

# Calendar

## for Filing Nebraska Income Tax Withholding Forms

**Monthly – 15th.** [Nebraska Monthly Income Tax Withholding Deposit, Form 501N](#), is due on the 15th day of the following month for those who withhold more than \$500 in either of the first two months of the quarter (not filed in January, April, July, or October).

**January 31.** The [Nebraska Reconciliation of Income Tax Withheld, Form W-3N](#), and state copies of the Federal Forms W-2, W-2G, 1099-R, 1099-MISC, and 1099-NEC provided to the employee or payee must be filed by this date.

**January 31.** The Federal Forms W-2, W-2G, 1099-R, 1099-MISC, and 1099-NEC reporting the amounts paid and income taxes withheld in the preceding year must be delivered to the employee or payee.

**April 30, July 31, and October 31.** The [Nebraska Income Tax Withholding Return, Form 941N](#), must be filed for the previous calendar quarter.

**January 31.** The Form 941N for the fourth calendar quarter must be filed. **Annual filers must file the Form 941N for the previous calendar year's income tax withholding.**

## Reminders

**Online Filing of Forms 941N and W-3N is Available.** This e-filing option is easy to use and is open to all filers. See [revenue.nebraska.gov](https://revenue.nebraska.gov) and click on “File/Pay your Return” under “For Businesses.”

**When Paying Wages.** Employers paying employee wages for services performed in Nebraska subject to income tax withholding must be licensed. They must withhold an amount from the wages paid for the Nebraska individual income tax. If the employee is working in more than one state, the employer may be required to withhold individual income taxes for more than one state for the same employee. Consult the [Nebraska Income Tax Withholding Regulations](#).

**Number of Withholding Allowances.** The number of Nebraska allowances is determined by the employee completing the [Employee's Nebraska Withholding Allowance Certificate, Form W-4N](#).

**Additional State Income Tax Withholding.** An employee must complete a Nebraska Form W-4N to request additional state income tax withholding from their paychecks.

**Internal Revenue Service Publication 15 (Circular E), Required.** The Nebraska Circular EN does not include all of the information contained in the Federal Publication 15 (Circular E), Employer's Tax Guide. A copy of that publication is available at [irs.gov](https://irs.gov).

**State Income Tax Withholding on Pensions and Annuities.** The state income tax withholding provisions extend to certain pension and annuity payments made to Nebraska residents. See [page 8](#).

**Nonresident Income Tax Withholding.** Payments to nonresidents performing personal services in Nebraska may be subject to Nebraska income tax withholding. This is the case whether or not the payments are subject to federal income tax withholding. For more information, see the section entitled “Income Tax Withholding From Nonresidents” on [page 9](#).

**Electronic Funds Transfer (EFT).** Payments made by EFT eliminate the need for filing a Nebraska Monthly Income Tax Withholding Deposit, Form 501N.

**Nebraska ID Number.** Employers are required to list their Nebraska ID number on each Federal Form W-2, W-2G, 1099-R, 1099-MISC, 1099-NEC, and any other documents showing income tax withholding they issue.

# Circular EN Instructions

**Purpose.** The Circular EN explains the responsibility you have as an employer to withhold, report, and remit Nebraska income tax. The Circular EN explains the forms you must give your employees, the forms your employees must give you, and the forms you must submit to DOR.

The Circular EN also includes the percentage method tables and the tax table brackets used to calculate Nebraska taxes for income tax withholding from each employee for wages paid on or after **January 1, 2017**.

**Taxpayer Assistance.** The Lincoln office is open from 7:30 a.m. until 5:00 p.m., Monday through Friday. Call Taxpayer Assistance at 800-742-7474 (NE and IA), or 402-471-5729. Visit DOR's [website](#) for additional information.

**Are You Required to Withhold Income Tax?** If you have an office or conduct business in Nebraska and are considered an employer for federal purposes, you must withhold income taxes for Nebraska. This includes payments made to all employees, including nonresidents, for services performed in this state.

If you pay a nonresident of Nebraska for personal services performed in Nebraska, even when the person is not your employee, and the payment is not subject to federal income tax withholding, you may still be required to withhold income tax for Nebraska. See the instructions on [page 9, Income Tax Withholding from Nonresidents](#), on payments not subject to federal income tax withholding.

If you pay a construction contractor or construction subcontractor see the instructions on [page 9](#) for construction contractors.

**Income Tax Withholding Certificate.** You must complete a [Nebraska Tax Application, Form 20](#), to apply for an income tax withholding certificate. There is no fee for this certificate.

**Multiple locations.** An employer with more than one location or accounting office may file deposits and returns for all locations, or for a region, separate location, or district.

**Taxable wages.** All amounts determined to be wages and subject to federal income tax withholding are also wages for Nebraska purposes. They are subject to Nebraska income tax withholding if the wages were paid for services performed in this state.

**Cancelling the income tax withholding certificate.** If you are no longer making payments subject to Nebraska income tax withholding, the income tax withholding certificate can be cancelled. This is done by checking the box below the name and location address on the [Nebraska Income Tax Withholding Return, Form 941N](#). The income tax withholding certificate can also be cancelled by filing a [Nebraska Change Request, Form 22](#).

**Gambling Winnings.** Certain gambling winnings that are subject to federal income tax withholding are subject to Nebraska income tax withholding. See [page 8](#).

**Pensions and Annuities.** If the recipient requests withholding for federal income tax from pension and annuity payments, the recipient may also have Nebraska income tax withheld.

**Amounts Not Subject to Nebraska Income Tax Withholding.** Backup withholding on interest and dividends is not required for Nebraska income tax withholding purposes.

**Payroll Period.** The payroll period for Nebraska purposes is the same period used for federal income tax withholding.

**Income Tax Withholding From Employees.** Employees are required to complete the Nebraska Form W-4N for every federal Form W-4 completed on or after January 1, 2020. Employees who have completed a federal Form W-4 prior to January 1, 2020, are not required to submit a Nebraska Form W-4N and employers will continue to use the federal Form W-4 on file for Nebraska withholding purposes.

**The same marital status and number of income tax withholding allowances claimed for federal purposes must be used for Nebraska if the federal Form W-4 was completed prior to January 1, 2020.** The employer is not allowed to accept one Federal Form W-4 for federal income tax withholding and a separate Form W-4 for Nebraska income tax withholding. If a federal Form W-4 was completed on or after January 1, 2020, the employee must complete the Nebraska Form W-4N to determine the number of income tax withholding allowances because the Nebraska law allows individuals to claim personal exemption credits. If an employee completed a federal Form W-4 on or after January 1, 2020 but did not complete a Nebraska Form W-4N, the employer must withhold as if the employee was single and claimed no withholding allowances regardless of marital status.

An employee may request that an additional Nebraska income tax withholding amount be withheld by the employer by completing a Nebraska Form W-4N.

**Exempt Employees.** Employees claiming exemption from Nebraska income tax withholding because they did not have a Nebraska liability last year and expect none this year, must complete a new Nebraska Form W-4N by February 15 each year. An exemption is good for only one year.

**Caution: This may be overruled** by the special income tax withholding requirement (see [page 2](#)). If the IRS requires withholding for an individual who has previously claimed exemption from income tax withholding, that individual is also subject to Nebraska income tax withholding.

**Nonresident Employees.** A [Nebraska Nonresident Employee Certificate for Allocation of Income Tax Withholding, Form 9N](#), may be filed with the employer by any nonresident employee who is working for an employer in both Nebraska and other states. The form is used to designate the percentage of the wages subject to income tax withholding for Nebraska purposes. A nonresident working 100% of the time in Nebraska will not complete a Form 9N.

The employer first calculates the income tax withholding for a nonresident on the total wages paid using either the percentage method or the wage bracket method. After determining what the income tax withholding on the total is, the employer multiplies the amount calculated by the percentage subject to income tax withholding shown on the Form 9N. The result is the amount of income tax withheld for the nonresident.

The percentage of compensation subject to withholding stated on the Form 9N is used only for the purpose of withholding the expected Nebraska individual income tax liability. **The percentage used for income tax withholding purposes does not determine the wage amount that must be included on the Form W-2 as Nebraska wages.**

**Nonresidents Performing Personal Services.** A nonresident who performs personal services substantially within Nebraska who is not subject to federal income tax withholding may still be subject to Nebraska income tax withholding. There are special rates and methods for this income tax withholding.

Income tax withholding is required when a payor maintaining an office or transacting business in Nebraska makes payments to any nonresident individual, partnership, corporation, or LLC of more than \$600 for performing personal services. Income tax withholding is also required when a payor makes payments of more than \$5,000 to a nonresident performing personal services in Nebraska. See the instructions and rates on [page 9](#).

### Filing and Payment Requirements

**Quarterly Return.** Every employer maintaining an office or transacting business in Nebraska, and making payments to employees, is required to file the [Nebraska Income Tax Withholding Return, Form 941N](#), unless licensed as an annual filer.

**Form 941N is filed whether or not there were payments made during the quarter that were subject to Nebraska income tax withholding. The Form 941N is due on or before the last day of the month following the end of the quarter. The Form 941N may be e-filed using DOR's free Form 941N filing [program](#).**

All employers who withhold \$500 or more during the first or second month of a quarter must make a monthly deposit. See the following.

**Monthly Deposits.** The amount of taxes withheld determines the frequency of deposits. All employers are required to file returns and remit the tax each quarter.

No monthly deposit is required if, at month's end, the amount withheld during the month is less than \$500. The income tax withheld can be paid with the quarterly return due the last day of the month following the end of the calendar quarter.

A monthly deposit is required if the employer has withheld income taxes of **more than \$500** in the first month of the quarter. A monthly deposit must be made by the 15th day of the following month. A monthly deposit is then required to be made for the second month of the quarter, whether or not the amount of income tax withheld for the second month is more than \$500.

A deposit for the second month is required if the employer withholds income taxes of **more than \$500** during the second month of the quarter. It must be made by the 15th day of the following month and includes all income taxes withheld for both the first and second months.

**Monthly Deposit Filing.** DOR no longer mails Nebraska Monthly Income Tax Withholding Deposit, Forms 501N, to employers. Most taxpayers required to make monthly withholding deposits have been mandated to submit their payments via electronic funds transfer. The Form 501N is a transmittal document used for making a withholding deposit by check in the first and second months of a quarter and should not be used when making deposits electronically.

Payments can be made using DOR's e-pay system, or by using Tele-pay. Payment options and descriptions are available on our [website](#). If you are not mandated to make payments electronically, Form 501N can be printed from our website at [revenue.nebraska.gov](#).

**Annual Filers.** Employers who have been licensed to file on an annual basis will file a single Form 941N for the entire calendar year. This return is due on or before January 31 of the following year. **The Form 941N may be e-filed using DOR's Form 941N free filing program.** Quarterly returns will not be sent for the first three quarters of the year.

**Annual Reconciliation of Income Tax Withheld.** A [Nebraska Reconciliation of Income Tax Withheld, Form W-3N](#), is due on or before January 31 of the following year. It is filed separately from Form 941N. The Form W-3N may be e-filed using DOR's Form W-3N free filing program. DOR will no longer mail the Form W-3N to employers who have previously e-filed the Form W-3N or employers who are required to electronically file and pay the income tax withholding.

**Nebraska copies of the following forms (for each employee or payee receiving wages or having income tax withheld) are due January 31 after the close of the tax year:**

- Wage and Tax Statements, Federal Forms W-2;
- Certain Gambling Winnings, Federal Forms W-2G;
- Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., Federal Forms 1099-R;
- Miscellaneous Income, Federal Forms 1099-MISC; and
- Nonemployee Compensation, Federal Forms 1099-NEC.

**An employer who is filing more than 50 Forms W-2, W-2G, 1099-R, 1099-MISC, and/or 1099-NEC with Nebraska income tax withholding amounts for a tax year must file the forms electronically.**

**Electronic Filing.** Any taxpayer mandated to make the income tax withholding payments electronically, must also file the Form 941N and Form W-3N electronically. DOR encourages all taxpayers to file and pay electronically. Taxpayers required to pay electronically or by credit card are also required to e-file the Form 941N. DOR will not mail Form 941N or W-3N to anyone required to pay electronically, or to anyone who has e-filed Form 941N or W-3N in the past. If you have questions about electronic filing or payment options, visit [revenue.nebraska.gov](http://revenue.nebraska.gov).

**Preidentified Return.** A preidentified return is a return that is mailed by DOR. This return should be used only by the taxpayer whose name is printed on it. Do not file returns that are photocopies, are for another tax period, or have not been preidentified. If you have not received a return for the tax period, and will be filing a paper return, visit DOR's website to print a Form 941N. Complete the ID number, tax period, name, and address information.

**E-Filing Income Tax Withholding Documents.** DOR offers a free e-filing program to upload Forms W-2, W-2G, 1099-R, 1099-MISC, and 1099-NEC on its website. While all taxpayers are encouraged to e-file these forms, employers filing more than 50 Forms W-2, W-2G, 1099-R, 1099-MISC, and/or 1099-NEC for any year **must** e-file these forms.

The e-filed forms must meet the specifications in the information guides [Nebraska Computer Reporting Procedure for 1099s, 21CM](#) and [Nebraska Computer Reporting Procedure, 21EFW2](#). The Nebraska guidelines are used in combination with the federal guidelines in the Internal Revenue Service Publication 1220 and Social Security Administration's Publication 42-007 for e-filing these forms.

**Where to File.** All returns must be e-filed or sent to the Nebraska Department of Revenue, PO Box 98915, Lincoln, Nebraska 68509-8915. Payment of taxes withheld must also be mailed to the same address or made electronically. See Electronic Payments above.

Federal forms can either be obtained from the IRS or from commercial distributors.

**Taxable Wages.** Nebraska taxable wages are equal to federal taxable wages.

**Determining Income Tax Withholding.** There are several ways to determine income tax withholding. You can use the Nebraska percentage method or the Nebraska wage bracket method, regardless of the method used to determine federal income tax withholding.

If you determine federal withholding using any of the following methods, the same method of determining income tax withholding can be used for Nebraska. The methods that can be used are:

- Annualized wages;
- Average estimated wages;
- Cumulative wages; and
- Part-year employment.

**If you do not use one of these methods for federal income tax withholding, either the percentage method or the wage bracket method must be used for Nebraska.**

The marital status and number of allowances must be the same for Nebraska as for federal withholding if the federal Form W-4 was completed prior to January 1, 2020. The employee's marital status and number of allowances must be reviewed and adjusted if necessary for Nebraska income tax withholding when the IRS requires the employer to modify the filing status and provides withholding instructions, or when following the federal "Invalid Forms W-4" procedures described in Internal Revenue Publication 15 (Circular E).

**Percentage Method.** If you do not want to use the wage bracket tables to determine income tax withholding, or if the amount of wages paid is more than the amounts included on the wage bracket tables, you can use the percentage method. To use the percentage method, start with the taxable wage amount for the payroll period. Subtract the value of any income tax withholding allowances using the table below. Deduct the result from the taxable wages before using the percentage method tables on pages [11](#) and [12](#).

If this calculation is less than 1.5% of the taxable wage amount, adjust the income tax withholding to be at least 50% or more of the income tax withholding for a single employee with one income tax withholding allowance, or for a married employee with two allowances. **These amounts meet the minimum income tax withholding requirement and may be used by the employer to determine an acceptable employee's state income tax withholding amount.**

Find the amount of income tax to withhold in the following manner:

<b>Income Tax Withholding—Percentage Method Withholding Allowance Table Effective January 1, 2017</b>	
<b>Payroll Period</b>	<b>Value of One Income Tax Withholding Allowance</b>
Daily or Miscellaneous.....	\$ 7.54
Weekly.....	37.69
Biweekly.....	75.38
Semimonthly.....	81.67
Monthly.....	163.33
Quarterly.....	490.00
Semiannually.....	980.00
Annually.....	1,960.00

1. Multiply one income tax withholding allowance for the appropriate payroll period from the table above by the number of allowances claimed by the employee.
2. Subtract that amount from the employee's taxable wages **before** using the percentage method tables.
3. Determine the employee's income tax withholding using the appropriate table on pages [11](#) or [12](#). Use the payroll period and the marital status of the employee.

**Wage Bracket Method.** When using the wage bracket method, use the proper table from pages [13](#) through [30](#), for the employee's marital status and your payroll period. Next, find the correct amount of income tax to withhold using the wage amount and the appropriate number of income tax withholding allowances claimed. If the employee claims more than ten allowances, the tax must be determined using an adjusted wage amount.

**Adjusting the Wage Bracket Income Tax Withholding for Taxpayers With More Than 10 Income Tax Withholding Allowances.** The wage bracket tables include up to ten allowances. To adapt the table for more than ten allowances:

1. Multiply the number of income tax withholding allowances claimed over ten by the income tax withholding allowance value for the payroll period used in the income tax withholding allowance table.
2. Subtract the result from the employee's wages.
3. For this amount, find and withhold the tax in the column for ten allowances.

This calculation will be used whenever the same method is used for the federal income tax withholding.

**Bonuses, Supplemental Wages, and Taxable Awards.** Where supplemental wages (bonuses, commissions, overtime pay, severance pay associated with Nebraska employment, and sales awards) are paid at the same time as regular wages, the income tax withheld is determined as if the total of the supplemental and regular wages were a single wage payment for the regular payroll period. If supplemental wages are paid at a different time, the employer may determine the income tax withholding by adding the supplemental wages either to the regular wages for the current payroll period, or to the regular wages for the last preceding payroll period within the same calendar year. The employer may also elect to withhold income tax on the supplemental wages by using a flat 5% withholding rate.

**Gambling Winnings From Nebraska Sources.** There is a flat Nebraska income tax withholding rate of **5%** of the winnings from Nebraska that are subject to federal income tax withholding. The amount of income tax withheld must be reported on Federal Form W-2G. Form W-2G is also used when income tax withholding is not required, but income is being reported. The payor must furnish a Form W-2G if the recipient receives any Nebraska Lottery or other Nebraska gambling winnings subject to federal income tax withholding.

**Pensions and Annuities.** For periodic payments of employer-provided pensions and annuities, the income tax withholding is determined in the same manner as income tax withholding from wages. Payors must use the same number of allowances and the marital status as claimed by the payee on the Federal Form W-4P, Withholding Certificate for Pension or Annuity Payments, filed with the payor.



Use the appropriate payroll period in the **Nebraska Circular EN** to correspond with the type of periodic payment (monthly or quarterly), together with the applicable income tax withholding allowances and marital status to compute the amount to withhold for Nebraska income tax withholding purposes.

**Nonperiodic payments or eligible rollover distributions** subject to either the mandatory 10% or 20% federal income tax withholding rate will be withheld at a rate of 5% of the distribution for state income tax withholding purposes.

Payees choosing to **not** have federal income tax withheld are not required to have state income tax withheld. Alternatively, a taxpayer may also request to have **additional** state income tax withheld. Payors should advise payees how to communicate these requests.

Premature distributions from an IRA are not subject to Nebraska income tax withholding.

**Construction Contractors.** Contractors providing construction services in Nebraska must be registered on the [Nebraska Contractor Database](#). The database is maintained by the [Nebraska Department of Labor](#). A construction contractor not registered on the database is subject to 5% income tax withholding on payments received from another contractor. **If a contractor is subject to the 5% income tax withholding, it will not be subject to nonresident personal services income tax withholding.**

**Income Tax Withholding from Nonresidents on Payments Not Subject to Federal Income Tax Withholding.** A nonresident of Nebraska who performs personal services substantially within Nebraska and who is not subject to federal income tax withholding may still be subject to Nebraska income tax withholding.

Some persons performing personal services that require Nebraska income tax withholding include:

- Consultants;
- Corporate board directors;
- Entertainers;
- Individual athletes;
- Performers;
- Public speakers; or
- Those providing professional services.

Income tax withholding is not required from payments to nonresident aliens providing personal services who are citizens of a country which has a tax treaty with the United States. The nonresident alien must provide the payor a statement regarding the tax exempt status of the income earned.

**Personal services exclude** services performed where capital furnished by the nonresident is a material income-producing factor. Capital is considered a material income-producing factor whenever the value of the use of capital, or the value of capital furnished, is in excess of 50% of the amount of payment. For additional information, see the [Income Tax Withholding for Nonresident Individuals Performing Personal Services in Nebraska](#) information guide.

**Who Must Withhold.** Any person paying a nonresident for services substantially performed in Nebraska may be required to withhold Nebraska income tax. A payor must withhold income tax if the payee is not an employee; the payment is not subject to federal income tax withholding; and the payor is either: (1) maintaining an office or transacting business within Nebraska and making a payment or payments of more than \$600; or (2) making payments in excess of \$5,000.

**Form W-4NA.** Cooperation between the payor and payee is necessary to properly complete the [Nebraska Withholding Certificate for Nonresident Individuals, Form W-4NA](#). Compute the amount of Nebraska income tax to be withheld from payments using Form W-4NA. The income tax withholding is reported to the person performing the personal services and to DOR in the same manner as wages or other payments subject to income tax withholding. Use Federal Form 1099-NEC or 1042-S and Forms [941N](#) and [W-3N](#).

**Determine the Income Tax Withholding Amount.** If the amount of the payment minus allowable expenses is less than \$28,000, the amount of income tax withheld should be 4% of the net payment. If the payment minus allowable expenses is \$28,000 or more, the amount of income tax withheld should be 6% of the net payment amount.

Any nonresident performing personal services may provide the payor with a statement of expenses reasonably and directly related to the personal services performed in Nebraska. The expenses claimed may not exceed 50% of the payments. The total payment to the individual must be reduced by the allowable expenses before calculating the amount of income tax withholding.

If more than one payment is made for the same services, or for services that are a part of the same job or project, then all of the payments will be totaled to determine the applicable rate of income tax withholding. If the sum of the payments minus expenses is \$28,000 or more, and some of the income tax withholding was at the lower rate, the amount of income tax withheld from the later payments must be increased to make the total income tax withholding equal to 6% of all the net payments.

**Payments to a Corporation, Partnership, or LLC for Personal Services.** Payments to a corporation are subject to income tax withholding requirements if 80% or more of the voting stock of the corporation is held by the shareholders who are performing personal services. **Payments to a partnership or LLC** are subject to income tax withholding requirements if 80% or more of the capital interest or profits interest of the partnership or LLC is held by the partners or members who are performing personal services. See line 11 instructions.

Every payor required to withhold income tax from a payment to a corporation, partnership, or LLC is also required to furnish Federal Forms 1099-NEC to each shareholder, partner, or member who performs services in Nebraska. The total payment must be divided among the shareholders, partners, or members performing the services in Nebraska based on their percent of ownership in the entity. The amount of income tax withheld, which is computed on the total payments to the corporation, partnership, or LLC, is divided among the shareholders, partners, or members in the same manner. The share of income tax withholding is allowed as a credit on the individual income tax returns of the shareholders, partners, or members.

If the partnership, corporation, or LLC fails to give the payor the information needed to prepare the Federal Form 1099-NEC, the payor must prepare the Federal Form 1099-NEC in the name of the corporation, partnership, or LLC. Send the copies normally given to the payee to DOR as if the forms were not deliverable.

Payors must issue Forms 1099-NEC to nonresidents providing personal services by January 31 following the close of the calendar year, or within 30 days after the service has been provided.