

NOTICE TO EMPLOYERS

Important Information for 2013 Income Tax Withholding for Nebraska Effective January 1, 2013

Electronic Fund Transfer (EFT) Threshold for Withholding Payments. Payments made using the Department's FREE e-pay program, ACH Credit, or by credit card, are considered EFT payments. EFT payments for withholding are required if the employer has made total payments exceeding certain amounts in a prior year. The Department is phasing in this requirement.

- Beginning July 1, 2012, all employers making withholding tax payments of more than \$11,000 each year were required to e-pay.
- Mandated EFT thresholds will be lowered each July until the \$5,000 threshold authorized by law is reached.
- By 2017, all employers making tax payments of more than \$5,000 each year will be required to e-pay.

Example. An employer makes withholding payments of \$12,000 in 2011. Beginning in July 2012, the employer must make all withholding tax payments by EFT. Employers not **required** to use EFT to make their withholding tax payments, are still strongly encouraged to do so. (See [LB 879](#) – Operative date: January 1, 2011)

Employers can also comply with the mandate by using a third party, such as an accountant or payroll service. Secure credit card payments can be initiated through Official Payments at www.officialpayments.com, or via telephone at 800-2PAY-TAX. A convenience fee (2.49% of the tax payment, \$1 minimum) is charged to the card you use and paid to the credit card vendor.

Special Withholding Procedures. An employee's state income tax withholding is calculated by either the percentage method table or the tax bracket tables.

- If the calculated result is not at least 1.5% of the employee's taxable wage; then
- The special withholding procedures must be followed.

The [tax bracket tables](#) in this Circular EN (beginning on [page 13](#)) show withholding amounts that meet the special withholding requirements.

- The non-shaded area shows withholding of at least 50% or more of the withholding for a single employee with one withholding allowance or for a married employee with two allowances. **These amounts meet the minimum withholding requirement and may be used by the employer to determine an employee's state withholding.**
- The shaded area indicates withholding amounts that do not meet the minimum requirement. These amounts should not be used unless the employer receives documentation from the employee substantiating the lower withholding.

Documentation may include:

- Verification of number of children/dependents;
- Marital status; and/or
- The amount of itemized deductions.

Without documentation, the employee's withholding must be set at 1.5% or at another level within the non-shaded area of the withholding tables.

The employer may be subject to a penalty of up to \$1,000 for each employee under-withheld if the employee's low withholding is not substantiated.

An employee that intentionally evades the Nebraska income tax by claiming an excessive number of allowances, or in any other manner overstating the amount of withholding, can be found guilty of a Class II misdemeanor.