



## INSTRUCTIONS

**WHO MUST FILE.** Corporations required to make estimated tax payments must file a Corporation Underpayment of Estimated Tax, Form 2220N, when any underpayment is computed on line 19 of Form 2220N.

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

**If the amount on line 7 is less than \$400, do not complete the rest of the form. You do not owe penalty.**

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

### **PART I — Figuring Your Underpayment**

**LINE 1.** Enter the tax amount from line 13 of the 1998 Form 1120N on line 1 of this form.

**LINE 9.** The entry on this line allows corporations to use the tax reported on their prior year's return less the prior year's allowable credits to determine whether an underpayment exists. Enter line 18 minus line 19 from 1997 Form 1120N. ("Large Corporations," except as noted, cannot use this calculation.) The prior year's Nebraska return must cover a period of 12 months and show a tax liability. If this calculation does not apply to you, enter your line 8 amount on line 10.

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

**Large Corporations.** A "large corporation" is one which had, or its predecessor had, federal taxable income of at least one million dollars for any of the three taxable years immediately preceding the tax year involved. In applying the "one million dollar test," taxable income is computed

without regard to net operating loss carryovers or capital loss carrybacks.

Large corporations compute line 12 amounts by using the same procedures that result in the comparable entry on the Federal Form 2220.

**METHODS WHICH AVOID PENALTY.** A corporation may reduce or eliminate the penalty by using the annualized income or adjusted seasonal installment method. To use one or both of these methods to figure one or more required installments, recalculate and attach the federal Schedule A, "Required Installments Using the Annualized Income Installment Method and/or the Adjusted Seasonal Installment Method Under Section 6655(e)" using Nebraska income and other Nebraska amounts.

On this form, enter on line 12 of each column, the corresponding amount from the recalculated worksheet.

**OVERPAYMENT.** Any overpayment of an installment on line 20 in excess of all prior underpayments should be applied as a credit on line 14 against the next installment.

### **PART II — Figuring the Penalty**

If line 19 shows an underpayment, you must complete Part II, lines 21 through 25, in order to determine the penalty amount for each underpayment of an installment. The penalty is calculated at 9% per annum for all installments.

**LINE 22.** A payment of estimated tax is applied against underpayments of required installments in the order that installments are required to be paid, regardless of which installment the payment pertains to.

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

If the corporation has made more than one payment for a required installment, attach a separate computation for each payment.