

June 13, 1994

Partnerships -- Limited Liability Companies. A LIMITED LIABILITY COMPANY CLASSIFIED AS A PARTNERSHIP FOR FEDERAL INCOME TAX PURPOSES WILL BE CLASSIFIED AS A PARTNERSHIP FOR NEBRASKA INCOME TAX PURPOSES.

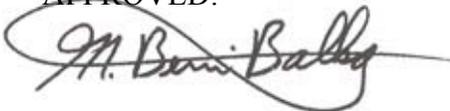
Advice has been requested regarding the tax treatment of limited liability companies for Nebraska income tax purposes.

A limited liability company treated as a partnership for federal income tax purposes will be treated as a partnership for Nebraska income tax purposes. A Nebraska Partnership Return of Income, Form 1065N, must be filed unless all members are residents of Nebraska and all income is derived from Nebraska sources.

Although a limited liability company is treated as a partnership for Nebraska purposes, the method of reporting income by a resident member where the income from the company is subject to tax in another state is different from the method of reporting income which would be used by a resident partner in the same situation. A member is allowed an adjustment decreasing adjusted gross income for the portion his or her share of the income of the company which is apportioned to states other than Nebraska using the sales-factor formula. A member is not allowed a credit for taxes paid to another state on income from the company. A partner in this same situation is not allowed an adjustment, reports his or her share of the partnership's entire income to Nebraska, and receives a credit for taxes paid to the other state including taxes paid by the partnership.

A limited liability company treated as a corporation for federal income purposes will be treated as a corporation for Nebraska income tax purposes and will file a Nebraska Corporation Income Tax Return, Form 1120N.

APPROVED:



M. Berri Balka
State Tax Commissioner

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