to the extent not deducted for federal income tax purposes. Enclose a copy of the letter of receipt from the State Treasurer's office acknowledging the gift has been received.
LINE 9	Bonus Depreciation Subtraction. Corporations are allowed to deduct 20% of the total bonus depreciation previously added back on 2003 through 2005 tax year returns. Attach a schedule identifying the bonus depreciation previously added back in each tax year. See Revenue Ruling 24-08-2 for additional information.
LINE 10	Enhanced Section 179 Expense Subtraction. Corporations are allowed to deduct 20% of the enhanced Section 179 expense deduction previously added back on 2003 through 2005 tax year returns. Attach a schedule identifying the enhanced Section 179 expense deduction previously added back in each tax year. See Revenue Ruling 24-08-2 for additional information.
LINE 11	Other Adjustments. Enter any other adjustment not reported on lines 2 through 10. Attach a detailed explanation of the basis for each adjustment and any necessary schedules. Note: This line should only be used in extremely unusual circumstances as virtually all valid adjustments should be claimed elsewhere on Nebraska Schedule A.
LINE 12	Total Adjustments. Enter total adjustments here and on line 5, Form 1120N.

Nebraska Schedule I

Apportionment for Multistate Business – Instructions

Purpose. The Nebraska Schedule I is used to determine the amount of Nebraska source income (Form 1120N, line 8, Nebraska taxable income before Nebraska carryovers) received by a corporation that derives income from within and without Nebraska.

Nebraska source income is determined by apportioning the corporate income using a single, sales only (gross receipts) factor. Apportionment refers to the division of business income between states by the use of a formula containing one or more apportionment factors.

Sales Factor. The sales factor is a fraction. The numerator is the total sales of the corporate taxpayer in Nebraska during the taxable year. The denominator is the total sales of the corporate taxpayer

everywhere during the taxable year. Total sales include gross sales of real and tangible personal property, less returns and allowances, and all other items of gross receipts. The sales factor on this schedule is rounded to six decimal places. It is entered as a percentage.

When a corporate taxpayer consists of two or more corporations engaged in a unitary business, a part of which is conducted in Nebraska, the income of the corporate taxpayer apportionable to Nebraska is determined by applying the ratio of the corporate taxpayer's sales in Nebraska to the sales of the entire unitary group. The corporate taxpayer's sales in Nebraska should include only those sales made by members of the unitary group with nexus in this state. Each corporate taxpayer must file one income tax return for the entire group. The return will include all corporations in the unitary business. Any corporation that is required, or has received permission, to use an alternative apportionment formula, may only be included in a return with other corporations using the same apportionment formula.

A corporation using an alternative method of apportionment or separate accounting must attach a copy of the Tax Commissioner's prior written approval of either method. The separate accounting or the alternative apportionment factor computation must be included. Enter the factor on line 2, Nebraska Schedule I.

Intercompany sales between unitary corporations using the combined income approach are excluded from the sales factor.

If the corporate taxpayer is a partner in a partnership or joint venture, see [Corporate Income Tax Regulation 24-056](#), Corporation as Partner in a Partnership or Joint Venture.

A corporate taxpayer that operates a trucking business and has income from within and without this state, must compute its sales factor in accordance with [Corporate Income Tax Regulation 24-059](#), Special Rules: Trucking Companies.

The method of computing the sales factor must be consistent with prior tax years and with the corporate taxpayer's filings in other states. If the corporation modifies the basis for including or excluding gross receipts in the sales factor used in returns for prior years, the 2010 return must disclose the nature and extent of the modification.

If the returns filed with all states to which the corporate taxpayer reports are not uniform in the inclusion or exclusion of gross receipts, the Form 1120N filed with the Department must disclose the nature and extent of the variance.

Computation of Nebraska Source Income

LINE 1	Adjusted Federal Taxable Income. Enter the amount from line 7, Form 1120N.
LINE 2	Nebraska Apportionment Factor. Enter the amount from line 15, Nebraska Schedule I, Form 1120N .
LINE 3	Taxable Income Apportioned to Nebraska. Enter in line 3 the result of line 1 multiplied by line 2. Also, enter this amount on line 8, Form 1120N.

Nebraska Apportionment Factor – Sales or Gross Receipts

Nebraska sales include all items of income received by the corporate taxpayer from Nebraska sources. The following types of sales are from Nebraska sources:

1. Sales of tangible personal property delivered in this state;
2. Sales of tangible personal property shipped from this state to the U.S. government;
3. Sales of other than tangible personal property if –
 - a. The income-producing activity is performed in Nebraska; or
 - b. The income-producing activity is performed both within and without Nebraska and a greater proportion of the income-producing activity is performed in Nebraska than in any other state, based on cost of performance;
4. Gross receipts from the sale, rental, or lease of real property if the real property is located in Nebraska;
5. Gross receipts from the rental, lease, or licensing of tangible personal property if the property is in Nebraska. If the property was both within and without Nebraska during the taxable year, then the gross receipts attributable to the period or the percentage of time the property was used in Nebraska, are considered in Nebraska;
6. Gross receipts from the performance of personal services if the personal services are performed in Nebraska. When the personal services are performed partly within and partly without Nebraska, a portion of the gross receipts from performance of the personal services must be attributed to Nebraska. This is based on the ratio of time spent in performing personal services in this state to the total time spent in performing personal services everywhere; and
7. Gross receipts from the interest income or service charges arising from the sale of tangible personal property if the sale is attributed to Nebraska.

LINE 4 **Sales or Gross Receipts Minus Returns and Allowances.** Enter the gross receipts, less any returns and allowances reported on the Federal Form 1120.

LINE 5 **Sales Delivered or Shipped to Purchasers in Nebraska: Shipped From Outside Nebraska.** Delivery in Nebraska is determined without regard to the F.O.B. point or other conditions of the sale. The amount entered on this line should not include sales to the U.S. government.

LINE 6 **Sales Delivered or Shipped to Purchasers in Nebraska: Shipped From Within Nebraska.** Delivery in Nebraska is determined without regard to the F.O.B. point or other conditions of the sale. The amount entered on this line should not include sales to the U.S. government.

LINE 7 **Sales Shipped From Nebraska to the U.S. Government.** The U.S. government is the purchaser when it makes direct payment to the seller. The amount on this line includes all sales of tangible personal property to the U.S. government that are shipped from an office, store, warehouse, factory, or other place of business in this state. For other sales made to the U.S. government, use the rules for sales of other than tangible personal property. For additional information see [Nebraska Corporate Income Tax Regulation 24-040](#).

LINE 8 **Interest on Sales of Tangible Personal Property.** In the TOTAL column, enter all interest or service charges received from the sale of tangible personal property.

In the NEBRASKA column, enter all the interest or service charges related to the sale of tangible personal property delivered in Nebraska and from sales to the U.S. government shipped from Nebraska.

LINE 9 **Interest, Dividends, and Royalties From Intangible Property.** In the TOTAL column, enter all of the interest, dividend, and royalty income from intangible property received by the corporation.

In the NEBRASKA column, the amount entered is determined based on cost of performance. In general, corporations organized and operating primarily in Nebraska will enter all of the interest, dividend, and royalty income received on intangible property because the greatest cost of performance is in this state. In general, corporations organized and operating primarily outside Nebraska will not include any interest, dividend, or royalty income on intangible property because the greatest cost of performance is outside this state. For additional information, see [Nebraska Corporate Income Tax Regulation 24-040, Sales Factor: Sales Other Than Sales of Tangible Personal Property in This State](#).

LINE 10	<p>Gross Rents. In the TOTAL column, enter all receipts from the rental or lease of real or tangible personal property.</p> <p>In the NEBRASKA column, enter all receipts from the rental or lease of real or tangible personal property located in Nebraska. If the tangible personal property rented or leased is located or used both inside and outside this state, the Nebraska receipts are determined based on the ratio of time the tangible personal property was physically present or used in Nebraska over the total time or use of the tangible personal property everywhere.</p>
LINE 11	<p>Net Gain on Sales of Intangible Property. In the TOTAL column, enter the net gain on the sale of all intangible property made during the tax year.</p> <p>In the NEBRASKA column, the amount entered is based on cost of performance. See the instructions for line 9, Nebraska column, above.</p> <p>NOTE: A net loss on the sale of intangible property is not included in the calculation of the Nebraska sales factor.</p>
LINE 12	<p>Gross Receipts From Sales of Tangible Personal and Real Property Not Included Above. In the TOTAL column, enter all receipts from sales of tangible personal property and real property not included above.</p> <p>In the NEBRASKA column, enter the gross receipts from the sale of real property located in Nebraska. Also enter the gross receipts from tangible personal property delivered in this state or delivered to the U.S. government from a location in this state.</p>
LINE 13	<p>Other Income. In the TOTAL column, enter any other income not reported above that was received by the corporation and included in the amount reported on line 1, Form 1120N.</p> <p>In the NEBRASKA column, enter any other income not reported above that was derived from Nebraska sources.</p> <p>The amounts entered on this line include, but are not limited to, net farm income (loss) and the ordinary business income (loss) from partnerships. If the corporation would be considered unitary with the partnership if the partnership was a corporation, enter the distributive share of the partnership's gross receipts. If the corporation and the partnership would not be considered unitary, enter the distributive share of the income received from the partnership. See Nebraska Corporate Income Tax Regulation 24-056, Corporation as Partner in a Partnership or Joint Venture for additional information regarding the apportionment of income received from a partnership.</p>
LINE 14	<p>Total Sales or Gross Receipts. In the TOTAL column, add lines 4 and 8 through 13, and enter the result on line 14.</p> <p>In the NEBRASKA column, add lines 5 through 13, and enter the result on line 14.</p>
LINE 15	<p>Nebraska Apportionment Factor. Compute the Nebraska apportionment factor by dividing line 14, NEBRASKA column, by line 14, TOTAL column; calculate to six decimal places.</p>

Nebraska Schedule II

Foreign Dividend and Special Foreign Tax Credit Deduction – Instructions

Purpose. The Nebraska Schedule II is used to calculate the deduction for dividends included in federal taxable income (line 30, Federal Form 1120) from corporations whose dividends do not qualify for the dividends received deduction under Internal Revenue Code (IRC) § 243.

In addition, an adjustment is allowed for income that is taxed by a foreign country, or one of its political subdivisions, at a rate in excess of the maximum federal corporate tax rate. The adjustment can be made for each foreign country or group of foreign countries. The amount of federal taxable income from operations within a foreign taxing jurisdiction must be reduced by the amount of taxes actually paid to the foreign jurisdiction that are not deductible solely because the foreign tax credit was elected on the federal income tax return.

The amount of after-tax income is then divided by one minus the maximum tax rate for corporations in the IRC. The result of this calculation is subtracted from the amount of federal taxable income from foreign operations.

The difference is reported in the total adjustment computed on Nebraska Schedule A, and is included as an adjustment to federal taxable income on line 5, Form 1120N. Schedule C, Federal Form 1120, and Parts A and B of Federal Form 1118 must be attached.

Foreign Dividend Deduction Computation

LINE 1	Dividends From Foreign Corporations and Certain FSCs Subject to the IRC § 245 Deduction. Enter the total of lines 6 and 7, column (a), Schedule C, Federal Form 1120.
LINE 2	Special Deductions on Line 1 Amount. Enter the total of lines 6 and 7, column (c), Schedule C, Federal Form 1120.
LINE 3	Net Foreign Dividends Subject to the IRC § 245 Deduction Included in Federal Taxable Income. Enter the result of line 1 minus line 2.
LINE 4	Other Dividends From Foreign Corporations. Enter the amount from line 13, Schedule C, Federal Form 1120. A U.S. life insurance company claiming a deduction for “Other corporate dividends” from line 14, Schedule A, Federal Form 1120-L, must include a detailed description of the dividends claimed.
LINE 5	Income From Controlled Foreign Corporations Under Subpart F. Enter the amount from line 14, Schedule C, Federal Form 1120.
LINE 6	Foreign Dividend Gross-up (IRC § 78). Enter the amount from line 15, Schedule C, Federal Form 1120.

Special Foreign Tax Credit Deduction Computation

LINE 7	Federal Taxable Income From Qualifying Foreign Taxing Jurisdictions. Enter the total federal taxable income which is also taxed by a foreign jurisdiction at a rate in excess of the maximum federal corporate tax rate.
LINE 8	Foreign Taxes. Enter the amount of foreign taxes paid on line 7 amounts for which the foreign tax credit is taken.
LINE 11	Special Foreign Tax Credit Adjustment. If line 10 is greater than or equal to line 7, enter -0-. If line 10 is less than line 7, enter the difference; but do not enter more than the amount on line 8.
LINE 12	Total Foreign Dividend and Special Foreign Tax Credit Deduction. Enter the total of lines 3, 4, 5, 6, and 11 on line 12, and transfer this total to line 3, Nebraska Schedule A.

Nebraska Schedule III Instructions

Converting Net Income to Combined Net Income

Purpose. The Nebraska Schedule III is used to determine the combined federal taxable income of the unitary group.

This schedule must be completed by each corporate taxpayer filing a combined Nebraska Corporation Income Tax Return, Form 1120N. If additional space is required, attach a schedule using the same format as Nebraska Schedule III.

In lieu of Nebraska Schedule III, corporate taxpayers may begin with amounts reported on the federal return, and then make the necessary adjustments to arrive at combined income. This schedule should be in a format similar to Nebraska Schedule III, and must be attached to Form 1120N.

Nebraska Schedule IV Instructions

Subsidiary or Affiliated Corporations

Purpose. The Nebraska Schedule IV is used to identify the members of a unitary group and summarize the Nebraska sales or receipts for those members of the unitary group that have nexus in this state. The Schedule IV also summarizes the Nebraska payments, including deposits made with the Form 7004N and estimated tax payments made by the members of the unitary group.

This schedule must be completed if the corporate taxpayer is a member of a unitary group or if the corporate taxpayer, either individually or as a group, owns 50% or more of another corporation, or is owned 50% or more by another corporation.

The total amount of column A must equal line 20, Form 1120N.

The total amount of column B must equal line 21, Form 1120N.

The total amount of column D must equal line 14 in the Nebraska column of Schedule I, Form 1120N.

If additional space is required, attach a schedule using the same format as Nebraska Schedule IV.