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# 2003



## Nebraska Individual Income Tax Booklet

**IMPORTANT:** You **must** enter your social security number(s) on the Form 1040NS or Form 1040N where indicated.

### Questions?

Call Taxpayer  
Assistance

**1-800-742-7474**

(toll free in NE or IA)

or **1-402-471-5729.**



**CLICK. ZIP. FAST ROUND TRIP.**

If you use NebFile to e-file your return, you will need your Personal Identification Number, (PIN) to access the system. The NebFile system provides a way for you to look up your PIN.

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# Options for E-Filing Your Return

You have filing options other than using the paper Forms 1040N and 1040NS provided in this booklet. E-file, (electronic tax return filing through a computer), makes tax filing easier, faster, and more secure. When you e-file your federal return, you have the option of also e-filing your Nebraska return at the same time, depending on what software you use. Some e-file options involve fees. Fees vary, and are based on whether your return is prepared by a professional, and on which option you use. Options include:

- ◀ Preparer e-file: **See your local tax preparer or other electronic tax filing service displaying the e-file logo for more information.** Be sure to ask if they file Nebraska returns electronically.
- ◀ Commercially offered Internet e-file: **You can access commercial tax preparation software from the department's Web site.** Some software offers a discount or free filing based on various criteria. Visit our Web site for more details.
- ◀ Commercial home computer software: **You can purchase commercial tax preparation software over the Internet, by direct mail, or at retail outlets.** Be sure the software you purchase or use supports the Nebraska return.
- ◀ State provided Internet e-file: **The department's NebFile system provides FREE e-file on the department's Web site. Some eligibility restrictions apply.** See our Web site for more information and access to NebFile.

## FREE AND DISCOUNTED E-FILING OPTIONS

**If you have use of a personal computer with Internet access, you may qualify for free e-file. Options include:**

**NebFile** — If you filed a Nebraska return last year and are filing a resident return this year, you may qualify to file using the department's NebFile system.

**Commercial Software** — Some commercial software companies offer discounted e-filing for individuals with certain income levels or who meet other qualifications. This option may require you to file both your federal and state returns at the same time. See our Web site for details.

**If you do not have use of a personal computer, you may be able to access the Internet at your public library or school. For details and to connect to e-filing software, visit our Web site at:**

**[www.revenue.state.ne.us](http://www.revenue.state.ne.us)**

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 2003:

- The **personal exemption credit** is increased to \$99 for each federal exemption.
- The maximum standard deduction for most married-joint filers is \$7,950 for 2003.
- **Social security numbers are no longer printed on the label. You must enter your social security number(s) on the form where indicated.**
- Eight-five percent of any federal bonus depreciation and 100% of any expensed Section 179 amount in excess of \$25,000 received in 2003 are adjustments increasing federal AGI. See pages 12 and 13 of this booklet.
- As a reminder, Nebraska law continues to require that you enter your **high school district code** on your tax form. Enter the high school district code from the codes on pages 17-20 of the booklet.
- **MAILING LABELS** are provided for your use. Affix the appropriate label (depending on whether or not you are requesting a refund) to the front of the enclosed envelope before mailing.



Most Nebraska filers have the option to file their 2003 Individual Income Tax Return electronically either through a qualified tax professional, or using home-based filing software. See inside

cover and page 5 of this booklet or visit the department's Web site at [www.revenue.state.ne.us](http://www.revenue.state.ne.us) for more information.

- ✓ **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 the form to see if you can file that short form. It follows page 14 in this booklet.
- ✓ **REFUND INFORMATION.** If you calculate a refund on your income tax return you can check on the status of the refund by calling the department's refund inquiry number or checking our Web site ([www.revenue.state.ne.us](http://www.revenue.state.ne.us)). Please wait at least two months (or longer if you filed close to April 15) before calling 1-800-742-7474 (toll free in Nebraska and Iowa) or 1-402-471-5729. Be sure to have a copy of your 2003 tax return available because you will be asked your primary social security number and anticipated refund amount.
- ✓ **DIRECT DEPOSIT.** You can have your refund directly deposited into your bank account when you file using the enclosed Forms 1040NS or 1040N, or through one of the department's e-file programs. Direct deposit offers convenience and security, but does not necessarily guarantee faster refunds unless you select direct deposit in conjunction with e-file, where your refund will be deposited into your account within 7 to 10 days for an error-free return.
- ✓ **PUBLIC HIGH SCHOOL DISTRICT DATA** is required for all taxpayers with a permanent place of abode or a domicile in Nebraska on December 31, 2003. 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.** If you are a nonresident or a partial-year resident who does not reside in Nebraska on December 31, 2003, do not make any entry for the high school district code.

Enter the **seven-digit high school identification code** from the shaded column of public high school districts on pages 17 through 20 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 code 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 code of the school district where your **home** is located.

- ✓ **COMPLETE YOUR FEDERAL RETURN OR TELEFILE TAX RECORD** 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 still 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 on page 6 in this booklet.
- ✓ **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. **Social security numbers are no longer printed on the label. You must enter your social security number(s) on the form where indicated.**

**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, current address, and social security number in the space provided. Include your spouse's name and social security number if filing a joint return.

- ✓ **DUE DATE.** Your Nebraska income tax return for calendar year 2003 must be postmarked by **April 15, 2004**. Mail your return to the Nebraska Department of Revenue, using the mailing labels provided in this booklet. Use **P.O. Box 98912 for refund returns, and P.O. Box 98934 if you are not requesting a refund.**
  - ✓ **TAX ASSISTANCE** — See the back cover.
  - ✓ **ADDITIONAL FORMS AND SCHEDULES** are available at banks, some public libraries, 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. Forms are also available on the department's Web site at [www.revenue.state.ne.us](http://www.revenue.state.ne.us).
  - ✓ **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. **A signed income tax return that is also 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.
  - ✓ **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.** An unsigned return cannot be processed. If you e-file your return, you must either provide your PIN or sign a Form 8453N. Both husband and wife must sign their joint return. 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

The calculation of tax 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 65, Schedule III, and not on line 19, Form 1040N.** For more information, see instructions on Computation of Nebraska Tax, Nebraska Schedule III, on page 15.

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 and remitted tax 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 nonrefundable credit for child and dependent care expenses on line 64, Nebraska Schedule III, or a refundable child and dependent care credit on line 31, (see page 9). **The credit for personal exemption is claimed on line 65. Do not claim this credit on line 19, Form 1040N.** For more information, refer to Schedule III instructions on page 15.

# Important Information for All Taxpayers

## PROCESSING OF YOUR RETURN MAY BE DELAYED WITHOUT THE PUBLIC HIGH SCHOOL DISTRICT CODE.

Under the law, resident taxpayers must enter their high school district code on their returns. Without this information, the processing of your return and any refund may be delayed. See pages 17 through 20 for instructions and 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** 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. See page 5 for details about electronic funds withdrawal and credit card payment options. 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 or extended filing date, 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 or mail order seller. Individual consumer's use tax is to be reported on Nebraska and Local Individual Consumer's Use Tax Return, Form 3. Contact the Nebraska Department of Revenue or check our Web site for a copy of Form 3.

**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, upon request by the department, must furnish a copy of his or her Federal Form 1040 and supporting schedules.

**FORM 1040XN 2003** is used to amend the 2003 Nebraska individual income tax return, Forms 1040N, 1040NS, or Nebraska TeleFile. For years prior to 2003, contact the taxpayer assistance offices listed on the back of this booklet for the correct form. An amended return must be filed if information on a Nebraska income tax return previously filed is not correct.

**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 income 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. Attaching a schedule to your Nebraska return listing your federal confirmation number and providing an explanation that you received an automatic federal extension by making a payment of your federal estimate of tax due using a credit card;
4. 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;
5. 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 outside the U.S. or Puerto Rico, to the Nebraska return when filed; or
6. 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 still 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 29, 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 19, Form 1040N instructions. These instructions will tell you how to compute the number of personal exemptions you can claim on your Nebraska return.

**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, 2004.

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 Code).
2. Enter your withholding amount on line 10 and attach state copy of Forms W-2 from all employers.
3. Complete lines 17a, 17b, and 17c if you want your refund deposited directly into your bank account.
4. 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 Code.

2. Complete the parts of your return through line 13 that apply to you. The line-by-line instructions that start on page 6 explain how to complete your return.
3. Read the instructions for lines 19 through 25, and lines 28 through 32, filling in the lines that apply to you. Please be sure to complete line 28 for Nebraska income tax withheld and attach withholding statements, W-2, W-2G, 1099-R, or 1099-MISC, from all employers or payors.
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 42 through 46, Schedule I, if you have adjustments increasing Nebraska income such as interest income from state and local obligations or bonus depreciation add-back.
7. Complete lines 47 through 53, 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, see lines 25 and 31 instructions on pages 8 and 9 of this booklet.
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, Form 1040, or Federal Schedule 3, Form 1040A. 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 21 instructions on page 8 of this booklet.
10. Complete line 41 if you want your refund deposited directly into your bank account.
11. **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 19 through 25 of Form 1040N. Lines 28 through 32 of Form 1040N may also be used to offset income tax owed.

Payments 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 27 exceeds your total payments on line 33 by \$300 or more and this difference is more than ten percent of your line 27 amount, you may owe a penalty. If you have underpaid your estimated tax for any period, 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 34, include it in the line 34 total, and attach Form 2210N to your Form 1040N.

You do not owe Form 2210N penalty if you had no income tax liability for 2002, you were a U.S. citizen or resident for all of 2002, and your 2002 return was for 12 full months. Also, if the total of Nebraska tax withheld, line 28, and your estimated payments, line 29, is at least as much as your 2002 income tax liability, you will not owe a penalty. See Form 2210N for special instructions.

**ESTIMATING YOUR 2004 INCOME TAX.** If you need to estimate 2004 taxes, contact the department and request an estimated

tax booklet. If you made estimated payments in 2003, 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 6 and in the Nebraska Department of Revenue's information guide titled, "Nebraska Income Tax for Military Service Members." Visit our Web site or 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 2003, 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 are to be noted in the filing status area of the return.

If your spouse died in 2003 and you did not remarry in 2003, you may file a joint return. You may also file a joint return if your spouse died in 2004 before filing a 2003 return. A joint return should show your spouse's 2003 income before death and your income for all of 2003. 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 a 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, 2003, the 2003 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 9, line 28 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 2003 Form 1040N and pays the Nebraska income tax due on or before March 1, 2004, is not required to make estimated tax payments during 2003; otherwise, the entire amount of estimated tax must be paid by January 15, 2004.

# General Instructions for Electronic Filers

- ✓ **IF YOU E-FILE THROUGH A PAID TAX PREPARER**, be sure that the preparer can e-file both federal and Nebraska returns.
- ✓ **YOU CAN E-FILE USING COMMERCIALLY DEVELOPED SOFTWARE, OR YOU MAY QUALIFY FOR THE STATE-OFFERED NEBFILE PROGRAM.** NebFile allows state-only filing over the Internet. Since this software is provided by the state, it is free to use. Some eligibility restrictions apply. Visit our Internet home page for more information.
- ✓ **COMMERCIAL SOFTWARE FOR FILING THROUGH THE INTERNET OR FROM YOUR HOME COMPUTER** can be purchased at retail outlets, downloaded from the Internet, accessed through the software company's Web site, or linked to from the department's Web site. Be sure that the software you are purchasing or accessing supports Nebraska income tax e-file. All approved software that supports Nebraska e-file is listed on our Web site. This software, along with the department's NebFile system, can be accessed at [www.revenue.state.ne.us](http://www.revenue.state.ne.us).
- ✓ **IF YOU E-FILE THROUGH THE NEBFILE PROGRAM OVER THE INTERNET**, you must provide your 5 digit Personal Identification Number (PIN), to access this system. You will be provided instructions on how to get your PIN when accessing the NebFile system. This number can only be used by you, and can be used only with this year's filing. Your PIN, with your Social Security Number, serves as your access key, and must be kept confidential. If you are a first time filer in Nebraska, you will not have a PIN. In this case, you cannot use NebFile.
- ✓ **SOME E-FILE OPTIONS REQUIRE YOU TO FILE YOUR FEDERAL AND STATE RETURNS AT THE SAME TIME, WHILE OTHERS ALLOW STATE-ONLY FILING.** See our Web site for specific details about these options.
- ✓ **REFUNDS CAN BE DIRECT DEPOSITED.** If you are due a refund and have e-filed, you can have your refund directly deposited into your bank account. Your refund will be processed within days rather than weeks. Direct deposit is an additional, optional convenience for you, if you so choose.
- ✓ **PAYMENTS CAN BE MADE USING ELECTRONIC FUNDS WITHDRAWAL OR BY CREDIT CARD.** If you choose to e-file, and you have a balance due, you can have the amount you owe automatically debited from your bank account. Using electronic funds withdrawal with e-file makes your filing with the department completely paperless. E-filers and paper filers both can use the credit card payment option. See additional instructions below.
- ✓ **SOME FORM 1040N LINES ARE PROHIBITED IN E-FILE.** Although 1040N Lines 22, 23, 24, and 32 and Schedule I Line 50 cannot be e-filed, over 98% of Nebraska returns are eligible.
- ✓ **IF YOU E-FILE YOUR RETURN, do not mail your tax return to the department.**

## Additional Instructions on Electronic Payment Options

**CREDIT CARD** is an option for making either final or estimated tax payments. Payments are originated through Official Payments Corporation (OPC), which also provides this service to the IRS for federal payments. **This option is available for both electronic filers and for paper filers. Eligible credit cards include VISA and MasterCard. A convenience fee of 2.5% of the tax payment (\$1 minimum) is charged to the card you use. This fee is paid to OPC and will appear on your credit card statement separately from the tax payment.** You will be told what the fee is during the transaction, and you have the option of cancelling it. Secure credit card payments can be initiated over the Internet at [www.officialpayments.com](http://www.officialpayments.com) or via telephone at **1-800-2PAY-TAX**. If you initiate your credit card payment by telephone, you will need to provide the Nebraska Jurisdiction Code, which is **3700**. Follow instructions when asked to provide further information. At the completion of your transaction, you will be given a confirmation number for your records. (This confirmation number is different than any other confirmation number received for e-filing your return). Your transaction must be made on or before the due date to avoid penalty and interest.

**ELECTRONIC FUNDS WITHDRAWAL (EFW)** is a payment option for remitting your balance due that is available **only with the Federal/State e-file program**, and is only for final payments, (not for making estimated payments). To make your tax payment by EFW, you will be asked to provide information about your financial institution, the amount you want to pay, and the date you want the payment made. The information you will need to provide includes:

1. **Routing Number** identifies your financial institution. If a checking account, the Routing Number along with the Account Number, is found at the bottom of the checks used with the account. The Routing Number is listed first and must be 9-digits. If you are unsure about what number to use, contact your financial institution.
2. **Account Number** identifies your account at your financial institution. If a checking account, it is listed on your checks to the right of the Routing Number, and can be up to seventeen (17) characters. If you are unsure about what number to use, contact your financial institution.

3. **Type of Account** identifies whether your account is a checking account or a savings account.
4. **Debit Date** is the date you request to have your funds withdrawn from your financial institution. This can be any date from the date the return is filed up to the due date. Penalty and interest will be assessed for late payments, so allow adequate time to have your payment debited. If you request an EFW and the requested debit date has already passed, your account will be debited on the next business day following receipt of your return by the department. Accounts will not be debited prior to the date you request.
5. **Debit Amount** is the amount that will be withdrawn from your financial institution and applied as payment towards your tax liability, including any applicable underpayment of estimated tax penalty. Your Debit Amount can be less than the amount you owe; however, if less, you will be billed for the difference, and if it is paid after the due date, penalty and interest will be applied.

**If any portion of this information is missing or inaccurate, it will be automatically canceled, and a notice will be mailed to you with an explanation.** If you electronically file through a tax preparer, you will be asked to complete a Nebraska Form 8453N. This form authorizes your preparer to request an EFW on your behalf, and specifies the Routing Number, Account Number, Type of Account, Debit Date and Debit Amount. Carefully review this form with your preparer for accuracy and completeness before signing it. If your federal return has been rejected by the IRS, you may need to adjust your Debit Date to a later date to allow additional time to complete the transaction.

**You may cancel your EFW any time up to two (2) days prior to the Debit Date.** To cancel, call the department's Taxpayer Assistance at 1-800-742-7474 (toll free in Nebraska and Iowa) or 1-402-471-5729.

**If the amount you owe is \$300 or more, review the "Penalty for Underpayment of Estimated Tax" on page 4 to determine if you need to file Form 2210N. A tax due amount of less than \$2 need not be paid.**

# 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 residency status 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 return or separate returns with Nebraska after filing a joint federal return.

The separate return must be calculated as if a federal separate return had been filed. The married filing separate income, deductions, and exemptions must be used. The spouse's social security number and name must 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, see the instructions on the amended return.

**LINE 2a.** Check the following if, during 2003:

- 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. Partial-year resident taxpayers check box 2 and enter dates of their Nebraska residency. Nonresidents check box 3. Nonresident and partial-year resident taxpayers must complete and attach Nebraska Schedule III, even if all income is earned in Nebraska. 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 Tax Record, 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 Tax Record, 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 19, 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 2003 net operating loss**. If you checked this box, do not complete lines 5 through 16 and 19 through 26. Enter "0" on lines 17 and 27. Complete lines 28 through 41 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:** Bob and Vickie are married, have three children, and have adjusted gross income for 2003 of \$23,000. Bob's employer withheld \$240 for Nebraska income tax. Bob and Vickie filed a federal return, subtracted their federal standard deduction (\$9,500) and five federal exemptions (\$15,250), and found they had no federal taxable income. **Bob and Vickie have no federal liability. Therefore, they have no Nebraska liability.** They will want to file a Nebraska return to claim a refund of the income tax withheld by Bob's employer.

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:

TeleFile Tax Record ..... **Line 1**  
Form 1040EZ ..... **Line 4**  
Form 1040A ..... **Line 21**  
Form 1040 ..... **Line 34**

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 2003. He also receives income from federally tax-exempt state and local bonds from sources outside Nebraska, totalling \$7,950. His 2003 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**. He must include the \$7,950 of non-Nebraska, tax-exempt state and local bond interest income on line 12, Form 1040N, and lines 42 and 46 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 2003 loss is not allowed unless the loss has been reported on a 2003 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, NEBRASKA STANDARD DEDUCTION.** Do not enter the amount of your federal itemized deductions.

**If you are claimed as a dependent on another's return,**

- ✓ If single, enter the standard deduction from line J of the Federal TeleFile Tax Record; line E of the worksheet on the back of Federal Form 1040EZ; or line 5c of the Standard Deduction Worksheet for Dependents in the Federal Form 1040 or Form 1040A instructions.
- ✓ If married, you must complete the worksheet below to determine the amount to enter.

**If you filed —**

**IRS TELEFILE PROGRAM.** Singles must enter the standard deduction from line J of the Federal TeleFile Tax Record; married couples must complete the worksheet below to determine the amount to enter.

**FEDERAL FORM 1040EZ.** If you checked "no" on Federal Form 1040EZ, line 5, enter \$4,750 if single; or enter \$7,950 if married. If you checked "yes" on line 5, see "If you are claimed as a dependent on another's return" above.

**FEDERAL FORM 1040A or 1040.** If you claimed the federal standard deduction or you claimed itemized deductions on line 37 of Federal Form 1040, enter the **state standard deduction** for your filing status as indicated below:

- ✓ Single – \$4,750
- ✓ Head of household – \$7,000
- ✓ Married filing jointly or qualifying widow – \$7,950
- ✓ Married filing separately – \$3,975
- ✓ 65 or over, and/or blind – married, add \$950 to the preceding values for each box checked on line 2a of Form 1040N; single or head of household, add \$1,150 for each box checked
- ✓ Married and you or your spouse claimed as a dependent on another's return – complete following worksheet:

1. Enter amount from line 3 of the federal standard deduction worksheet for dependents (Form 1040 or 1040A) or from line C (Form 1040EZ); or enter standard deduction amount from line J of Federal TeleFile Tax Record ..... 1. \_\_\_\_\_
2. State standard deduction for married-joint, enter **\$7,950** (married-separate, enter **\$3,975**) ..... 2. \_\_\_\_\_
3. a. Enter the smaller of line 1 or line 2 here. If under 65 and not blind, **stop here** and enter this amount on line 6, Form 1040N. **Otherwise** go to line 3b 3a. \_\_\_\_\_  
b. If age 65 or older or blind, multiply the number of boxes checked on line 2a, Form 1040N, by \$950.00 ..... 3b. \_\_\_\_\_  
c. Add lines 3a and 3b. Enter the total here and on line 6 of Form 1040N ..... 3c. \_\_\_\_\_

**HIGHER INCOME TAXPAYERS** with federal adjusted gross income in excess of \$139,500 (\$69,750 if married filing separate) must complete the Nebraska Standard Deduction

Worksheet on page 11 of these instructions to determine their allowable standard deduction.

**LINE 7, FEDERAL ITEMIZED DEDUCTIONS.** If you itemized deductions, enter the line 37 amount from Federal Form 1040. If your federal adjusted gross income is more than \$139,500 (\$69,750 if married filing separate), complete the Nebraska Itemized Deduction Worksheet on page 12 to determine your line 7 entry. If you did not itemize 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 line 9, whichever is greater.

**EXAMPLE:** Ellen and Ray claim itemized deductions of \$9,800 on their federal return which included \$2,000 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 state standard deduction because it is larger than their Nebraska itemized deductions:

Line 6. Nebraska standard deduction .....	\$7,950
Line 7. Federal itemized deductions .....	\$9,800
Line 8. State and local income taxes .....	\$2,000
Line 9. Subtract line 8 from line 7 .....	\$7,800
Line 10. Line 6 or line 9, whichever is greater ....	\$7,950

**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 12.

**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 13 and 14 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.**

**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 2003 Nebraska Tax Table located on pages 21 through 28 of this booklet to determine your tax liability.**

**LINE 15, NEBRASKA INCOME TAX** is taken from the Nebraska Tax Table on pages 21 through 28. All taxpayers must use the Nebraska Tax Table to calculate their Nebraska income tax liability. If federal adjusted gross income is more than \$139,500 (\$69,750 if married filing separate), include the total tax calculated on the Nebraska Tax Worksheet on

page 29 which includes the additional tax calculated using the Nebraska Additional Tax Rate Schedule on page 29.

Nonresidents and partial-year residents will enter their tax calculation taken from line 67, 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 worksheet** that follows to calculate line 16. Nonresidents and partial-year residents use the worksheet results while completing the calculation for line 68, Nebraska Schedule III.

<b>NEBRASKA MINIMUM OR OTHER TAX WORKSHEET</b>	
1. Alternative minimum tax, from Federal Form 6251 recalculated for Nebraska using Nebraska Revenue Ruling 22-03-1 .....	\$ _____
2. Tax on lump-sum distributions (enter federal tax amount from <b>Federal Form 4972</b> ) .....	_____
3. Tax on early distributions (enter lesser of federal tax amount from Part I, <b>Federal Form 5329</b> or line 57 of <b>Federal Form 1040</b> ) .....	_____
4. <b>SUBTOTAL</b> (Add lines 1 through 3) .....	_____ x .296
5. <b>TOTAL</b> (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 22-03-2, and is entered on line 20. Also check the box on line 20 to indicate you are reporting an “AMT Credit.” Nonresidents and partial-year residents claim this credit on line 64, 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 46, of less than \$5,000, enter “0” on lines 17 and 27. Complete lines 28 through 41 of Form 1040N as they apply.

**LINE 18.** Enter the amount from line 17.

**LINE 19, NEBRASKA PERSONAL EXEMPTION CREDIT.** Residents claim a \$99 credit for each federal exemption reported on line 4, Form 1040N. Nonresidents and partial-year residents claim the credit on line 65 of Nebraska Schedule III, not on line 19.

**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 19 is as follows:  $\$99 \times 3 = \$297$ . They enter \$297 on line 19 and include it in the line 26 total.

If your federal adjusted gross income is more than \$116,000 (married-joint), \$70,000 (single), \$97,000 (head of household), or \$58,000 (married-separate), use the chart on page 11 to determine the credit you are to claim.

**LINE 20, CREDIT FOR TAX PAID TO ANOTHER STATE,** is calculated on line 58 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, file an Amended Nebraska Individual Income Tax Return, Form 1040XN, to report the change in the credit for tax paid to the other state.

**LINE 21, CREDIT FOR THE ELDERLY OR THE DISABLED, is equal to the amount shown on line 30 of Federal Form 1040A or line 46 of Form 1040. If the federal credit has been limited by 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 21. Partial-year residents must enter “0” on line 21, and enter the lesser of the federal credit or the total Nebraska tax on line 64, 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 22, COMMUNITY DEVELOPMENT ASSISTANCE ACT (CDAA) CREDIT,** 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 2003 Nebraska Community Development Assistance Act Credit Computation, Form CDN, for more information. Form CDN and a copy of Form 1099NTC must be attached to the Form 1040N.

**LINE 23, FORM 3800N CREDIT,** is the credit allowed to qualified businesses that expand their economic investment or employment base in Nebraska. Request Form 3800N, or contact the department for more information.

**LINE 24, FORM 829N CREDIT,** is the credit allowed to participating employees who have had wages withheld by an employer who has a contract that has qualified under the Nebraska Quality Jobs Act. Employees qualifying for this credit will receive Forms 829N and W-829 from their employer. Complete Form 829N and enter the amount from line 12 of Form 829N on line 24 of Form 1040N. Attach Forms 829N and W-829.

**LINE 25, NONREFUNDABLE CREDIT FOR CHILD AND DEPENDENT CARE EXPENSES.** Resident taxpayers whose income on line 5 is more than \$29,000, can claim a nonrefundable child care credit on line 25. Partial-year residents whose line 5 income is more than \$29,000 claim this credit on line 64, Nebraska Schedule III, Form 1040N, and enter “0” on line 25. If line 5 income is \$29,000, or less, both residents and partial-year residents claim the child care credit on line 31 and enter “0” on line 25. Taxpayers who file a joint federal return but are filing a married-separate Nebraska return cannot claim this Nebraska credit.

Calculate the credit on line 25 or line 64 by multiplying the amount on line 29 of Federal Form 1040A, or line 45, Federal Form 1040, by 25% (.25).

**LINE 27.** 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 46).

<b>FEDERAL LIABILITY WORKSHEET</b>			
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.	IRS TeleFile Tax Record, line K, column 2 .....	1a \$	_____
b.	Form 1040EZ, line 10 .....	1b	_____
c.	Form 1040A, line 28 .....	1c	_____
d.	Form 1040, line 41 .....		_____
	Form 1040, line 42 .....		_____
	Form 1040, line 57 .....		_____
	Total tax-Form 1040 .....	1d	_____
Total federal tax			
	(enter tax from 1a, 1b, 1c, or 1d) .....	1	_____
2.	Nebraska Form 1040N, line 18 minus line 26 .	2	\$ _____
<b>Enter the smaller of lines 1 and 2 on line 27, Form 1040N, and check federal liability box if line 1 is used.</b>			

**LINE 28, NEBRASKA INCOME TAX WITHHELD.** Add the amounts shown as Nebraska income tax on the state copy of the Federal Forms 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 from **each** employer or payor. Enter the total state withholding on line 28.

If you received Form W-829 from your employer, do not include the amount shown as Nebraska income tax withheld on the W-2 received from that employer. Complete Form 829N and claim the appropriate credit on line 24. See the line 24 instructions above.

A fiscal year taxpayer who has W-2's issued on a calendar-year basis must attach the 2003 W-2's to the 2003 Form 1040N for the fiscal year beginning in 2003. If you receive your 2004 W-2 before filing your 2003 Form 1040N, save it to attach to your 2004 Form 1040N.

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 tax withheld by a partnership, limited liability company, S corporation, estate, or trust are to obtain from their organization a copy of the Statement of Nebraska Income Tax Withheld for Nonresident Individual, Form 14N. Enter the amount withheld and paid to Nebraska on line 28, and attach the canary 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 the tax year ending during the individual's tax year. A calendar-year taxpayer is to attach the Form 14N for tax years ending in 2003 to the 2003 Form 1040N.

**LINE 29, ESTIMATED TAX PAYMENTS,** is the sum of the installment payments made for 2003 plus any 2002 overpayment that you applied to your 2003 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 29. If you made estimated tax payments for tax year 2003 in a joint status with your spouse, **or** if you had a carryover of

estimated credit from a married filing joint 2002 overpayment, **and** you are not filing a married filing joint 2003 tax return, please provide an allocation schedule showing the proper distribution of the estimated carryover and the estimated payments for each individual.

**LINE 30, 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. Attach Form 4136N to Form 1040N if this credit is claimed. For more information, contact Taxpayer's Assistance 1-800-742-7474 (toll free in Nebraska and Iowa) or 1-402-471-5729.

**LINE 31. REFUNDABLE CHILD CARE EXPENSES CREDIT (AGI \$29,000 or less).** This credit may be claimed only by Nebraska full-year residents or partial-year residents. It cannot be claimed if you filed a joint federal return but a married-separate return for Nebraska. If you did not file Schedule 2 (Form 1040A) or Federal Form 2441 (Form 1040), you must complete such form and attach it to your Nebraska return. Refer to the following chart and enter on line 3 of the worksheet below the applicable percentage for your adjusted gross income (AGI) level:

AGI	But	Percent	AGI	But	Percent
Over	not over		Over	not over	
\$0 or less-22,000	.....	100%	\$25,000-26,000	.....	60%
22,000-23,000	.....	90%	26,000-27,000	.....	50%
23,000-24,000	.....	80%	27,000-28,000	.....	40%
24,000-25,000	.....	70%	28,000-29,000	.....	30%

<b>REFUNDABLE CHILD CARE CREDIT WORKSHEET</b>	
1.	Enter line 9 amount from 2003 <b>Schedule 2</b> (Form 1040A) or <b>Federal Form 2441</b> , (Form 1040), (Enter the amount calculated on line 9 prior to the federal credit limitation) ..... 1. \$ _____
2.	Enter federal adjusted gross income (line 5, Form 1040N) ..... 2. _____
3.	Enter percentage from chart if AGI is \$29,000 or less ..... 3. _____ % (Note: If AGI is more than \$29,000, STOP; you cannot claim a credit on line 31; refer to line 25 instructions instead)
4.	Multiply line 1 by line 3 percentage; residents, enter result on line 31, partial-year residents, complete lines 5 and 6 ..... 4. _____
5.	Enter line 62 ratio from Schedule III ..... 5. _____
6.	Multiply line 4 by line 5, enter result on line 31 ..... 6. _____

**LINE 32. BEGINNING FARMER CREDIT,** is the credit granted to eligible claimants who receive a certificate from the Nebraska Department of Agriculture. For further information on this credit, contact the Department of Agriculture at 1-402-471-6890 or 1-800-446-4071.

**LINE 34, AMOUNT YOU OWE,** is the amount owed to the State of Nebraska, including the applicable underpayment of estimated tax penalty. **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 5, and determine if you need to file Form 2210N. Payment options for the amount on line 34 include:

✓ **CHECK OR MONEY ORDER.** Attach your check or money order payable to the Nebraska Department of Revenue. Please type or print your social security number on the face of your check or money order. If you file electronically, attach your check or money order to Form 1040N-V. Checks written to the Department of Revenue may be presented for payment electronically.

✓ **CREDIT CARD.** You can pay your tax due amount by credit card. Your payment will be effective on the date you complete the charge transaction. **See Additional Instructions On Electronic Payment Options on page 5.**



✓ **ELECTRONIC FUNDS WITHDRAWAL.** Your payment can be automatically withdrawn from your bank account on the date you specify. **This payment option is available only if you file your tax return electronically through the Federal/State e-file program, and if the preparer or software you use supports this option. See instructions on page 5.**

**LINE 36, 2004 ESTIMATED TAX.** Enter on line 36 the amount of overpayment you want applied to your 2004 estimated tax.



**LINE 37, 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. 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 1-402-471-0641.

**LINE 38, NEBRASKA CAMPAIGN FINANCE CONTRIBUTION.** You may voluntarily contribute \$1.00 or more of your refund 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. For more information, contact the Nebraska Accountability and Disclosure Commission, 11th Floor, State Capitol, P.O. Box 95086, Lincoln, NE 68509-5086, or call 1-402-471-2522.



**LINE 39, STATE FAIR IMPROVEMENT FUND.**

You may contribute \$1.00 or more of your refund to help the Nebraska State Fair. Your contribution will improve the facilities and programs at State Fair Park, home of the 134 year-old Nebraska State Fair. Nebraska State Fair Park needs your help to continue the great tradition of competition, education, entertainment, and a celebration of Nebraska.

If you are not entitled to a refund, you may send a contribution directly to the State Fair Improvement Fund at the following address. For more information, contact State Fair Improvement Fund, P.O. Box 81223, Lincoln, NE 68501, or call 1-402-473-4136.

**LINE 40, AMOUNT TO BE REFUNDED.** Enter the amount of overpayment you want refunded to you on line 40 after subtracting lines 36, 37, 38, and 39 from line 35. **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.

**LINE 41, DIRECT DEPOSIT.** In order to have your refund deposited directly into your checking or savings account, it is necessary to enter the routing number and account number found on the bottom of the checks used with the account. The routing number is listed first and must be nine (9) digits. The account number is listed to the right of the routing number and can be up to seventeen (17) digits. Enter these numbers in the boxes found on lines 41a and 41c. Also complete line 41b, Type of Account.

## Nebraska Personal Exemption Credit, Line 19, Form 1040N (Residents)

**Nonresidents and partial-year residents, use to complete Schedule III, line 65.**

Use this table to determine the allowable personal exemption 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 personal exemption credit 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 \$120,850. They look down the married filing joint column to the line where \$116,000-121,000 appears. They look across and see they have a \$94 personal exemption credit. Since they have a total of three federal exemptions, they multiply \$94 x 3 = \$282. The \$282 amount is then entered on line 19 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	- 70,000	\$ 0	- 116,000	\$ 0	- 58,000	\$ 0	- 97,000	\$99
70,000	- 75,000	116,000	- 121,000	58,000	- 60,500	97,000	- 102,000	94
75,000	- 80,000	121,000	- 126,000	60,500	- 63,000	102,000	- 107,000	89
80,000	- 85,000	126,000	- 131,000	63,000	- 65,500	107,000	- 112,000	84
85,000	- 90,000	131,000	- 136,000	65,500	- 68,000	112,000	- 117,000	79
90,000	- 95,000	136,000	- 141,000	68,000	- 70,500	117,000	- 122,000	74
95,000	- 100,000	141,000	- 146,000	70,500	- 73,000	122,000	- 127,000	69
100,000	- 105,000	146,000	- 151,000	73,000	- 75,500	127,000	- 132,000	64
105,000	- 110,000	151,000	- 156,000	75,500	- 78,000	132,000	- 137,000	59
110,000	- 115,000	156,000	- 161,000	78,000	- 80,500	137,000	- 142,000	54
115,000	- 120,000	161,000	- 166,000	80,500	- 83,000	142,000	- 147,000	49
120,000	- 125,000	166,000	- 171,000	83,000	- 85,500	147,000	- 152,000	44
125,000	- 130,000	171,000	- 176,000	85,500	- 88,000	152,000	- 157,000	39
130,000	- 135,000	176,000	- 181,000	88,000	- 90,500	157,000	- 162,000	34
135,000	- 140,000	181,000	- 186,000	90,500	- 93,000	162,000	- 167,000	29
140,000	- 145,000	186,000	- 191,000	93,000	- 95,500	167,000	- 172,000	24
145,000	- 150,000	191,000	- 196,000	95,500	- 98,000	172,000	- 177,000	19
150,000	- 155,000	196,000	- 201,000	98,000	- 100,500	177,000	- 182,000	14
155,000	- 160,000	201,000	- 206,000	100,500	- 103,000	182,000	- 187,000	9
160,000	- 165,000	206,000	- 211,000	103,000	- 105,500	187,000	- 192,000	4
over 165,000		over 211,000		over 105,500		over 192,000		0

## Nebraska Standard Deduction Worksheet – Line 6, Form 1040N

**Use if federal adjusted gross income is more than \$139,500 (\$69,750 if married filing separate)**

STANDARD DEDUCTION WORKSHEET	
1 Enter your Federal Adjusted Gross Income for 2003 (line 5, Form 1040N) .....	<b>1</b>
2 Enter \$139,500 (enter \$69,750 if married filing separate) .....	<b>2</b>
3 Difference (subtract line 2 from line 1). If less than zero, STOP; you do not have a limitation on your standard deduction. ....	<b>3</b>
4 Enter your 2003 Nebraska Standard Deduction (Single \$4,750, Married-Joint \$7,950, Head of Household \$7,000, Married-Separate \$3,975). If you have an additional standard deduction for being 65 or over and/or blind; married add \$950 to the preceding values for each box checked on line 2a of Form 1040N; single or head of household, add \$1,150 for each box checked .....	<b>4</b>
5 Enter 10% of line 3 .....	<b>5</b>
6 2003 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. ....	<b>6</b>

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

**Use if your federal adjusted gross income is more than \$139,500** (\$69,750 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 .....	<b>1</b>
2 Add from Federal Schedule A, the amounts on lines 4,13,18,19, plus any gambling losses included on line 27 .....	<b>2</b>
3 Enter state and local income taxes from line 5, Federal Schedule A (enter on line 8, Form 1040N) .....	<b>3</b>
4 Add lines 2 and 3 .....	<b>4</b>
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 .....	<b>5</b>
6 Multiply line 5 by 80% (.80) .....	<b>6</b>
7 Enter your federal adjusted gross income (line 5, Form 1040N) .....	<b>7</b>
8 Enter \$139,500 (enter \$69,750 if married filing separate) .....	<b>8</b>
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 .....	<b>9</b>
10 Multiply line 9 by 10% (.10) .....	<b>10</b>
11 Compare line 6 and line 10 and enter the smaller of the two amounts here .....	<b>11</b>
12 Subtract line 11 from line 5 .....	<b>12</b>
13 Add line 12 and line 4 (enter on line 7, Form 1040N, total itemized deductions) .....	<b>13</b>

Note: If your Nebraska itemized deductions on line 9, Form 1040N, are less than the Nebraska standard deduction for your filing status, complete the Nebraska standard deduction worksheet on page 11 to determine the larger of line 6 and line 9, Form 1040N (see instructions).

## Nebraska Schedules I, II, and III Instructions

### Nebraska Schedule I

#### PART A — ADJUSTMENTS INCREASING FEDERAL AGI

**LINE 42. INTEREST INCOME RECEIVED FROM STATE AND LOCAL BONDS.** You must report the income reported on line 8b of Federal Form 1040A, or line 8b of Federal Form 1040. List on line **42a** all state and local government interest that is federally exempt. While this income is exempt for federal tax purposes, it is an addition to income for Nebraska income tax purposes. 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.

**LINE 42b.** List bonds issued by Nebraska state and local government subdivisions. This includes bonds such as Nebraska municipal water bonds, NPPD bonds, **federally exempt** NIFA bonds, local city, or school district bond obligations.

**Regulated investment company.** You must include on **line 42a** 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 **42b**.

**Line 43. BONUS DEPRECIATION ADD-BACK.** Individual sole proprietors and other taxpayers must increase federal adjusted gross income by **eighty-five percent** of any amount of bonus depreciation received under either the *Jobs and Growth Tax Relief Reconciliation Act of 2003* for assets placed in service after May 5, 2003 and before January 1, 2005, or the *Job Creation and Worker Assistance Act of 2002* for assets placed in service after September 10, 2001, and before September 11, 2004 (sections 168(k) or 1400L of the Internal Revenue Code of 1986, as amended). This would include any such assets placed in service during the 2003 tax year and claimed on Federal Form 4562, Part II, line 14 and Part V, line 25 and/or Federal Form 2106, Section D, line 31 (not including any IRC section 179 deduction. See line 44 instructions that follow).

The amount of bonus depreciation added back for Nebraska purposes can be **reclaimed** in later taxable years. Twenty percent of the total amount of bonus depreciation added back for tax year 2003 may be subtracted in the individual's

first taxable year beginning or deemed to begin on or after January 1, 2006, as determined under the Internal Revenue Code of 1986, as amended; and twenty percent in each of the next four following taxable years. Twenty percent of any tax year 2001 or 2002 bonus depreciation added back may be subtracted in the first taxable year beginning on or after January 1, 2005, and 20 percent in each of the next four taxable years.

**Nonresident individuals.** A nonresident filing a Nebraska return who operates a business in Nebraska must also add back any bonus depreciation received for assets acquired and placed into service in their business operations after the periods noted above. They must report on line 43, 85 percent of the bonus depreciation received which is then included on line 12, Adjustments Increasing Federal AGI. They must also include the depreciation add-back on Nebraska Schedule III, line 59, together with their other income derived from Nebraska sources. A nonresident with businesses in more than one state needs to see the following additional information for special instructions.

**Nonresident individuals with activities in more than one state** must add back on line 43, 85 percent of all special bonus depreciation claimed by the nonresident on his or her federal tax return. The nonresident would also include a **portion** of this depreciation in the numerator using the same ratio of their income from Nebraska sources to total income included in the line 62 computation for the business activity. A separate calculation is required for each separate business activity.

**Line 44. ENHANCED SECTION 179 EXPENSE ADD-BACK.** Resident and nonresident individual sole proprietors and other taxpayers must increase federal adjusted gross income for tax year 2003 by adding back 100 percent of the amount of any capital investment that is expensed under section 179 of the Internal Revenue Code of 1986, as amended, that is in **excess of \$25,000** that is allowed under the *Jobs and Growth Tax Relief Reconciliation Act of 2003*.

Twenty percent of the total amount of expense added back by this subsection for tax years beginning or deemed to begin on or after January 1, 2003, may be subtracted in the first taxable year beginning or deemed to begin on or after January 1, 2006, under the Internal Revenue Code of 1986, as amended, and twenty percent in each of the next four following tax years.

**Nonresident individuals** with activities in more than one state are to apportion income in a manner similar to that noted above for the Line 43 add-back.

#### **LINE 45. OTHER ADJUSTMENTS INCREASING FEDERAL AGI.**

**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 45, 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 45, Schedule I, as a positive number.

**Nebraska College Savings Plan.** Include on line 45 any distribution from the Nebraska College Saving Plan resulting from the cancellation of a participation agreement refunded to the taxpayer to the extent previously deducted.

This includes contributions previously claimed as exempt on the Nebraska income tax return.

Report any other allowable adjustments increasing federal adjusted gross income.

### **PART B — ADJUSTMENTS DECREASING FEDERAL AGI**

**LINE 47. STATE INCOME TAX REFUND DEDUCTION.** If you received an individual income tax refund, credit, or offset of state or local individual income tax in 2003 that is included as taxable income on line 10 of your Federal Form 1040, you may deduct this amount on line 47 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.

**LINE 48. 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 48a 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 EE and HH savings bonds,
2. U.S. Treasury bills,
3. U.S. government notes,
4. U.S. government certificates,
5. Commodity Credit Corporation,
6. Federal Home Loan Banks,
7. Federal Reserve Banks,
8. Federal Savings and Loan Insurance Corporation,
9. Tennessee Valley Authority bonds,
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,
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,
  - b. Federal Intermediate Credit Banks,
  - c. Federal Farm Mortgage Corporation, and
  - d. 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. Federal Housing Finance Board,
17. Resolution Trust Corporation,
18. Reconstruction Finance 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. Central Bank 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 bonds,
12. Ship Financing bonds,
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. Federal Mortgage Corporation (FMC's)
27. Government National Mortgage Association (GNMA's),
28. Chrysler Corporation secured notes,
29. Lockheed convertible bonds, and
30. Washington Metropolitan Area Transit Authority bonds.

**LINE 48b. 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 48b, the fund must issue to the holder a statement showing the percent of the dividend which represents exempt U.S. government obligations. If you have received a dividend from such a fund, you must list on line 48b the name of the fund and the portion of the dividend representing exempt U.S. government obligations.

**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 48. Capital gains from the sale of U.S. government obligations are not deductible.

**LINE 49. RAILROAD RETIREMENT BOARD PENSION PAYMENTS.** List any federally taxed Tier I or

II retirement benefits paid by the Railroad Retirement Board (RRB). This includes any dual vested benefits or supplemental annuities. Also report any unemployment or sickness insurance payments made by the RRB. Attach a copy of Forms RRB-1099 and RRB-1099-R from the RRB.

**LINE 50. 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 50.

**LINE 51. NEBRASKA COLLEGE SAVINGS PLAN.** Nebraska allows a subtraction from a participant's federal adjusted gross income for the amount of annual contributions made to the Nebraska College Savings Plan administered by the State Treasurer who has contracted with Union Bank of Lincoln. The maximum annual exempt contribution per return is \$1,000 (\$500 married filing separately). You cannot deduct contributions made to other states' plans on line 51.

**Donations, gifts, and grants** to the Nebraska educational savings plan trust for deposit to the endowment fund are, to the extent not deducted for federal income tax purposes, allowed as a subtraction from the donor's federal adjusted gross income on Line 51. You must enclose a **copy of the letter** of receipt from the State Treasurer's office acknowledging the gift received.

**LINE 52.** Enter any other allowable adjustments decreasing federal adjusted gross income. E-filers are limited to claiming only those deductions listed below. Allowable deductions for paper filers may include, but are not limited to:

**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 52. 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. Partnerships, LLP's, and other similar entities are not allowed a deduction for income from another state.

**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 52.

**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 52.

**Nebraska net operating loss carryforward.** A Nebraska net operating loss from an earlier year which is available for carryforward to 2003 is deducted on line 52.

**Nebraska ag revenue and federally taxable NIFA bonds.** Income from bonds which are subject to federal income tax but exempt from Nebraska tax by Nebraska law is deducted on line 52. List the name of the bond(s).

## Nebraska Schedule II – Credit for Tax Paid to Another State

Complete this schedule 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, 2003, must use Nebraska Schedule III.

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

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. If the tax is not reported on an income tax return, attach a copy of a letter or statement from the other state or city showing the income and the tax paid. **If the returns, schedules or other documents are not attached to Nebraska 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 55.** 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 LLC's reported on line 52 or income which is not included in federal adjusted gross income after Nebraska adjustments from lines 12 and 13, Form 1040N.

**LINE 56.** Calculate the factors to at least five decimal places, and then round to four decimals. For example, if your division result is .12346, round to .1235 (12.35%).

**LINE 57.** 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 – Computation of Nebraska Tax

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

**Bonus Depreciation Add-back and Enhanced Section 179 Expense Deduction.** Eighty-five percent of any bonus depreciation claimed on your federal tax return must be included in line 59. Nonresident individual sole proprietors and other taxpayers must also increase federal adjusted gross income by the amount of any capital investment that is expensed under Section 179 of the Internal Revenue Code that is in **excess of \$25,000** and is allowed under the *Jobs and Growth Tax Relief Reconciliation Act of 2003*. If you had business activity in more than one state and any such activity had income from Nebraska sources and claimed federal bonus depreciation, then only a portion of the 85 percent bonus depreciation amount and the 100 percent enhanced Section 179 amount is included on line 59. The portion included will be based on the same ratio that income from Nebraska sources bears to total income for that business activity. A separate calculation is required for each separate business activity.

**LINE 59.** Enter the income derived from Nebraska sources, or attach a schedule with the sources and amounts 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 while 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. Also see **Bonus Depreciation Add-back and Enhanced Section 179 Expense Deduction** information above.

**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 48.

**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 60.** Include the adjustments reported on lines 16 through 19 of Federal Form 1040A, or lines 23 through 32A

of Federal Form 1040, that apply to income from Nebraska sources. Educator expenses and penalty on early savings withdrawal are deductible only if directly related to Nebraska income reported on line 59. Payments to an IRA, a self-employed health insurance plan, or a SIMPLE or SEP plan attributed to Nebraska income included on line 59 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). A Roth IRA is **not** deductible on line 60. Alimony or a student loan interest deduction may be deducted based on the ratio of line 59 income reported to total income of the taxpayer. Moving expenses as reported on Federal Form 3903 may only be deducted by partial-year residents who moved into Nebraska.

**LINE 62.** Calculate the factor to at least five decimal places and then round to four decimals. For example, if the line 62 result is .12346, round to .1235 (12.35%) before computing line 67. Even if lines 5 and 59 are negative numbers, the ratio computed in line 62 cannot exceed 100 percent.

**LINE 64.** Enter, from the Nebraska Tax Table, the Nebraska tax on line 63 income. Also enter any tax from the Additional

Tax Rate Schedule if your federal adjusted gross income is more than \$139,500 (see instructions).

**Partial-year** residents enter any Nebraska credit for the elderly or disabled, credit for child and dependent care expenses, or credit for prior year minimum tax. See lines 16, 21, 25, or 31 instructions in this booklet. Partial-year residents with Federal AGI of \$29,000 or less do not claim their child care credit here. Instead, complete the line 31 worksheet on page 9 to figure your refundable credit for these expenses. Enter this result on line 31.

**Nonresidents** are not allowed a Nebraska credit for the elderly or disabled or a credit for child and dependent care expenses. Nonresidents enter credit for prior year minimum tax. See line 16 instructions on page 8 of this booklet.

Do not enter credits on lines 16, 21, or 25. Line 64 cannot be less than zero.

**LINE 65.** Enter your credit from the personal exemption chart on page 11 of the instructions. Multiply the credit listed in the chart by the number of exemptions reported on line 4. **Do not enter on line 19.**



## NEBRASKA DEPARTMENT OF REVENUE

# Automated Voice Response System

**1-402-471-2971**

- Press  for Motor Fuels Assistance
- Press  for Taxpayer's Assistance
- Press  to order income tax forms
- Press  for Nebraska Lottery

If you wish to speak with someone other than Taxpayer's Assistance or if you are calling from a rotary dial phone, please hold the line and someone will be with you.

### Income Tax

#### Forms Order Line

**1-800-626-7899\***

- Press  to order your income tax forms.

You will be asked to state your name and a daytime telephone number, then

- Press

Please state and spell your name or company name, then

- Press

Please state and spell your mailing address, including your zip code, then

- Press

Please state the title, form number, and the quantity of each income tax form you are requesting, then

- Press

\*This number cannot be used with a rotary phone.

### Tax Assistance

**1-800-742-7474\*\***

(outside Nebraska or Iowa, call 1-402-471-5729)

- Press  to check status of 2003 individual income tax refund.

- Press  for income tax forms order line.

- Press  for assistance with individual income tax return and PIN information.

- Press  for business tax.

- Press  for annual sales tax return.

- Press  for problems with refund status.

- Press  to replay message.

\*\*If you are calling from a rotary dial phone, please hold the line and someone will be with you.