

1997 Nebraska Individual Income Tax

Dear Nebraska Taxpayer:

This year, your individual income tax rates have been cut due to passage of LB 401. The cuts in rates are reflected in the tax tables in this booklet. In addition, the Nebraska Personal Exemption Credit is increased from what it had originally been by \$10 per exemption. The personal exemption for 1997 for most taxpayers will be \$86 per exemption.

Another change you will notice is that your high school district, instead of your elementary district, must be reported this year. Many taxpayers will report the same information as last year if they reside in a K-12 school district. If you live in an elementary-only school district, you must report the high school district that the elementary district has affiliated with or joined in a Class 6 district.

You have the option to file your 1997 Nebraska Individual Income Tax Return electronically. This method enables you to file both your federal and state returns in one step. Advantages include computer filing accuracy and faster refund processing. You can also have your refund directly deposited into your bank account. Refund, zero balance due, and balance due returns are accepted. You can file a Nebraska Form 1040NS (short form) or a Nebraska Form 1040N (long form) with Schedules I, II, and III. Contact your tax preparation professional for information on your eligibility and how you can participate.

This booklet contains the information you will need to make filing your income tax return as easy as possible. We at the Nebraska Department of Revenue are ready to assist you in filing your return.

Complete and accurate information on the enclosed forms helps us process your return as quickly as possible. Please:

- ✓ Include your public high school district county name and district number as of December 31, 1997;
- ✓ Include your county of residence as of December 31, 1997;
- ✓ Use the address label provided in the center of this booklet (make any corrections on the label);
- ✓ Enclose any schedules required and attach supporting documentation;
- ✓ Staple your Nebraska copies of Forms W-2, W-2G, 1099-R, or 1099-MISC; and
- ✓ Sign your return.

If you have questions about filing your Nebraska income tax return, contact Taxpayer's Assistance at one of our offices in Norfolk, Scottsbluff, North Platte, Grand Island, Omaha, or Lincoln which are listed on the back of this booklet, or by calling toll free 1-800-742-7474. Lincoln residents must call locally 471-5729 for Taxpayer's Assistance. Hearing-impaired individuals may call our toll free TDD number, 1-800-382-9309.

Sincerely,

M. Berri Balka, State Tax Commissioner

The Privacy Act of 1974 says that when we ask you for your social security number we must first tell you our legal right to ask for this information, why we are asking for it, and how it will be used. We must also tell you what would happen if we do not receive it and whether your response is voluntary, required to obtain a benefit, or mandatory under the law. Our legal right to ask for the information is Nebraska Revised Statutes section 77-27,119. That law says that you must include your social security number with your return. Your response is mandatory under this section. We need the social security number so that we can identify you and process your return and other documents.

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Before you begin, note the following:

✓ NEW FOR 1997:

- **TAX CUT, INCREASE IN CREDIT.** This year, your individual income tax rate has been cut due to passage of LB 401. The cuts in rates are reflected in the tax tables in this booklet. In addition, the Nebraska Personal Exemption Credit has been increased to \$86.
- **HIGH SCHOOL DISTRICT TO BE REPORTED.** This year your high school district, instead of your elementary school district, must be reported on Form 1040N or Form 1040NS. Many taxpayers will report the same information as last year if they live in a K-12 school district.
- **NEBRASKA SELF-EMPLOYED HEALTH INSURANCE DEDUCTION.** A deduction is now allowed for health insurance costs for self-employed taxpayers to the extent not allowed as a deduction or adjustment on their federal return. Complete the worksheet on page 12 to determine the deduction amount and enter the result on line 43 of Nebraska Schedule I.

FEDERAL/STATE ELECTRONIC TAX FILING

FEDERAL/STATE ELECTRONIC FILING. Most Nebraska filers have the option to file their 1997 Individual Income Tax Return electronically. This alternative method enables you to file both your federal and state returns in one step. Advantages include computer filing accuracy and faster refund processing. You can have your refund directly deposited into your bank account. You can file a Nebraska Form 1040NS or 1040N. Contact your tax preparation professional for information on your eligibility and how you can participate.

- ✓ **IF YOU FILED FEDERAL FORM 1040EZ OR USED THE IRS TELEFILE PROGRAM,** be sure to review Form 1040NS and the instructions on the back of this form to see if you can file this short form. It follows page 12 in this booklet.
- ✓ **PUBLIC HIGH SCHOOL DISTRICT DATA** is required for all taxpayers with a permanent place of abode or a domicile in Nebraska on December 31, 1997. If you reside outside Nebraska but are still domiciled in Nebraska, this information is still required. **The processing of your return and any refund may be delayed without this information.**

Enter the **county name** and **high school identification number** from the shaded column of public high school districts on pages 13 through 16 of this booklet. If you reside in an elementary-only school district, you must report the high school district you are affiliated or joined with. Do not use any school identification number not included in the list. If you are unsure of the district where you reside, you may get the information from a property tax statement or by contacting the county assessor or county election officials. If you have property in more than one high school district, be sure to enter the high school identification number of the school district where your **home** is located.
- ✓ **COMPLETE YOUR FEDERAL RETURN OR TELEFILE WORKSHEET** before starting your Nebraska return so you will have the federal information needed to figure Nebraska tax. If you do not have to complete a federal return to report a federal liability, you may have to file a Nebraska return to claim a state withholding credit, or because you have \$5,000 or more of adjustments increasing income, such as non-Nebraska state and local bond interest that must be reported to

Nebraska. In either situation, complete your Nebraska return with the same information you would have had to use if you did file a federal return. See more information under line 5 instructions.

- ✓ **THE NAME AND ADDRESS LABEL** can be found attached to the return envelope in the center of this booklet. It has been provided for your convenience and allows your return to be handled more efficiently. If any label information is in error, make the correction on the label and place the label over the name and address area of the return.

If you have someone else prepare your return, take your label to the preparer to be placed on the return. If you did not receive a name and address label, type or clearly print your name and current address in the space provided. Include your spouse's social security number.
- ✓ **YOUR NEBRASKA INCOME TAX RETURN** for calendar year 1997 must be postmarked by April 15, 1998. Mail your return to the Nebraska Department of Revenue, P.O. Box 94818, Lincoln, Nebraska 68509-4818.
- ✓ **TAX ASSISTANCE** — See the back cover.
- ✓ **ADDITIONAL FORMS AND SCHEDULES** are available at banks, most federal buildings, including U.S. Post Offices; the Nebraska Department of Revenue, 301 Centennial Mall South, Lincoln, Nebraska; and the regional offices shown on the back cover.
- ✓ **CONFIDENTIAL TAX INFORMATION** will be given only by return telephone call after the caller's identity has been confirmed. A taxpayer's representative requesting confidential information must have a power of attorney on file with the department before any information will be released. **An income tax return signed by the preparer is considered to be a limited power of attorney** authorizing the department to release only the information contained on that return to the preparer.
- ✓ **FARMERS OR RANCHERS** deriving at least two-thirds of their yearly gross income from farming or ranching are to check the box below the social security number block. This allows the return to be properly processed.
- ✓ **COUNTY OF RESIDENCE** is the place in Nebraska where you maintain your home. If you did not have a permanent place of abode or a domicile in this state on December 31, 1997, enter "nonresident" instead of the name of the county. If you are residing outside Nebraska but still are domiciled in Nebraska, list the county of your domicile.
- ✓ **ROUND TO WHOLE DOLLARS** the amounts on your return and schedules. Round any amount from 50 cents through 99 cents to the next higher dollar. Round any amount less than 50 cents to the next lower dollar.
- ✓ **SIGN AND DATE YOUR TAX RETURN.** Both husband and wife must sign their joint return. An unsigned return cannot be processed. If another person signs this return for the taxpayer, a copy of a power of attorney or court order authorizing the person to sign the return must be on file with this department or be attached to the return. Include your daytime phone number in the space provided in case the department needs to contact you about your account.

Any person who is paid for preparing a taxpayer's return must also sign the return as preparer. If the return is prepared by a firm or corporation, the return should also be signed in the name of the firm or corporation.

Who Must File

You must file a Form 1040N or 1040NS if you are required to file a federal return or use the Federal TeleFile Program and report a federal liability. You must also file if you have \$5,000 or more of Nebraska adjustments to federal adjusted gross income, including non-Nebraska state and local bond interest income exempt from federal tax.

Residents

FULL-YEAR RESIDENTS are subject to tax on their entire federal adjusted gross income, even if some of it may have been earned for services performed outside Nebraska. A credit is allowed for tax properly paid to another state. Credit for Tax Paid to Another State, Nebraska Schedule II, must be completed and attached to the Form 1040N with a copy of the other state's return, including all schedules, to receive the credit.

A resident individual is a person who is domiciled in Nebraska or who has maintained a permanent place of abode and spent over six months in Nebraska.

Permanent place of abode means a dwelling place permanently maintained by the taxpayer, whether or not it is owned. It does not include a vacation camp, cottage, or dwelling place kept only for a temporary purpose.

EXAMPLE: John and Eileen own a drive-in restaurant in Grand Island, Nebraska. They operate the restaurant from April through October each year. They also own a house in Grand Island and live there during the seven months the restaurant is open. During the months the restaurant is closed, John and Eileen return to their home in Texas. They consider Texas to be their domicile

because they own a home there, they register to vote in Texas, and they hold Texas driver's licenses. Even though John and Eileen do not consider Nebraska to be their domicile, they are full-year Nebraska residents for Nebraska income tax purposes since they maintain a permanent place of abode and spend more than six months in Nebraska.

Domicile is the place an individual considers his or her permanent home, the place to which he or she intends to return after a period of absence. A domicile, once established, continues until a new, fixed, and permanent home is acquired. No change in domicile results from moving to a new location if the individual's intention is to remain only for a limited time, even if it is several years. A person declaring a change in residence must show an intention to assume a new domicile while physically present in the new location for other than a temporary purpose.

EXAMPLE: Don and Deb own a home in Gothenburg, Nebraska. They also rent a townhouse in Richmond, Virginia. Every year from May 1 to September 1, they go to Virginia and stay in the townhouse while Deb teaches at a local university. Don and Deb are full-year residents of Nebraska for income tax purposes because the yearly trips to Virginia are only temporary. Their domicile is in Nebraska.

Nonresidents

Tax calculation for nonresidents and partial-year residents is **not** a matter of simply determining Nebraska source income and calculating tax based on that income. Nonresidents and partial-year residents must calculate a tax based on all income, and then determine actual tax liability based on the percentage of Nebraska source income to all income.

NONRESIDENT INDIVIDUALS who have income derived from or connected with Nebraska sources must file Form 1040N. They cannot file Form 1040NS.

A nonresident individual is a person who is domiciled for the entire year in a state other than Nebraska, and does not reside in Nebraska for over six months during the year. Nonresident individuals are subject to Nebraska income tax on all income included in federal gross income which is obtained from or connected with Nebraska sources. This includes wages, salaries, and other compensation earned in Nebraska. It includes the distributive share of income and deductions from partnerships, limited liability companies, S corporations, estates, and trusts. Only deductions which are related to income received from Nebraska sources are allowed. **Credit for personal exemption is claimed by nonresidents on line 57, Schedule III, and not on line 18, Form 1040N.** For more information, see instructions on Computation of Nebraska Tax, Nebraska Schedule III, in this booklet.

Items of income, gain, loss, and deduction related to sources in this state include items directly associated with:

1. The ownership or sale of any interest in real or tangible personal property in Nebraska.
2. A business, trade, profession, or occupation carried on in this state.
3. The income from intangible personal property. This includes annuities, dividends, interest, and gains from the sale of intangible personal property to the extent that such income is from property used in a business, trade, profession, or occupation carried on in Nebraska.
4. Capital gains or losses and net operating losses, determined solely with respect to income, gains, losses, and deductions obtained or connected with sources in this state.
5. The income from fiduciary services performed for a resident estate or trust.
6. Amounts paid to a corporation controlled by a nonresident for personal services performed by the nonresident.

Nonresident partners, shareholders, or beneficiaries, whose only connection with this state is the conduct of the business activities of a partnership, limited liability company, S corporation, or trust, are not required to file a Nebraska income tax return if the organization has properly withheld from the nonresident's share of the organization's income. All of the withholding will be retained by the state in satisfaction of the liability. Any nonresident who files an agreement on Form 12N to avoid withholding must file Form 1040N.

Partial-Year Residents

PARTIAL-YEAR RESIDENTS OF NEBRASKA who have income derived from or connected with Nebraska sources must file Form 1040N. They cannot file Form 1040NS.

A partial-year resident is an individual who either establishes or ends his or her domicile in Nebraska during the tax year or resides in Nebraska for more than six months during the year. Partial-year residents are subject to Nebraska income tax on income included in

federal gross income which is derived from or connected with Nebraska sources while either a resident or nonresident of Nebraska. A partial-year resident will make those adjustments which relate to income subject to Nebraska tax. A partial-year resident may claim a Nebraska credit for the elderly or disabled and a Nebraska credit for child and dependent care expenses on line 56, Nebraska Schedule III. **The credit for personal exemption is claimed on line 57. Do not claim this credit on line 18, Form 1040N.** For more information, refer to instructions on Schedule III.

Important Information for All Taxpayers

PROCESSING OF YOUR RETURN MAY BE DELAYED WITHOUT THE PUBLIC HIGH SCHOOL DISTRICT DATA COMPLETED. Under the law, all taxpayers must enter their high school district county and number on their returns. Without this information, the processing of your return and any refund may be delayed. See pages 13 through 16 for a list of high school districts.

FEDERAL FORMS W-2, W-2G, 1099-R, and 1099-MISC, Nebraska copy, must be sent to you by your employer or payor by February 15. If you have not received the form by that date, you should immediately contact your employer or payor. Request that the form be issued to you. If the Form W-2, W-2G, 1099-R, or 1099-MISC is incorrect, obtain a corrected form from the employer or payor. Such statements should be clearly marked "Corrected by Employer/Payor." If a wage and tax statement is lost or destroyed, request a substitute copy clearly marked "Reissued by Employer."

THE BALANCE OF THE TAX DUE to Nebraska must be paid in full with your return. Make your check or money order payable to the Nebraska Department of Revenue and type or print your social security number and the tax year on the face of your payment. An amount due of less than \$2.00 need not be paid unless the amount is for penalty or interest. Any overpayment of \$2.00 or more will be refunded. Any overpayment must be reported within three years of the original due date, as extended, or the overpayment will be denied.

CONSUMER'S USE TAX is imposed on the storage, use, or consumption of any tangible personal property purchased by the final consumer when the proper sales tax has not been paid, such as with deliveries into Nebraska from an out-of-state seller. Individual consumer's use tax is to be reported on Nebraska and City Individual Consumer's Use Tax Return, Form 3. Contact the Nebraska Department of Revenue, P.O. Box 94818, Lincoln, Nebraska 68509-4818 for a copy.

CHANGES IN YOUR FEDERAL INCOME TAX RETURN OR IN A RETURN FILED WITH ANOTHER STATE made by an IRS Processing Center, district office, or by the other state **must be reported to the department within 90 days of the change.** Report these changes by filing an Amended Nebraska Individual Income Tax Return, Form 1040XN, for the tax year involved. When requesting forms, please specify the tax year being amended. File any amended return separately from any other return. Include payment for any additional tax. Any taxpayer, on request by the department, must furnish a copy of his or her Federal Form 1040 and supporting schedules.

PENALTY AND INTEREST may be imposed under the following conditions:

1. Failure to file a Nebraska income tax return,
2. Failure to file a return and pay the tax due on or before the due date,
3. Failure to file an amended Nebraska tax return to report changes made to your federal income tax return,
4. Preparing or filing a fraudulent income tax return, or
5. Understatement of income on an income tax return.

The amounts reported on your Nebraska return, even if taken from your federal return, will not relieve you from the penalty for an inaccurate return or for filing a false or fraudulent return. **Any unpaid tax is subject to interest at the statutory rate from the original due date to the date the tax is paid.**

A NEBRASKA EXTENSION OF TIME to file Forms 1040N or 1040NS may only be obtained by:

1. Attaching an **approved** copy of Application for Additional Extension of Time to File U.S. Individual Income Tax Return, Federal Form 2688, to the Nebraska return when filed;
2. Attaching a copy of a timely filed Application for Automatic Extension of Time to File U.S. Individual Income Tax Return, Federal Form 4868, to the Nebraska return when filed;
3. Filing a Nebraska Application for Extension of Time, Form 2688N, on or before the due date of the return, when you need to make a tentative Nebraska payment or a federal extension is not being requested;
4. Attaching a copy of the statement or letter submitted with your federal return requesting the automatic extension of time for a U.S. citizen residing or traveling outside the U.S. or Puerto Rico, to the Nebraska return when filed; or
5. Attaching information to document a combat zone-related extension.

Failure to attach the applicable extension document will result in a late filing penalty. **When an extension of time is given, interest is due on any unpaid tax.** An extension of time cannot exceed a total of seven months after the due date of the return.

You can make a tentative payment to stop interest from accruing. If such payment is made, Nebraska Application for Extension of Time, Form 2688N, must also be filed. When filing your Nebraska Individual Income Tax Return, Form 1040N, claim the tentative payment on line 27, Form 1040N, as an estimated tax payment.

Additional Information for Certain Taxpayers

IF YOU FILED FEDERAL FORM 1040EZ OR USED THE IRS TELEFILE PROGRAM, carefully review lines 4, 5, and 8, Form 1040NS instructions, or lines 4, 6, and 18, Form 1040N instructions. For Form 1040EZ, you have to determine any standard deduction portion of your Form 1040EZ, line 5 entry to report the amount to Nebraska. Any federal personal exemption deduction allowed is converted to a Nebraska personal exemption credit.

IF YOU HAVE THE INTERNAL REVENUE SERVICE CALCULATE YOUR FEDERAL INCOME TAX, you may request that the Nebraska Department of Revenue calculate your Nebraska income tax. Your Form 1040N or Form 1040NS **must be filed by April 1** to allow time to calculate and bill you for any tax due. Interest will be assessed on any amount not paid by April 15, 1998. Follow these instructions:

Form 1040NS

1. Complete the top portion of Form 1040NS through line 5, personal exemptions (be sure to complete your Public High School District Data and County of Residence).

2. Enter your withholding amount on line 10 and attach state copies of Form W-2 from all employers.
3. Sign and date your return. If married, both husband and wife must sign.

Form 1040N

1. Be sure to complete your Public High School District Data and County of Residence.
2. Complete the parts of your return through line 13 that apply to you. The line-by-line instructions that start on page 5 explain how to complete your return.
3. Read the instructions for lines 18 through 23, and lines 26 through 28, filling in the lines that apply to you. Please be sure to complete line 26 for Nebraska income tax withheld and attach withholding statements, W-2, W-2G, 1099-R, or 1099-MISC, from all employers or payors. See the instructions that follow if you want us to figure your credit for the elderly or the disabled.

4. Complete any forms or schedules asked for on the lines you completed. Attach them when you file the return.
5. If you are claiming credit for taxes paid to another state, attach a **complete** copy of the income tax return, including all schedules, for each state for which credit is claimed. If tax was paid but no return filed for a subdivision of the other state, attach a W-2 statement supporting the tax paid.
6. Complete lines 36 and 37, Schedule I, if you have adjustments increasing Nebraska income such as interest income from state and local obligations.
7. Complete lines 39 through 44, Schedule I, if you have U.S. bond interest or other adjustments decreasing Nebraska income. This includes any Tier I or II benefits paid by the Railroad Retirement Board included in federal adjusted gross income.
8. Credit for child and dependent care expenses. If you qualify to take this federal credit, and you are a full-year or partial-year resident, use the worksheet on page 7 to calculate the credit allowed.
9. Credit for the elderly or the disabled. If you qualify to take this federal credit, and you are a full-year or partial-year resident, attach a copy of Federal Schedule R or Federal Schedule 3. If you want the department to calculate your state credit, supply the same information as required by the IRS when you ask them to calculate the federal credit. Refer to line 20 instructions.
10. **Sign and date your return.** Both husband and wife must sign if a joint return is being filed.

ESTIMATED TAX PAYMENTS must be filed if your Nebraska income tax can reasonably be expected to exceed allowable credits by \$300 or more. Allowable credits for income tax include, but are not limited to, those listed on lines 18 through 23 of Form 1040N. Lines 26 through 28 of Form 1040N may also be used to offset income tax owed.

Payment of estimated tax ordinarily must be made in four equal installments on or before April 15, June 15, September 15, and January 15. Nebraska Individual Estimated Income Tax Payment Voucher, Form 1040N-ES, is to be used to report this tax.

PENALTY FOR UNDERPAYMENT OF ESTIMATED TAX. If line 25 is more than your total payments on line 29 by \$300 or more and this difference is more than ten percent of your line 25 amount, you may owe a penalty. If you have underpaid your estimated tax for any period, you may also owe a penalty. Obtain Form 2210N, Individual Underpayment of Estimated Tax, from the department to calculate any possible penalty. Enter any penalty in the space provided on line 30, include it in the line 30 total, and attach Form 2210N to your Form 1040N. Form 1040NS cannot be filed.

You do not owe Form 2210N penalty if you had no income tax liability for 1996, you were a U.S. citizen or resident for all of 1996, and your 1996 return was for 12 full months. Also, if your 1996 federal adjusted gross income was less than \$150,000 and the total of Nebraska tax withheld, line 26, and your estimated payments, line 27, is at least as much as your 1996 income tax liability, you will not owe a penalty. See Form 2210N for special instructions.

ESTIMATING YOUR 1998 INCOME TAX. If you need to estimate 1998 taxes, contact the department and request an estimated tax booklet. If you filed estimated payments in 1997, a booklet will automatically be mailed to you.

MILITARY SERVICE PAY is subject to income tax only by the state where the service member is a legal resident. The place of legal residence at the time of entry into the service is presumed to be the state of legal residence. It remains so until legal residence in another state is established. The Nebraska income tax is imposed on all the federal adjusted gross income of a resident who is a member of the armed forces, regardless of where the income is received.

Be sure to check the box for active military on Forms 1040N or 1040NS, if you or your spouse are in the active military.

Military pay received by a nonresident service member stationed in Nebraska is not subject to Nebraska income tax. Other income derived from Nebraska sources by a service member, such as income earned from a separate job not connected with the member's military service, is subject to Nebraska income tax.

A service member's spouse living in Nebraska more than six months is a resident. If the nonresident service member and the spouse who has become a resident file a joint Nebraska return, the service member has elected to have the service pay taxed by Nebraska. More information is contained in the Form 1040N instructions for line 1 on page 5 and in the Nebraska Department of Revenue's information guide titled, "Nebraska Income Tax for Military Service Members." Contact the department, or any of the regional offices listed on the back cover of this booklet, for copies.

DEATH OF TAXPAYER. If a taxpayer died before filing a return for 1997, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property. If the taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

The person who files the return must write "**DECEASED**" across the top of the return. The taxpayer's name and the date of death is to be noted in the filing status area of the return.

If your spouse died in 1997 and you did not remarry in 1997, you may file a joint return. You may also file a joint return if your spouse died in 1998 before filing a 1997 return. A joint return should show your spouse's 1997 income before death and your income for all of 1997. Write "filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign.

CLAIMING A REFUND FOR A DECEASED TAXPAYER. If you are a surviving spouse filing a joint return with the deceased, file only the tax return to claim the refund. If you are a court-appointed representative, file the return **and** attach a copy of the certificate that shows your appointment. All other filers requesting the deceased taxpayer's refund must file the return and attach **Form 1310N** and proof of death.

FISCAL YEAR RETURNS. The taxable year used for Nebraska must be the same as the year used for federal income tax purposes. For fiscal years beginning after January 1, 1997, the 1997 Nebraska Tax Table and Additional Tax Rate Schedule, and Personal Exemption Credit Table are to be used without adjustment.

The due date for a fiscal year return is the 15th day of the fourth month of the following taxable year. If the due date falls on a Saturday, Sunday, or legal holiday, you may file your return the first business day after the 15th day of the fourth month.

Refer to page 8, line 26 instructions for information on claiming withholding credit by a fiscal year taxpayer with a calendar year Federal Form W-2.

A FARMER OR RANCHER who files the 1997 Form 1040N and pays the Nebraska income tax due on or before March 1, 1998, is not required to make estimated tax payments during 1997; otherwise, the entire amount of estimated tax must be paid by January 15, 1998.

CREDIT FOR CHILD AND DEPENDENT CARE EXPENSES is available to full-year and partial-year resident individuals and is equal to 25 percent of the federal credit. Complete the worksheet on page 7 of these instructions and file Form 1040N.

EMPLOYMENT AND INVESTMENT CREDITS. Credits are available for qualifying businesses which make certain increases in employment and investment. Credits can be used to reduce the taxpayer's income tax liability.

For more detailed information on these credits, contact the Nebraska Department of Revenue, P.O. Box 94818, Lincoln, Nebraska 68509-4818 or call (402) 471-5729 or toll free 1-800-742-7474.

Form 1040N Line Instructions

(for Form 1040NS instructions, see back of Form 1040NS)

LINE 1, FEDERAL FILING STATUS. Your Nebraska filing status must be the same as your federal filing status, unless a joint federal return was filed and the state of residency of the two spouses is different. Check the box for the filing status actually used to calculate your Nebraska tax. Different residencies arise when one spouse is a resident while the other spouse is a nonresident at the same time. A couple with different residencies may file either a joint or separate returns with Nebraska after filing a joint federal return.

The separate return must be calculated as though a federal separate return had been filed. The married filing separate income, deductions, and exemptions must be used. The social security number and name of your spouse is to be entered on the married filing separate line of the Nebraska separate return.

When a joint return for Nebraska is filed, the couple with different residencies has made an election for both to be treated as Nebraska residents while either is a resident. As residents, the income of both spouses is subject to Nebraska income tax. Follow the appropriate instructions for either full-year or partial-year residents. To change this election of a joint return to separate returns on an amended return, use Revenue Ruling 22-81-2 procedures. A copy of this ruling can be obtained by contacting the department.

LINE 2a. Check the following if, during 1997:

- Box 1. **You** were 65 or older.
- Box 2. **You** were blind.
- Boxes 1 and 2. **You** were 65 or older **and** blind.
- Box 3. Your **spouse** was 65 or older.
- Box 4. Your **spouse** was blind.
- Boxes 3 and 4. Your **spouse** was 65 or older **and** blind.

LINE 2b. Check box 5 if someone (such as a parent) can claim you or your spouse as a dependent.

LINE 3, TYPE OF RETURN BEING FILED. Resident taxpayers check box 1. Nonresident and partial-year resident taxpayers check box 2. Nonresident and partial-year resident taxpayers must complete and attach Nebraska Schedule III, even though all income is earned in Nebraska. Partial-year residents must enter the dates of their Nebraska residency in the space provided. If one spouse is a full-year resident and the other is a nonresident or partial-year resident and they elect to file a joint return, a resident return must be filed and Schedule III cannot be used.

LINE 4, FEDERAL EXEMPTIONS, will be the same number of exemptions claimed on your federal return unless a different filing status is used for Nebraska. This includes the number of exemptions claimed on line 6d, Form 1040 or Form 1040A. **If you filed a Federal Form 1040EZ or used the Federal TeleFile Program,** and you checked the “no” box on line 5 of the 1040EZ or line B of the TeleFile Worksheet, enter “1” exemption if you are single, and enter “2” if married. If you checked the “yes” box on line 5 of the 1040EZ or if you checked either “yes” box on line B of the TeleFile Worksheet, enter “0” exemptions if you are single and enter “0” if you are married and both spouses can be claimed as dependents on another person’s return. Enter “1” if you are married and only one of you can be claimed as a dependent on another person’s return. **See the instructions for line 18, personal exemption credit, for information on claiming the credit for each personal exemption.**

If one spouse is a resident and the other is a nonresident, and a separate Nebraska return is being filed, enter the number of federal exemptions allowable in computing the separate federal return for Nebraska purposes.

SPECIAL INSTRUCTIONS

CHECK THE BOX AFTER FEDERAL EXEMPTIONS

only to show that **you had no federal liability**, had adjustments increasing Nebraska income of less than \$5,000, and are **not reporting a 1997 net operating loss**. If you checked this box, do not complete lines 5 through 16 and 18 through 24. Enter “0” on lines 17 and 25. Complete lines 26 through 35 as they apply. Generally, taxpayers checking this box are those filing to receive a refund of Nebraska income tax withholding, **not** to report a state tax liability.

EXAMPLE: Chris and Kimberly are married, have three children, and have adjusted gross income for 1997 of \$19,000. Chris’ employer withheld \$108 for Nebraska income tax. Chris and Kimberly filed a federal return, subtracted their federal standard deduction (\$6,900) and five federal exemptions (\$13,250), and found they had no federal taxable income. **Chris and Kimberly have no federal liability. Therefore, Chris and Kimberly have no Nebraska liability.** They will want to file a Nebraska return to claim a refund of the income tax withheld by Chris’ employer.

Chris and Kimberly do not complete lines 5 through 16 of Form 1040N. Instead, they check the box after line 4, enter “0” on lines 17 and 25, and complete lines 26 through 35 as they apply.

If you did not have a federal liability, but have adjustments such as non-Nebraska tax-exempt state and local bond interest, see the line 5 instructions which follow.

LINE 5, FEDERAL ADJUSTED GROSS INCOME (AGI) is the amount reported on the federal return as adjusted gross income. Enter the amount from the following forms:

- Form 1040A **Line 16**
- Form 1040EZ **Line 4**
- TeleFile Worksheet **Line H**
- Form 1040 **Line 32**

If you were not required to file a federal return but must file a Nebraska return to report state and local bond interest, enter on line 5 all income which would have been included in federal adjusted gross income.

EXAMPLE: George is retired and receives a pension and interest from a savings account which total \$5,650 in 1997. He also receives income from tax-exempt state and local bonds from sources outside Nebraska, totalling \$7,200 that is federally tax exempt. His 1997 income for federal purposes is \$5,650. He is not required to file a federal return; however, since his income from non-Nebraska state and local bonds exceeds \$5,000, George is required to file a Nebraska return.

He must include the \$5,650 of income on line 5 **as if he had completed a federal return.** After completing lines 6 through 11 as they apply, he must enter the \$7,200 of non-Nebraska, tax-exempt state and local bond interest income on line 12, Form 1040N, and lines 36 and 38 of Nebraska Schedule I. George completes the remainder of the return as it applies.

Nonresident and partial-year resident taxpayers are reminded to include their total federal adjusted gross income on line 5, not merely Nebraska source income.

If you have a **Nebraska net operating loss**, include any negative Federal AGI on line 5, and complete the rest of the form. Use Form NOL to compute the loss to carry back. A net operating loss carryback from a 1997 loss is not allowed unless the loss has been reported on a 1997 Form 1040N.

Any taxpayers who include as income on Federal Form 1040 their children's interest and dividends (elected on Federal Form 8814) must include that income on line 5, Form 1040N.

LINE 6, FEDERAL STANDARD DEDUCTION. Enter the allowable amount of your federal standard deduction. To determine the appropriate amount, read the portion of this instruction for the federal form you filed. Do not enter the amount of your federal itemized deductions.

If you filed —

FEDERAL FORM 1040A. Enter the line 19 amount.

FEDERAL FORM 1040EZ. If you checked “no” on Federal Form 1040EZ, line 5, enter \$4,150 if single; or enter \$6,900 if married.

If you checked “yes” on line 5, enter the amount from line E on the worksheet on the back of the Federal Form 1040EZ.

IRS TELEFILE PROGRAM. Enter the standard deduction from line I of the TeleFile Worksheet.

FEDERAL FORM 1040. If you claimed the federal standard deduction, enter the line 35 federal standard deduction amount. If you claimed itemized deductions on line 35 of Federal Form 1040, enter the federal standard deduction for your filing status:

- ✓ Single – \$4,150
- ✓ Head of household – \$6,050
- ✓ Married filing jointly or qualifying widow – \$6,900
- ✓ Married filing separately – \$3,450
- ✓ 65 or over, and/or blind – see federal instructions
- ✓ Claimed as a dependent on another return – see federal instructions.

HIGHER INCOME TAXPAYERS with federal adjusted gross income in excess of \$121,200 (\$60,600 if married filing separate) must complete the Nebraska Standard Deduction Worksheet on page 9 of these instructions to determine their allowable standard deduction.

LINE 7, FEDERAL ITEMIZED DEDUCTIONS. If you itemized, enter the line 35 amount from Federal Form 1040. If your federal adjusted gross income is more than \$121,200 (\$60,600 married filing separate), complete the Nebraska Itemized Deduction Worksheet on page 10 to determine your line 7 entry. If you did not claim itemized deductions on your federal return, skip lines 7 through 9.

LINE 8, STATE AND LOCAL INCOME TAXES. Enter your state and local income taxes included on line 5 of Schedule A, Federal Form 1040 (even if your itemized deductions have been limited).

LINE 10. Enter line 6 or 9, whichever is greater.

EXAMPLE: Ellen and Ray claim itemized deductions of \$7,350 on their federal return because this amount is larger than the federal standard deduction of \$6,900 which is allowed for their filing status of married filing jointly. Their itemized deductions included \$850 of state income tax. After completing lines 6 through 9, they find that when they file their Nebraska income tax return, they will claim the standard deduction because it is larger than their Nebraska itemized deductions:

Line 6, Federal standard deduction	\$6,900
Line 7, Federal itemized deductions	\$7,350
Line 8, State and local income taxes	\$ 850
Line 9, Subtract line 8 from line 7	\$6,500
Line 10, Line 6 or line 9, whichever is greater	\$6,900

ADJUSTMENTS TO FEDERAL ADJUSTED GROSS INCOME. Adjustments to your federal adjusted gross income are made for income that may be taxable on your federal return, but not taxable on the Nebraska return. They are also made for income that is taxable in Nebraska, but not at the federal level. Attach Nebraska Schedule I to the return to report Nebraska adjustments unless you are only reporting a state income tax refund.

LINE 12, ADJUSTMENTS INCREASING FEDERAL AGI. You must include all federally exempt state and local government interest except that issued by Nebraska state and local subdivisions. See more instructions on page 11.

LINE 13, ADJUSTMENTS DECREASING FEDERAL AGI. If you have a state income tax refund or had interest from U.S. obligations, you may have a deduction from federal adjusted gross income to include on line 13. You should read the instructions on pages 11 and 12 to see what other adjustments are allowed.

If line 12 is -0-, and your only adjustment is a state income tax refund, enter the amount of the refund on line 13 and check the box below line 13. You do not need to complete Schedule I.

If you have any other adjustment such as U.S. government interest, complete Schedule I, Part B, and list the types and amounts of income claimed as adjustments including any state income tax refund. Attach the schedule to your return.

LINE 14, NEBRASKA TAX TABLE INCOME. If you do not have adjustments to federal adjusted gross income, enter the line 11 amount on line 14. If you have adjustments, complete Schedule I, add lines 11 and 12, and subtract any line 13 amount. Enter the result on line 14.

This is your Nebraska tax table income. This is the amount used to determine your Nebraska income tax. **Go to the 1997 Nebraska Tax Table located on pages 17 through 22 of this booklet to determine your tax liability.**

LINE 15, NEBRASKA INCOME TAX is taken from the Nebraska Tax Table on pages 17 through 22. All taxpayers must use the Nebraska Tax Table to calculate their Nebraska income tax liability. If federal adjusted gross income is more than \$121,200 (\$60,600 if married filing separate), include the total tax calculated on the Nebraska Tax Worksheet on page 23 which includes the additional tax calculated using the Nebraska Additional Tax Rate Schedule on page 23.

Nonresidents and partial-year residents will enter their tax calculation taken from line 59, Nebraska Schedule III.

LINE 16, NEBRASKA MINIMUM OR OTHER TAX is the sum of (1) federal **alternative minimum tax**, (2) federal tax on **lump-sum distributions of qualified retirement plans**, and (3) federal tax on **early distributions of qualified retirement plans**; multiplied by 29.6 percent.

Use the following worksheet to calculate line 16. Nonresidents and partial-year residents enter worksheet results on line 60, Nebraska Schedule III.

NEBRASKA MINIMUM OR OTHER TAX WORKSHEET	
1. Alternative minimum tax, from Federal Form 6251 recalculated for Nebraska using Nebraska Revenue Ruling 22-97-1	\$ _____
2. Tax on lump-sum distributions (enter federal tax amount from Federal Form 4972)	_____
3. Tax on early distributions (enter lesser of federal tax amount from Part I, Federal Form 5329 or line 50 of Federal Form 1040)	_____
4. SUBTOTAL (Add lines 1 through 3)	_____ x .296
5. TOTAL (line 4 multiplied by 29.6%)	\$ _____

ENTER THIS TOTAL ON LINE 16, FORM 1040N
Attach a copy of your Federal Form 4972, 5329 (1040 if 5329 not required) or recalculated Form 6251 to your return.

A credit for prior year minimum tax must be calculated according to Revenue Ruling 22-97-2, and is to be entered on line 19, together with a notation, "AMT Credit." Nonresidents and partial-year residents claim this credit on line 56, Nebraska Schedule III.

LINE 17. All taxpayers enter the **total of lines 15 and 16.**

If you had no tax to report on your federal return, and adjustments increasing income on Schedule I, line 38, of less than \$5,000, enter "0" on lines 17 and 25. Complete lines 26 through 35 of Form 1040N.

LINE 18, NEBRASKA PERSONAL EXEMPTION CREDIT. Residents are to claim a \$86 credit for each federal exemption reported on line 4, Form 1040N. Nonresidents and partial-year residents claim the credit on line 57 of Nebraska Schedule III, not on line 18.

EXAMPLE: Mr. and Mrs. Bourg, who are Nebraska residents, have AGI of \$25,000 and claim three exemptions on line 4. Their personal exemption credit on line 18 is as follows: $\$86 \times 3 = \258 . They enter \$258 on line 18 and include it in the line 24 total.

If your federal adjusted gross income is more than \$101,000 (married-joint), \$61,000 (single), \$84,000 (head of household), or \$50,500 (married-separate), use the chart on page 9 to determine the credit amount you are to claim.

LINE 19, CREDIT FOR TAX PAID TO ANOTHER STATE, is calculated on line 50 of Nebraska Schedule II. Nebraska residents claiming credit for income tax paid to another state or its political subdivisions, or the District of Columbia are to complete and attach Schedule II. Attach a **complete** copy of the return, including schedules and attachments filed with the other state, or attach a letter or statement from the other state showing the income reported and tax paid to support the credit claimed. **A separate Schedule II must be completed for each state in which you paid income tax.**

Nebraska law does not allow credit for taxes paid to a foreign country or its political subdivisions.

If the other state's return is amended or changed by that state, an Amended Nebraska Individual Income Tax Return, Form 1040XN, is to be filed to report the change in the credit for tax paid to another state. Attach a copy of your corrected Nebraska Schedule II and a copy of the amended return filed with the other state or a copy of a letter or statement from that state showing the corrected tax paid.

LINE 20, CREDIT FOR THE ELDERLY OR THE DISABLED, is equal to the amount shown on line 41 of Federal Form 1040 or line 24b of Form 1040A. **If the federal credit has been limited by the amount of your federal tax liability, use the lesser amount.** This credit may be claimed only by Nebraska full-year or partial-year residents. Full-year residents should enter the amount of the federal credit on line 20. Partial-year residents must enter "0" on line 20; and enter the lesser of the federal credit or the total Nebraska tax on line 56, Nebraska Schedule III. Attach a copy of Federal Schedule R, pages 1 and 2, or Federal Schedule 3 to your Form 1040N.

If you had the IRS calculate your federal credit for the elderly or disabled, attach a copy of the Schedule R or Schedule 3 mailed with your federal return to Form 1040N, and the department will figure this credit.

LINE 21, COMMUNITY DEVELOPMENT ASSISTANCE ACT CREDIT (CDA), is the credit allowable for contributions to approved projects of community betterment organizations recognized by the Nebraska Department of Economic Development. See the instructions on the 1997 Nebraska Community Development Assistance Act Credit Computation, Form CDN, for more information on this credit. Form CDN and the green copy of Form 1099NTC must be attached to the Form 1040N.

LINE 22, FORM 3800N CREDIT, is the credit allowed to qualified businesses that expand their economic investment or employment base in Nebraska. Request Nebraska Employment and Investment Credit Computation, Form 3800N, or contact the department for more information.

LINE 23, CREDIT FOR CHILD AND DEPENDENT CARE EXPENSES, is 25 percent of either the amount on line 40 of Federal Form 1040, or line 24a, Form 1040A, if this amount is less than your federal tax. This credit may be claimed only by Nebraska full-year or partial-year residents. **If the federal credit has been limited by your federal tax liability, use the worksheet below.** Full-year residents are to enter on line 23, Form 1040N, 25 percent of the allowed federal credit. Partial-year residents are to enter on line 56, Nebraska Schedule III, Form 1040N, 25 percent of the allowed federal credit. Partial-year residents enter "0" on line 23.

Use the worksheet below:

CHILD CARE CREDIT WORKSHEET	
1. Enter line 24a, Fed. Form 1040A or line 40, Fed. Form 1040, whichever applies to you	\$ _____
2. Enter federal tax liability (Form 1040A, line 23, or Form 1040, lines 39, 48, and 50)	_____
3. Lesser of lines 1 and 2	_____
4. Line 3 multiplied by 25%	_____

Residents enter line 4 result on line 23, Form 1040N; Partial-year residents use line 4 in line 56 calculation.

LINE 25. Use the worksheet below to determine if you can enter your federal liability. Do not complete if you have adjustments increasing income of \$5,000 or more (Form 1040N, Schedule I, line 38) – you are not entitled to use this provision.

FEDERAL LIABILITY WORKSHEET	
Complete the following worksheet to determine whether Nebraska tax after nonrefundable credits is larger than your federal tax liability and should be reduced to the federal tax liability amount.	
1. Enter federal tax before credits:	
a. Form 1040EZ, line 10	1a \$ _____
b. IRS TeleFile Worksheet, line J, column 2	1b _____
c. Form 1040A, line 23	1c _____
d. Form 1040, line 39	_____
Form 1040, line 48	_____
Form 1040, line 50	_____
Total tax—Form 1040	1d _____
Total federal tax (enter tax from 1a, 1b, 1c, or 1d)	
2. Nebraska Form 1040N, line 17 minus line 24	2 \$ _____
Enter the smaller of lines 1 and 2 on line 25, Form 1040N, and check federal liability box if line 1 is used.	

LINE 26, NEBRASKA INCOME TAX WITHHELD. Add the amounts shown as Nebraska income tax on the state copy of the Federal Form W-2, W-2G, 1099-R, or 1099-MISC sent to you by your employer or payor. If you had more than one employer or payor, attach the state copy of Federal Form W-2, W-2G, 1099-R, or 1099-MISC from **each** employer or payor. Enter the total state withholding on line 26.

A fiscal year taxpayer who has W-2's issued on a calendar-year basis must attach the 1997 W-2's to the 1997 Form 1040N for the fiscal year beginning in 1997. The 1997 calendar year withholding cannot be apportioned between tax years. If you receive your 1998 W-2 before filing your 1997 Form 1040N, save it to attach to your 1998 Form 1040N for your fiscal year beginning in 1998.

Nonresidents who had Nebraska income tax withheld from payments for personal services provided should attach a copy of the 1099-MISC issued to them by the payor.

Nonresidents claiming credit for Nebraska income tax withheld by a partnership, limited liability company, S corporation, estate, or trust are to obtain from their organization two copies of the Statement of Nebraska Income Tax Withheld for Nonresident Individual, Form 14N. Enter the amount withheld and paid to Nebraska on line 26, and attach the pink copy of Form 14N to Form 1040N in the space provided for Form W-2. A nonresident who has a tax year different from the tax year shown on the Form 14N for his or her organization is to attach the Form 14N with a tax year ending during the individual's tax year. A calendar-year taxpayer is to attach the Form 14N for tax years ending in 1997 to the 1997 Form 1040N. Apportionment of the Form 14N withholding between tax years is not allowed.

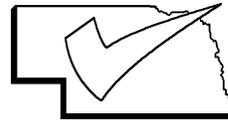
LINE 27, ESTIMATED TAX PAYMENTS, is the sum of the installment payments made for 1997 plus any 1996 overpayment that you applied to your 1997 estimated tax. If you made a tentative Nebraska income tax payment on or before the original due date of your return to stop the accumulation of interest, also claim this amount on line 27.

LINE 28, NONHIGHWAY USE MOTOR VEHICLE FUELS CREDIT, is the credit for a portion of the Nebraska tax paid in this program. See the instructions on Form 4136N for information about this credit. Attach Form 4136N to Form 1040N if this credit is claimed. For more information, contact Motor Fuels Taxpayer's Assistance toll free at 1-800-554-3835.

LINE 30, AMOUNT YOU OWE, is the amount owed to the State of Nebraska, including the applicable underpayment of estimated tax penalty. Attach a check or money order payable to the Nebraska Department of Revenue for the amount on line 30. Please type or print your social security number on the face of your check or money order. **A tax due amount of less than \$2.00 need not be paid.**

If the amount you owe is \$300 or more, review "Penalty for Underpayment of Estimated Tax" on page 4, and determine if you need to file Form 2210N. Contact the department to obtain Form 2210N.

LINE 32, 1998 ESTIMATED TAX. Enter on line 32 the amount of overpayment you want applied to your 1998 estimated tax.



A CHECK FOR WILDLIFE



LINE 33, NONGAME AND ENDANGERED SPECIES FUND. You can contribute \$1.00 or more of your refund to this fund. Your contributions are used by the Nebraska Game and Parks Commission to protect and manage nearly 500 kinds of nongame and endangered birds, mammals, amphibians, fish, and reptiles. The fund will help prevent species from becoming endangered by protecting their habitat.

If you are not entitled to a refund, you may send a contribution directly to the Nongame and Endangered Species Conservation Fund at the following address. Contributions to the fund are tax deductible on the 1998 federal tax return if you itemize deductions. For more information on the Nongame and Endangered Species Program, contact the Nebraska Game and Parks Commission, Wildlife Division, 2200 North 33rd Street, Lincoln, NE 68503-0370, or call (402) 471-0641.

LINE 34, NEBRASKA CAMPAIGN FINANCE CONTRIBUTION. You may voluntarily contribute \$2.00 of your refund (and either \$2.00 or \$4.00 if married filed jointly) to the Campaign Finance Limitation Cash Fund. The purpose of the Campaign Finance Limitation Act is to lessen the reliance of candidates on contributions from special interest organizations by providing contributed funds to assist in financing election campaigns of candidates seeking statewide offices. Eligible candidates must agree to limit their total campaign expenditures and meet other criteria to receive assistance. Candidates for the following offices may be eligible for assistance: Governor, Lt. Governor, Attorney General, Auditor of Public Accounts, State Treasurer, Secretary of State, State Board of Education, Board of Regents, Public Service Commission, and the State Legislature.

For more information, contact the Nebraska Accountability and Disclosure Commission, 11th Floor, State Capitol, P.O. Box 95086, Lincoln, NE 68509-5086, or call (402) 471-2522.

LINE 35, AMOUNT TO BE REFUNDED. Enter the amount of overpayment you want refunded to you on line 35 after subtracting lines 32, 33, and 34 from line 31. **No amount less than \$2.00 will be refunded.**

If a taxpayer has an existing tax liability of any kind with the Nebraska Department of Revenue, an overpayment reflected on this return may be applied to such liability. The department will then notify the taxpayer.

Nebraska Personal Exemption Credit, Line 18, Form 1040N (Residents)

Nonresidents and partial-year residents use to complete Schedule III, line 57.

Use this table to determine the allowable personal credit for your adjusted gross income category. Find your filing status in the columns; then find the line corresponding to your federal adjusted gross income reported on line 5, Form 1040N. Take the amount you find and multiply by the number of federal exemptions reported on line 4, Form 1040N.

EXAMPLE: Earlene and Robert file a married-joint return. Their federal adjusted gross income is \$138,450. They look down the married filing joint column to the line where \$136,000-141,000 appears. They look across and see they have a \$46 personal exemption credit. Since they have a total of three federal exemptions, they multiply \$46 x 3 = \$138. The \$138 amount is then entered on line 18 of Form 1040N.

FEDERAL ADJUSTED GROSS INCOME								PERSONAL EXEMPTION CREDIT
Single		Married Filing Joint (including qualifying widow(er))		Married Filing Separate		Head of Household		
Over	But not over	Over	But not over	Over	But not over	Over	But not over	
\$ 0	- 61,000	\$ 0	- 101,000	\$ 0	- 50,500	\$ 0	- 84,000	\$86
61,000	- 66,000	101,000	- 106,000	50,500	- 53,000	84,000	- 89,000	81
66,000	- 71,000	106,000	- 111,000	53,000	- 55,500	89,000	- 94,000	76
71,000	- 76,000	111,000	- 116,000	55,500	- 58,000	94,000	- 99,000	71
76,000	- 81,000	116,000	- 121,000	58,000	- 60,500	99,000	- 104,000	66
81,000	- 86,000	121,000	- 126,000	60,500	- 63,000	104,000	- 109,000	61
86,000	- 91,000	126,000	- 131,000	63,000	- 65,500	109,000	- 114,000	56
91,000	- 96,000	131,000	- 136,000	65,500	- 68,000	114,000	- 119,000	51
96,000	- 101,000	136,000	- 141,000	68,000	- 70,500	119,000	- 124,000	46
101,000	- 106,000	141,000	- 146,000	70,500	- 73,000	124,000	- 129,000	41
106,000	- 111,000	146,000	- 151,000	73,000	- 75,500	129,000	- 134,000	36
111,000	- 116,000	151,000	- 156,000	75,500	- 78,000	134,000	- 139,000	31
116,000	- 121,000	156,000	- 161,000	78,000	- 80,500	139,000	- 144,000	26
121,000	- 126,000	161,000	- 166,000	80,500	- 83,000	144,000	- 149,000	21
126,000	- 131,000	166,000	- 171,000	83,000	- 85,500	149,000	- 154,000	16
131,000	- 136,000	171,000	- 176,000	85,500	- 88,000	154,000	- 159,000	11
136,000	- 141,000	176,000	- 181,000	88,000	- 90,500	159,000	- 164,000	6
141,000	- 146,000	181,000	- 186,000	90,500	- 93,000	164,000	- 169,000	1
over 146,000		over 186,000		over 93,000		over, 169,000		0

Nebraska Standard Deduction Worksheet – Line 6, Form 1040N

Use if federal adjusted gross income is more than \$121,200 (\$60,600 if married filing separate)

STANDARD DEDUCTION WORKSHEET	
1 Enter your Federal Adjusted Gross Income for 1997 (line 5, Form 1040N)	1
2 Enter \$121,200 (enter \$60,600 if married filing separate)	2
3 Difference (subtract line 2 from line 1). If less than zero, STOP; you do not have a limitation on your standard deduction.	3
4 Enter your 1997 Federal Standard Deduction (Single \$4,150, Married-Joint \$6,900, Head of Household \$6,050, Married-Separate \$3,450). Consult federal instructions if you have a different standard deduction for your filing status than that listed	4
5 Enter 10% of line 3	5
6 1997 Nebraska Standard Deduction (subtract line 5 from line 4; if zero or less, enter 0 on this line). Enter result here and on line 6, Form 1040N.	6

Nebraska Itemized Deduction Worksheet – Lines 7 and 8, Form 1040N

Use if your federal adjusted gross income is more than \$121,200

(\$60,600 if married filing separate)

ITEMIZED DEDUCTION WORKSHEET	
1 Enter itemized deductions from Federal Schedule A. Include totals from lines 4, 9, 14, 18, 19, 26, and 27	1
2 Add from Federal Schedule A, the amounts on lines 4,13,18,19, plus any gambling losses included on line 27	2
3 Enter state and local income taxes from line 5, Federal Schedule A (enter on line 8, Form 1040N)	3
4 Add lines 2 and 3	4
5 Difference (subtract line 4 from line 1). If the result is zero, STOP; enter the amount from line 1 above on line 7, Form 1040N	5
6 Multiply line 5 by 80% (.80)	6
7 Enter your federal adjusted gross income (line 5, Form 1040N)	7
8 Enter \$121,200, or \$60,600 if married-separate	8
9 Difference (subtract line 8 from line 7). If the result is zero or less, STOP; enter the amount from line 1 above on line 7, Form 1040N	9
10 Multiply line 9 by 10% (.10)	10
11 Compare line 6 and line 10 and enter the smaller of the two amounts here	11
12 Subtract line 11 from line 5	12
13 Add line 12 and line 4 (enter on line 7, Form 1040N, total itemized deductions)	13

Note: If your Nebraska itemized deductions on line 9, Form 1040N, are less than the federal standard deduction for your filing status, complete the Nebraska standard deduction worksheet on page 9 to determine the larger of line 6 and line 9, Form 1040N (see instructions).

Nebraska Adjustments to Income

Nebraska Schedule I

Adjustments Increasing Federal AGI (line 12, Form 1040N)

- Interest Income Received from State and Local Bonds
- Regulated Investment Company
- Federal Net Operating Loss Deduction
- S Corporation and LLC Non-Nebraska Loss

INTEREST INCOME RECEIVED FROM STATE AND LOCAL BONDS

Include on line 36a all of your interest received from state and local bonds. While this income is exempt for federal tax purposes, it is an addition to income for Nebraska income tax purposes.

The interest income to be reported on line 36a includes, but is not limited to, that which is reported on line 8b of Federal Form 1040 or 1040A. This amount can be reduced by expenses not previously deducted which relate to the production of this income only if you claim federal itemized deductions.

On line 36b, include interest from those bonds issued by Nebraska state and local government subdivisions. This includes bonds such as Nebraska municipal water bonds,

NPPD bonds, NIFA bonds, or local school district bond obligations.

REGULATED INVESTMENT COMPANY

You must include on line 36a any income from a regulated investment company (including certain mutual funds) which invests in state and local obligations. Any part of the fund dividend **attributable to Nebraska source bonds** may be used to reduce the total income amount. Enter such part on line 36b.

FEDERAL NET OPERATING LOSS DEDUCTION

If you deducted a federal net operating loss carryforward in computing your federal AGI, you must include this amount as a positive number on line 37 of Schedule I.

S CORPORATION AND LIMITED LIABILITY COMPANY (LLC) NON-NEBRASKA LOSS

A loss from an S corporation or LLC that is not from Nebraska sources increases an individual's adjusted gross income. The loss should be entered on line 37, Schedule I, as a positive number.

Adjustments Decreasing Federal AGI (line 13, Form 1040N)

- State Income Tax Refund Deduction
- U.S. Government Obligations Exempt for State Purposes
- Obligations Which Cannot be Deducted for Nebraska Tax Purposes
- Government Money Market or Mutual Funds (page 12)
- Repurchase Agreements (page 12)
- Railroad Retirement Board Pension Payments (page 12)
- Special Capital Gains Deduction (page 12)
- Self-Employed Health Insurance Deduction (page 12)
- S Corporation and Limited Liability Company Non-Nebraska Income (page 12)
- Native American Indian Reservation Income (page 12)
- Claim of Right Repayment (page 12)
- Nebraska Net Operating Loss Carryforward (page 12)

STATE INCOME TAX REFUND DEDUCTION

If you received a refund, credit, or offset of state or local individual income tax in 1997 that is included as taxable income on line 10 of your Federal Form 1040, you may deduct this amount on line 39 of Nebraska Schedule I.

If this is your *only* adjustment decreasing or increasing income, do not file Schedule I. Instead, check the box on line 13 of Form 1040N and enter the state income tax refund on line 13.

U.S. GOVERNMENT OBLIGATIONS EXEMPT FOR STATE PURPOSES

Interest or dividend income included in federal adjusted gross income from the following sources is deductible for Nebraska tax purposes. If you have income from one of these obligations, include the **type of bond** and the **amount received** from each on line 40a of Schedule I. Attach a schedule, if necessary, listing all the bonds for which a deduction is claimed. **Note: capital gains from the sale of U.S. obligations are not deductible.** Exempt U.S. government obligations include:

1. U.S. government bonds, such as series HH and EE (interest is deductible only if the bond has been issued after March 1, 1942),
2. U.S. Treasury bills (interest is deductible only if the bill has been issued after March 1, 1942),
3. U.S. government notes,
4. U.S. government certificates,
5. Commodity Credit Corporation,
6. Federal Home Loan Banks,
7. Federal Reserve Banks (dividends are deductible only if from stock issued after March 1, 1942),
8. Federal Savings and Loan Insurance Corporation,
9. Tennessee Valley Authority securities,
10. Interest on debentures issued to mortgagees of mortgages foreclosed under the National Housing Act if insured after February 3, 1938,
11. Postal Service bonds,
12. Retirement bond as provided by I.R.C. section 409 (none issued after April 30, 1982),
13. Farm Credit Bank Consolidated System Wide bonds,
14. Farm Credit System including the following members unless noted elsewhere:

- a. Federal Land Banks and Federal Land Bank Associations (dividends are deductible only if from stock issued after March 28, 1942),
 - b. Federal Intermediate Credit Banks, and
 - c. Any other institution chartered by and subject to the supervision of the Farm Credit Administration unless noted elsewhere,
15. General Service Administration Participation Certificates,
 16. Financing Corporation established by Federal Housing Finance Board, and
 17. Resolution Funding Corporation.

Interest, but not dividend income, included in federal adjusted gross income from the following sources is deductible for Nebraska individual income tax purposes:

1. Federal Deposit Insurance Corporation (F.D.I.C.),
2. Student Loan Marketing Association,
3. Production Credit Association, or
4. Banks for Cooperatives.

OBLIGATIONS WHICH CANNOT BE DEDUCTED FOR NEBRASKA TAX PURPOSES

Several quasi-governmental organizations issue bonds which are not considered to be backed by the full faith and credit of the U.S. government or whose licensing act did not specifically exempt them from state taxation. **These are NOT deductible for Nebraska purposes:**

1. Federal or State Banks,
2. Federal or State Savings and Loan Associations,
3. Building and Loan Associations,
4. Postal Savings Accounts (discontinued in 1966),
5. Export Import Bank bonds,
6. Federal or State Credit Unions,
7. Interest on debentures issued to mortgagees of mortgages foreclosed under the National Housing Act if insured before February 3, 1938,
8. Interest on federal income tax refunds,
9. Farmers Home Administration,
10. New Community debentures,
11. Merchant Marine bond,
12. Ship Financing bond,
13. U.S. Merchant Marine Ship notes,
14. U.S. Merchant Marine Offshore Ship Services notes,
15. Federal Home Loan Mortgage Corporation,
16. World Bank,
17. International Bank for Reconstruction and Development bonds,
18. Asian Development Bank notes and bonds,
19. Inter-American Development Bank bonds,
20. Interest from U.S. Government Life Insurance (unless exempted by I.R.C. section 101[d][1][B]),
21. Bankers' Acceptance,

22. Certificates of Deposit,
23. Penn Central Transportation certificates,
24. Federal Financing Bank,
25. Federal National Mortgage Association (FNMA's),
26. Government National Mortgage Association (GNMA's),
27. Chrysler Corporation secured notes,
28. Lockheed convertible bonds, and
29. Washington Metropolitan Area Transit Authority bonds.

**GOVERNMENT MONEY MARKET
OR MUTUAL FUNDS**

Certain government money market or mutual funds issued by regulated investment companies claim to be obligations of the U.S. government.

Nebraska law provides that dividends from a regulated investment company investing directly in exempt U.S. government obligations are **deductible to the extent they represent exempt U.S. government obligations**. To claim a deduction on line 40b, the fund must issue to the holder a statement showing the percent of the dividend which represents exempt U.S. obligations. If you have received a dividend from such a fund, you must list on line 40b of Part B, Schedule I, the name of the fund and the portion of the dividend representing exempt U.S. government obligations.

Refer to the list on page 11 on what constitutes a deductible U.S. government obligation.

REPURCHASE AGREEMENTS

Interest income from repurchase agreements involving U.S. government obligations is **not** deductible as U.S. government interest, and **cannot** be taken as an adjustment decreasing federal adjusted gross income on line 13 of Form 1040N.

**RAILROAD RETIREMENT BOARD
PENSION PAYMENTS**

These payments are deductible on line 41 of Nebraska Schedule I. They include Tier I and II payments, vested dual benefits, and supplemental annuities, including sick pay and unemployment paid by the Railroad Retirement Board that are included in federal adjusted gross income. Attach a copy of Forms RRB-1099 and RRB-1099-R to your return.

SPECIAL CAPITAL GAINS DEDUCTION

Nebraska resident individuals may elect to deduct from their adjusted gross income the gain received from the sale or exchange of capital stock of a "qualified" corporation acquired either because of employment by the corporation or while

employed by the "qualified" corporation. Individuals are entitled to one election during their lifetime for the capital stock of one "qualified" corporation.

Special Capital Gains Election Computation, Form 4797N, and a copy of Federal Schedule D must be attached to your Form 1040N to report your election. The amount of the deductible capital gain is entered on line 42, Schedule I.

**NEBRASKA SELF-EMPLOYED
HEALTH INSURANCE DEDUCTION WORKSHEET**

A deduction is allowed for health insurance coverage for self-employed taxpayers to the extent not allowed as a deduction or an adjustment on their federal return. Complete the worksheet below to determine the amount that you can deduct. Enter the result on line 43 of Nebraska Schedule I.

1. Enter line 1 of Federal Self-Employed Health Insurance Deduction Worksheet	1.	_____
2. Enter line 3 of Federal Self-Employed Health Insurance Deduction Worksheet	2.	_____
3. Enter the smaller of line 1 or line 2	3.	_____
4. Enter amount from line 4 of Federal Self-Employed Health Insurance Deduction Worksheet	4.	_____
5. Subtract line 4 from line 3	5.	_____
6. If you itemized deductions , enter line 3 of Schedule A, Form 1040. If you did not itemize deductions , enter line 5 from above ..	6.	_____
7. Enter the smaller of line 5 or line 6. This is your Nebr. self-employed health insurance deduction. Enter here and on line 43 of Nebraska Schedule I	7.	_____

**S CORPORATION AND LIMITED LIABILITY COMPANY
NON-NEBRASKA INCOME**

Income from an S corporation or limited liability company that is not from Nebraska sources is deductible on line 44, Schedule I. Attach Schedule K-1 received from the S corporation or limited liability company together with a copy of the Nebraska apportionment factor of the S corporation or limited liability company.

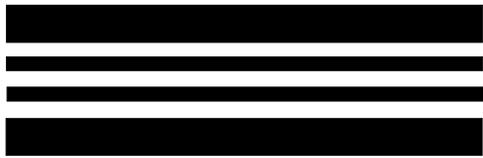
NATIVE AMERICAN INDIAN RESERVATION INCOME
Native American Indians residing on a Nebraska Native American Indian reservation with income derived from sources within the boundaries of the reservation may deduct such income on line 44, Schedule I.

CLAIM OF RIGHT REPAYMENT

A taxpayer who is required on a federal return to take a credit for a claim of right repayment may deduct the amount of the repayment on line 44, Schedule I.

**NEBRASKA NET OPERATING LOSS
CARRYFORWARD**

A Nebraska net operating loss from an earlier year which is available for carryforward to 1997 is deducted on line 44 of Schedule I as an adjustment decreasing Federal AGI.



FORM 1040N NEBRASKA INDIVIDUAL INCOME TAX RETURN

1997

for the taxable year January 1, 1997 through December 31, 1997 or other taxable year: , 1997 through , 19

Read instructions before completing this form

PLEASE DO NOT WRITE IN THIS SPACE

Please Type or Print LABEL HERE

First Name(s) and Initial(s) Last Name
Home Address (Number and Street or Rural Route and Box Number)
City, Town, or Post Office State Zip Code

Check here if you do not wish to receive a booklet next year, but need only a name and address label for filing your 1998 return

Your Social Security Number Spouse's Social Security No.

PUBLIC HIGH SCHOOL DISTRICT DATA (1) Farmer/Rancher (2) Active Military (3) Deceased (first name & date of death):

County: Number: COUNTY OF RESIDENCE
1 Federal Filing Status (1) Single (2) Married, filing joint (3) Married, filing separate - Spouse's S. S. No. and Full Name (4) Head of Household (5) Widow(er) with dependent children
2a Check if YOU were: (1) 65 or older (2) Blind SPOUSE was: (3) 65 or older (4) Blind
2b Check here if someone (such as your parent) can claim you or your spouse as a dependent: (5)

3 Type of Return: (1) Resident; (2) Part-yr. resident from - , 1997 to - , 1997 (attach Sch. III); or (2) Nonresident (attach Sch. III)

4 Federal exemptions (number of exemptions claimed on your 1997 federal return) 4
If you entered -0- on Federal Form: 1040A, line 23; 1040EZ, line 10; Federal TeleFile Worksheet, line J; or 1040, lines 39, 48, and 50, see Special Instructions on page 5, and check this box

5 Federal adjusted gross income (AGI) (line 16, Form 1040A; or line 4, Form 1040EZ or line H, TeleFile Worksheet; or line 32, Form 1040) 5

6 Federal standard deduction (line 19, Form 1040A; line I, TeleFile Worksheet; Form 1040, or Form 1040EZ - see instructions) 6

7 Total itemized deductions (line 35, Form 1040 - see instructions) 7

8 State and local income taxes (line 5, Schedule A, Form 1040 - see instructions) 8

9 Nebraska itemized deductions (line 7 minus line 8) 9

10 Enter the amount from line 6 or line 9, whichever is greater (see instructions) 10

11 Nebraska income before adjustments (line 5 minus line 10) 11

12 Adjustments increasing federal AGI (line 38, from attached Nebr. Schedule I) 12

13 Adjustments decreasing federal AGI (line 45, from attached Nebr. Schedule I) 13

If the amount on line 13 is ONLY for a state income tax refund deduction, check this box: (see instructions)

14 Nebraska tax table income (enter line 11 plus line 12 minus line 13). If less than -0-, enter -0- 14

15 Nebraska income tax (residents use Nebr. Tax Table; others use Nebr. Sch. III) 15

16 Nebraska minimum or other tax (Forms 6251, 4972, or 5329 - see instructions) 16

17 Total Nebraska tax before personal exemption credit (add lines 15 and 16) 17

18 Nebraska personal exemption credit for residents only (line 4 multiplied by \$86) If line 5 is more than \$101,000 - married/joint, \$61,000 - single, \$84,000 - head of household - see page 9 of instructions. Nonresidents & partial-year residents - enter -0-, and complete line 57, Nebr. Schedule III. 18

19 Credit for tax paid to another state (attach Nebr. Sch. II and other state's return) 19

20 Credit for the elderly or disabled (attach copy of Fed. Sch. R/Sch. 3 - see instr.) 20

21 CDAA Credit (see instructions) 21

22 Form 3800N credit (attach Form 3800N) 22

23 Nebraska dependent/child care credit (from worksheet in instructions) 23

24 Total nonrefundable credits (add lines 18 through 23) 24

25 Subtract line 24 from line 17 (if line 24 is more than line 17, enter -0-). If result is more than your federal tax liability and line 12 is less than \$5,000, see instr. If entering federal tax, check box: , attach federal return copy 25

26 Nebr. income tax withheld (attach 1997 W-2, W-2G, 1099-R, 1099-MISC, or 14N) 26

27 1997 estimated tax payments (include 1996 overpayment credited to 1997) 27

28 Form 4136N credit (attach Form 4136N) 28

29 Total of lines 26, 27, and 28 29

30 AMOUNT YOU OWE (subtract line 29 from line 25 and pay in full with return). If over \$300 and Form 2210N is attached, check here: . Include penalty in line 30 and show here: 99 \$ 30

31 If line 29 is more than line 25, subtract line 25 from line 29. This is the amount you OVERPAID 31

32 Amount of line 31 you want APPLIED TO YOUR 1998 ESTIMATED TAX 32

33 Nongame and endangered species fund DONATION of \$1.00 or more 33

34 Nebraska campaign finance CONTRIBUTION of \$2.00; \$4.00 if married filing joint 34

35 Amount of line 31 you want REFUNDED (line 31 minus lines 32, 33, and 34). Allow 12 weeks for your refund. 35

sign here

Under penalties of perjury, I declare that, as taxpayer or preparer, I have examined this return and to the best of my knowledge and belief, it is correct and complete.

Your Signature Date Signature of Preparer if Other Than Taxpayer Date
Spouse's Signature (if filing jointly, both must sign) Daytime Phone Address Daytime Phone

Mail this return and payment to: NEBRASKA DEPARTMENT OF REVENUE, P.O. BOX 94818, LINCOLN, NE 68509-4818



NEBRASKA SCHEDULE I — Nebraska Adjustments to Income
NEBRASKA SCHEDULE II — Credit for Tax Paid to Another State
NEBRASKA SCHEDULE III — Computation of Nebraska Tax
 • ATTACH THIS PAGE TO FORM 1040N

FORM 1040N
 Sch. I, II, and III
1997

Name as Shown on Form 1040N

Social Security Number

Nebraska Schedule I — Nebraska Adjustments to Income for Nebraska Residents, Nonresidents, & Partial-Year Residents
 • Attach additional pages if necessary

PART A — Adjustments Increasing Federal AGI

36 a Total interest income from **all state and local obligations** (municipal bonds) exempt from federal tax:
 List type(s) and total amount: **36 a** \$ _____

b Exempt interest income from Nebraska obligations (see instructions on page 11 of booklet):
 List type(s) and amount: **36 b** \$ _____
 Enter the result of line 36a minus line 36b **36**

37 Other adjustments increasing income (see instructions) **37**

38 Total **adjustments increasing income** (line 36 plus line 37). Enter here and on line 12, Form 1040N **38**

PART B — Adjustments Decreasing Federal AGI — see complete instructions on pages 11-12 of the Nebraska booklet

39 State income tax refund deduction (enter line 10, Federal Form 1040 — see instructions) **39**

40 a Interest and dividend income from **U.S. government obligations** (list below or attach sch. — see instr.)
 List type(s) and amount: **40 a** \$ _____

b List fund name, total dividend, and percent of **regulated investment company dividend(s)**
from U.S. obligations:
 Total dividend: \$ _____ x _____ % = **40 b** \$ _____
 Enter total of lines 40a and 40b **40**

41 Taxable Tier I or II benefits paid by the **Railroad Retirement Brd.** Attach all Form(s) 1099 (see instr.):
 List type(s) and amount: _____ Enter line 41 total: **41**

42 Special capital gains election (attach Form 4797N and copy of Fed. Schedule D — see instructions) **42**

43 Nebraska self-employed health insurance deduction (see instructions) **43**

44 Other adjustments decreasing taxable income (see instructions). Do not deduct other state's income.
 List type(s) and amount: _____ **44**

45 Total **adjustments decreasing income** (total lines 39 through 44). Enter here and on line 13, Form 1040N **45**

Nebraska Schedule II — Credit for Tax Paid to Another State for FULL-YEAR RESIDENTS ONLY

- Complete a separate Schedule II for each state.
- A complete copy of the return filed with another state must be attached.
- If the entire return is not attached, credit for tax paid to another state will not be allowed. Name of state: _____

46 Nebraska income tax (line 17, Form 1040N) **46**

47 Adjusted gross income derived from another state (do not enter amount of taxable income from the other state) **47**

48 Calculated tax credit (see instructions)
 Line 47
 Line 5 + Line 12 - Line 13 = Total + - = _____ x Line 46 **48**

49 Tax due and paid to another state (do not enter amount withheld for the other state) **49**

50 Maximum tax credit (line 46, 48, or 49, whichever is least). Enter amount here and on line 19, Form 1040N .. **50**

Nebraska Schedule III — Computation of Nebraska Tax for NONRESIDENTS AND PARTIAL-YEAR RESIDENTS ONLY

- You must complete lines 1 through 14, Form 1040N. If you have state, local, or federal bond interest or other adjustments, complete Parts A or B of Nebraska Schedule I. Use Schedule III to calculate your Nebraska tax liability.

51 Income derived from Nebr. sources. Include income from wages, interest, and dividends; business, farming, partnerships, S corporations, limited liability companies, estates and trusts, gain or loss, rents, and royalties. If there is no Nebraska income or loss, enter -0-. List type(s) and amount: _____ **51**

52 Adjustments as applied to Nebraska income, if any (see instructions on reverse side).
 List type(s) and amount: _____ **52**

53 Nebraska adjusted gross income (line 51 minus line 52) **53**

54 Ratio — Nebraska's share of the total income (calculate to 5 decimal places, and round to 4):
 Line 53
 Line 5 + Line 12 - Line 13 = Total + - = _____ **54** .

55 Tax table income (line 14, Form 1040N) **55**

56 Tax from Nebraska Tax Table on line 55 income: \$ _____, plus any additional tax from Additional Tax Rate Schedule: \$ _____, minus credits: list type _____ and amount \$ _____. See instructions. Enter net result **56**

57 Enter **personal exemption credit** (see personal exemption chart on page 9 of instructions) **57**

58 Difference (line 56 minus line 57). If less than 0, enter -0- and apply the unused personal exemption credit against any minimum taxes on line 60 **58**

59 Multiply line 58 by the ratio you computed on line 54. Enter result here and on line 15, Form 1040N **59**

60 Minimum and other taxes, see line 16 instructions and complete worksheet on page 7. Worksheet total, \$ _____ minus any unused personal exemption credit from line 58 _____, equals _____. Multiply this amount by line 54 ratio _____. Enter result here and on line 16, Form 1040N **60**

8-418-97

INSTRUCTIONS

NEBRASKA SCHEDULE I

LINE 36. The amount to be reported on line 36 includes the income reported on line 8b of Federal Form 1040, or line 8b of Federal Form 1040A. Review the instructions on page 10 of the Nebraska Individual Income Tax Booklet. List on line **36a** all state and local government interest income that is federally exempt. On line **36b**, list bonds that were issued by Nebraska or its local subdivisions.

LINE 37. Report any other allowable adjustments increasing federal adjusted gross income. Taxpayers receiving an S corporation or limited liability company loss distribution from non-Nebraska sources must enter the loss amount on line 37. Also include any federal net operating loss carryforward deducted on the federal return. Enter as a positive number.

LINE 39. Any individual income tax refund, credit, or offsets of state and local income taxes on line 10, Federal Form 1040, received in 1997 is listed on line 39. If this is your only Schedule I adjustment, enter this amount directly on line 13 of Form 1040N. You do not need to file Schedule I.

LINE 40. List interest and dividend income from U.S. government obligations on line 40a. See the instructions on pages 11-12 of the Nebraska booklet. List the name of the obligation and the amount of income derived from each on the lines provided or attach a separate listing. If you have a dividend from a regulated investment company which includes U.S. interest, list the name of the fund and the percentage of U.S. interest on line 40b. **Note:** Capital gains from the sale of U.S. obligations are not deductible.

LINE 41. List any federally taxed Tier I or II retirement benefits paid by the Railroad Retirement Board. This would include any dual vested benefits or supplemental annuities. Also report any unemployment and sickness insurance payments issued by the Railroad Retirement Board. Attach a copy of Forms RRB-1099 and RRB-1099-R from the Railroad Retirement Board.

LINE 42. See instructions on page 12 of the Nebraska Individual Income Tax Booklet and the Special Capital Gains Election Computation, Form 4797N.

LINE 43. Enter the Nebraska self-employed health insurance deduction from the worksheet you completed on page 12.

LINE 44. Enter any other allowable adjustments decreasing federal adjusted gross income. See instructions on page 12. Allowable deductions may include, but are not limited to:

1. Any amount repaid by taxpayer for which a federal credit was received because of a **claim of right repayment**;
2. An **S corporation shareholder's or limited liability company member's** income from non-Nebraska sources;
3. A **Native American Indian's** income derived from a Nebraska Indian reservation, if residing on the reservation; or
4. A Nebraska net operating loss carryforward.

NEBRASKA SCHEDULE II

Complete Credit for Tax Paid to Another State, Nebraska Schedule II, 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, 1997, must use Nebraska Schedule III.

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

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. Or, attach a copy of a letter or statement from the other state or city showing the income and the tax paid. **If not attached to 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 47. 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 limited liability companies reported on line 44 or income which is not included in federal adjusted gross income after Nebraska adjustments from lines 12 and 13, Form 1040N.

LINE 48. Calculate the factors to at least five decimal places, and then round to four decimals. If your division result is .12346, round to .1235 (12.35%).

LINE 49. 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

Taxpayers filing a nonresident or partial-year resident return are to complete Nebraska Schedule III, Form 1040N, to determine the tax on their income derived from or connected with Nebraska sources.

LINE 51. Enter the income derived from Nebraska sources, or attach a schedule with the source and amount 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 after becoming 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.

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 40.

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 52. Include the adjustments reported on lines 23 through 30a of Federal Form 1040, or line 15 of Federal Form 1040A, that apply to income from Nebraska sources. Penalty on early savings withdrawal is deductible only if directly related to Nebraska income reported on line 51. Payments to an IRA, a self-employed health insurance plan, or a Keogh or SEP plan attributed to Nebraska income included on line 51 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). Moving expenses as reported on Federal Form 3903 or 3903-F may only be deducted by partial-year residents who moved into Nebraska.

LINE 54. Calculate the factor to at least five decimal places and then round to four decimals. For example, if the line 54 answer is .12346, round to .1235 (12.35%) before computing line 59. Even if lines 5 and 51 are negative numbers, the ratio computed in line 54 cannot exceed 100 percent.

LINE 56. Enter, from the Nebraska Tax Table, the Nebraska tax on line 55 income. Also enter any tax from the Additional Tax Rate Schedule if your federal adjusted gross income is more than \$121,200 (see instructions).

Partial-year residents show any Nebraska credit for the elderly or disabled, credit for child and dependent care expenses, or credit for prior year minimum tax. **Nonresidents** show credit for prior year minimum tax. (Nonresidents are not allowed a Nebraska credit for the elderly or disabled or a credit for child and dependent care expenses.) See lines 16, 20, or 23 instructions.

Do not enter credit on lines 16, 20, or 23. Line 56 cannot be less than zero.

LINE 57. Enter your personal exemption credit from the personal exemption chart on page 9 of the instructions. Multiply the credit listed in the chart by the number of exemptions reported on line 4. **Do not enter on line 18.**