

INSTRUCTIONS

WHO MUST FILE. Corporations required to make estimated tax payments must file a Corporation Underpayment of Estimated Tax, Form 2220N, when any underpayment is computed on line 20 of Form 2220N.

Corporations are required to make estimated tax payments if they reasonably expect their Nebraska income tax to exceed their allowable credits by \$400 or more. The allowable credits are: credit for in lieu of intangible tax paid; nonhighway use motor vehicle fuels credit (Form 4136N credit); Community Development Assistance Act credit; Nebraska Employment and Investment credits (Form 3800N credits); the Beginning Farmer credit; and the Employment Expansion and Investment Incentive Act credit (LB 608).

If the amount on line 8 is less than \$400, do not complete the rest of the form. You do not owe penalty.

WHEN AND WHERE TO FILE. This form must be attached to the Nebraska Corporation Income Tax Return, Form 1120N, and filed with that return.

PART I — Figuring Your Underpayment

LINE 1. Enter the tax amount from line 13 of the 2004 Form 1120N on line 1 of this form.

LINE 10. The entry on this line allows corporations to use the tax reported on their prior year's return less the prior year's allowable credits to determine whether an underpayment exists. Enter line 18 minus lines 19 and 22 from 2003 Form 1120N. ("Large Corporations," except as noted, cannot use this calculation.) The prior year's Nebraska return must cover a period of 12 months and show a tax liability. If this calculation does not apply to you, enter your line 9 amount on line 11.

A **large corporation** is prohibited from using its prior year's tax liability except in determining the first installment of its tax year. Any reduction in a large corporation's first installment as a result of using the prior year's tax must be recaptured in the corporation's second installment.

Large Corporations. A "large corporation" is one which had, or its predecessor had, federal taxable income of at least one million dollars for any of the three taxable years immediately preceding the tax year involved. In applying the "one million dollar test," taxable income is computed without regard to net operating loss carryovers or capital loss carrybacks.

Large corporations compute line 13 amounts by using the same procedures that result in the comparable entry on the Federal Form 2220.

LINE 12. There is a short deferral for estimated payments due in September of 2004. Only 75 percent of the corporate

estimated tax otherwise due on September 15, 2004 is due on that date. The remaining 25 percent is due on October 1, 2004. Please adjust your calculations accordingly.

METHODS WHICH AVOID PENALTY. 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 figure one or more required installments, recalculate and attach the federal Schedule A, "Required Installments Using the Annualized Income Installment Method and/or the Adjusted Seasonal Installment Method Under Section 6655(e)" using Nebraska income and other Nebraska amounts.

On this form, enter on line 13 of each column, the corresponding amount from the recalculated worksheet.

OVERPAYMENT. Any overpayment of an installment on line 21 in excess of all prior underpayments should be applied as a credit on line 16 against the next installment.

PART II — Figuring the Penalty

If line 20 shows an underpayment, you must complete Part II, lines 22 through 26, in order to determine the penalty amount for each underpayment of an installment.

LINE 23. A payment of estimated tax is applied against underpayments of required installments in the order that installments are required to be paid, regardless of which installment the payment pertains to.

Example: A corporation has an underpayment for the April 15 installment of \$1,000. The June 15 installment requires a payment of \$2,000. On June 15, the corporation deposits \$2,000 for its June 15 installment. However, \$1,000 of this payment is considered to be for the April 15 installment. The penalty for the April 15 installment is figured to June 15 (61 days). The payment to be applied to the June 15 installment will then be \$1,000.

In determining the date of payment on line 23, use the date of the payment which was applied against the underpayment on line 22, the due date of the next payment (line 12 of the next column), or the 15th day of the 3rd month following the close of the taxable year, whichever is earliest.

LINE 25. The penalty is calculated at 6 percent per annum for all days during 2004 and 2005. Multiply line 22 by 6 percent for the number of days shown on line 24.

If the corporation has made more than one payment for a required installment, make separate penalty calculations through the date of payment and for the remaining underpayment through the date it is paid, then add the results together and enter on line 25.