

## Nebraska Schedule II – Credit for Tax Paid to Another State

Complete this schedule if you were a Nebraska resident the entire year and are claiming credit for income tax paid to another state, political subdivision, or the District of Columbia. Partial-year residents, even though having established residency as of December 31, 2002, must use Nebraska Schedule III.

Prepare a separate Nebraska Schedule II to compute the allowable credit for each state in which you paid income tax. The total credits cannot exceed the Nebraska tax liability, however. If some income is subject to an income tax of both another state and a city in that state, complete only one Nebraska Schedule II and combine the city and state taxes paid.

Attach a copy of the complete income tax return, including schedules and attachments filed with the state or city for which the credit is claimed. If the tax is not reported on an income tax return, attach a copy of a letter or statement from the other state or city showing the income and the tax paid. **If the returns, schedules or other documents are not attached to Nebraska Schedule II, the credit will not be allowed.** If you are claiming credit for income tax paid to a state's political subdivision not requiring the filing of an annual income tax return, attach a Form W-2 which shows the subdivision's tax withheld.

**LINE 55.** Enter the amount shown on the return filed with the other state as adjusted gross income, or gross income derived from sources within that state. **Do not** include any income from S corporations or LLC's reported on line 52 or income which is not included in federal adjusted gross income after Nebraska adjustments from lines 12 and 13, Form 1040N.

**LINE 56.** Calculate the factors to at least five decimal places, and then round to four decimals. For example, if your division result is .12346, round to .1235 (12.35%).

**LINE 57.** Enter the amount actually paid to the other state. It is shown on the attached return of the other state after subtracting the other state's nonrefundable credits. **The total of the other state's tax withheld on the wage and tax statement is not to be claimed on this line**, except for a political subdivision of another state that does not require the filing of an annual income tax return.

If a husband and wife file separate Nebraska returns but a joint return in another state, attach a calculation of each spouse's share of the total tax paid to the other state. Use the net income of each spouse that is taxed by the other state in the calculation.

## Nebraska Schedule III – Computation of Nebraska Tax

Taxpayers filing a nonresident or partial-year resident return must complete Nebraska Schedule III to determine the tax on their income derived from or connected with Nebraska sources.

**BONUS DEPRECIATION ADD-BACK.** Eighty-five percent of bonus depreciation claimed on your federal tax return must be included in line 59. If you had business activity in more than one state and any such activity had income from Nebraska sources and claimed federal bonus depreciation, then only a portion of this 85 percent amount is included on line 59. The portion included will be based on the same ratio that income from Nebraska sources bears to total income for that business activity. A separate calculation is required for each separate business activity.

**LINE 59.** Enter the income derived from Nebraska sources, or attach a schedule with the sources and amounts of income and deductions, characterized as they were on the federal return. Nebraska income for a partial-year resident includes all items of Nebraska income for a nonresident plus all of the income earned while a Nebraska resident that is not taxed by another state. This includes dividends, interest, pension income, the sale of intangibles, and wages earned outside Nebraska. Also see **BONUS DEPRECIATION ADD-BACK** information above.

**Wages, salaries, tips, and commissions** are the same amounts included in your federal income tax return derived from or connected with Nebraska sources. If the books and records do not clearly reflect specific identification of each income item, apportion the income to Nebraska based on either the days worked in Nebraska to the total days worked, or the volume of business transacted. Attach an explanation.

**Dividends, interest, and other passive income**, such as gains or losses from the sale of stock or securities, are usually not considered income from Nebraska for a nonresident unless earned in a business carried on in Nebraska. Do not include income from U.S. obligations listed on line 47.

**Business income** is the amount of net income or loss from a business, trade, or profession in Nebraska. Activity both within and without Nebraska, where the income is taxable in another state, must be apportioned in the same manner as a corporation. Business income is multiplied by an apportionment factor to determine the amount taxable by Nebraska.

**Farming income** is the amount of net income or loss from farming operations carried on within Nebraska.

**Partnership, S corporation, limited liability company, estate or trust** income is the individual's share of the entity's income and deductions derived from Nebraska.

**Gain or loss** is the net amount of all capital gains and losses derived in Nebraska from the sale, exchange, or involuntary conversion of real or personal tangible or intangible property.

**Rent and royalty income** is the net amount of rent and royalty income derived from or connected with Nebraska sources.

**Lottery prizes** are derived from Nebraska sources when awarded in a lottery game conducted pursuant to the Nebraska Lottery Act. **A net operating loss carryforward** may be deducted only if it resulted from Nebraska sources. (Attach Form NOL)

**LINE 60.** Include the adjustments reported on lines 16 through 19 of Federal Form 1040A, or lines 23 through 33a of Federal Form 1040, that apply to income from Nebraska sources. Educator expenses and penalty on early savings withdrawal are deductible only if directly related to Nebraska income reported on line 59. Payments to an IRA, a self-employed health insurance plan, or a SIMPLE or SEP plan attributed to Nebraska income included on line 59 are deductible only to the extent of the ratio of the payments based on the Nebraska wages or self-employment income to the total wages or income for which the payments were made. Identify the adjustment(s). A Roth IRA is **not** deductible on line 60. Alimony or a student loan interest deduction may be deducted based on the ratio of line 59 income reported to total income of the taxpayer. Moving expenses as reported on Federal Form 3903 may only be deducted by partial-year residents who moved into Nebraska.

**LINE 62.** Calculate the factor to at least five decimal places and then round to four decimals. For example, if the line 62 result is .12346, round to .1235 (12.35%) before computing line 67. Even if lines 5 and 59 are negative numbers, the ratio computed in line 62 cannot exceed 100 percent.

**LINE 64.** Enter, from the Nebraska Tax Table, the Nebraska tax on line 63 income. Also enter any tax from the Additional Tax Rate Schedule if your federal adjusted gross income is more than \$137,300 (see instructions).

**Partial-year** residents enter any Nebraska credit for the elderly or disabled, credit for child and dependent care expenses, or credit for prior year minimum tax. See lines 16, 21, 25, or 32 instructions in this booklet. Partial-year residents with Federal AGI of \$29,000 or less do not claim their child care credit here. Instead, complete the line 32 worksheet on page 10 to figure your refundable credit for these expenses. Enter this result on line 32.

**Nonresidents** are not allowed a Nebraska credit for the elderly or disabled or a credit for child and dependent care expenses. Nonresidents enter credit for prior year minimum tax. See line 16 instructions on page 8 of this booklet.

Do not enter credits on lines 16, 21, or 25. Line 64 cannot be less than zero.

**LINE 65.** Enter your credit from the personal exemption chart on page 11 of the instructions. Multiply the credit listed in the chart by the number of exemptions reported on line 4. **Do not enter on line 19.**



# NEBRASKA DEPARTMENT OF REVENUE

## Automated Voice Response System

**402-471-2971**

- Press **1** for Motor Fuels Assistance
- Press **2** for Taxpayer's Assistance
- Press **3** to order income tax forms
- Press **4** for Nebraska Lottery

If you wish to speak with someone other than Taxpayer's Assistance or if you are calling from a rotary dial phone, please hold the line and someone will be with you.

**Income Tax  
Forms Order Line**

**800-626-7899\***

- Press **1** to order your income tax forms.
- You will be asked to state your name and a daytime telephone number, then
- Press **8**
- Please state and spell your name or company name, then
- Press **8**
- Please state and spell your mailing address, including your zip code, then
- Press **8**
- Please state the title, form number, and the quantity of each income tax form you are requesting, then
- Press **8**

\*This number cannot be used with a rotary phone.

**Tax Assistance**

**800-742-7474\*\***

(outside Nebraska or Iowa, call 402-471-5729)

- Press **1** to check status of 2002 individual income tax refund.
- Press **2** for income tax forms order line.
- Press **3** for assistance with individual income tax return.
- Press **4** for business tax.
- Press **5** for annual sales tax return.
- Press **6** for individual income tax PIN information.
- Press **8** for problems with refund status.
- Press **9** to replay message.

\*\*If you are calling from a rotary dial phone, please hold the line and someone will be with you.

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7 days a week

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