

Included in this Booklet:
Form 1120-SN,
Schedules I, II, and III, and
Business Classification Codes.

2005

Nebraska

S Corporation Income Tax Booklet



Questions?

Call Taxpayer Assistance
1-800-742-7474 (toll free in NE or IA)
or 1-402-471-5729

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2005 Nebraska S Corporation Income Tax

INSTRUCTIONS

An S corporation with shareholders who are all Nebraska residents and which derives all of its income from Nebraska is **not** required to file a Nebraska S Corporation Income Tax Return, Form 1120-SN. Its shareholders report their share of the S corporation income and any bonus depreciation or enhanced Section 179 expense deduction on their Nebraska income tax returns.

Due to the passage of LB 312 by the 2005 Nebraska Legislature, substantial changes were made to the economic incentive programs provided by this state. Most of these changes are effective for tax years beginning on or after January 1, 2006. For additional information visit our Web site www.revenue.ne.gov.

BONUS DEPRECIATION AND ENHANCED SECTION 179 EXPENSE. S corporations must report any federal bonus depreciation and Section 179 expense deduction to their shareholders. The shareholders will have to add back 85 percent of their share of the bonus depreciation and 100 percent of their share of the enhanced Section 179 expense deduction on their income tax returns. Any amount added back may be recovered in a later tax year. Twenty percent of the 2005 add-back may be subtracted by the shareholders on their individual income tax returns in the first taxable year beginning on or after January 1, 2006, and twenty percent in each of the next four taxable years.

Reminder: Twenty percent of the total bonus depreciation previously added back on the tax year 2000 through 2002 Nebraska returns may be reclaimed on the shareholders' 2005 income tax return. In addition, the bonus depreciation and enhanced Section 179 expense deduction added back in tax years 2003 through 2005 may be subtracted in later tax years. Twenty percent of the amount added back may be subtracted by the shareholders on their individual income tax returns in tax year 2006 and twenty percent in each of the next four tax years.

NONHIGHWAY USE MOTOR VEHICLE FUELS. S corporations can no longer file Form 4136N. Instead, the S corporation may obtain a direct refund of the fuels tax paid by filing a Nebraska Motor Fuels Tax Refund Claim, Form 84, with the department's Motor Fuels Division.

NOTE: If you wish to receive a printed booklet from the department next year, you must check the box at the top of Form 1120-SN. Otherwise, you may obtain a copy from your accountant, at any of our offices throughout Nebraska, or you may download the forms and instructions from our Web site: www.revenue.ne.gov.

WHO MUST FILE. Every S corporation as defined by Section 1361 of the Internal Revenue Code must file a Nebraska S Corporation Income Tax Return, Form 1120-SN, unless all shareholders are residents of Nebraska, and all income is derived from Nebraska sources.

This department does not provide for the filing of "composite" income tax returns submitted on behalf of the nonresident individual shareholders. S corporations with nonresident shareholders are required to either obtain a Nebraska Nonresident Income Tax Agreement, Form 12N, from the nonresident individual or remit Nebraska income tax on the nonresident's share of Nebraska income.

Financial institutions which maintain a permanent place of business in this state and actively solicit deposits from residents of this state must file a Nebraska Financial Institution Tax Return, Form 1120NF. Financial institutions organized as S corporations, must also file a Nebraska S Corporation Income Tax Return, Form 1120-SN.

WHEN AND WHERE TO FILE. This return must be filed on or before the 15th day of the third month following the close of the taxable year. The return must be filed with the Nebraska Department of Revenue, P.O. Box 94818, Lincoln, Nebraska 68509-4818.

PERIOD TO BE COVERED BY THE RETURN. This return must be filed for the calendar year 2005 or fiscal year beginning in 2005. An S corporation reporting for a fiscal year or filing a short-period return must enter the beginning and ending dates of the taxable year in the space provided at the top of the return. The taxable year for Nebraska must be the same as the year used for federal income tax purposes. If an S corporation changes its federal taxable year, it must change the Nebraska taxable year accordingly. A copy of

the approval from the Internal Revenue Service to change accounting periods must accompany the first return which reflects the change. Check the "Final Return" box at the top of the return if the corporation ceased to exist during the 2005 tax year.

EXTENSION OF TIME. It is not necessary to request a Nebraska extension of time when the S corporation has been granted an extension to file its federal return. The Nebraska Department of Revenue will accept an approved federal extension of time, provided a copy of the approval is attached to the Nebraska return when filed. By requesting an extension of time to file your federal return using the Application for Automatic Extension of Time to File Corporation Income Tax Return, Form 7004, you are granted a 6-month extension. When a federal extension of time has been granted and additional time is necessary to file the Nebraska return, the Nebraska Form 7004N needs to be filed on or before the date the federal extension expires.

An extension of time to file may be obtained from the Nebraska Department of Revenue even if the S corporation does not request a federal extension of time. The extension must be requested on Application for Automatic Extension of Time to File Nebraska Corporation Income Tax Return, Form 7004N, on or before the due date of the return. If granted, the extension will be for a seven-month period. No further extension can be granted.

NONRESIDENT SHAREHOLDER WITHHOLDING.

A nonresident individual shareholder should forward a completed Nebraska Nonresident Income Tax Agreement, Form 12N, to the S corporation before the filing of the Nebraska S Corporation Income Tax Return, Form 1120-SN. The S corporation must attach the completed Form 12N to its

return. The Form 12N is an agreement by a nonresident of Nebraska to file a Nebraska Individual Income Tax Return, Form 1040N, and to report and pay Nebraska income tax on Nebraska source income attributable to the taxpayer's interest in an S corporation.

The S corporation is required to withhold Nebraska income tax from each nonresident individual shareholder for whom a completed Form 12N is not attached. The amount to be withheld is 6.84 percent of the nonresident shareholder's share of bonus depreciation and enhanced Section 179 expense deduction add-back and any taxable income which was derived from or attributable to sources within Nebraska. When calculating the withholding for each nonresident individual shareholder, the S corporation **must not deduct** bonus depreciation previously added back for such individuals in tax years 2000 through 2002. Instead, the nonresident shareholder may recover 20 percent of the bonus depreciation previously added back for tax years 2000 through 2002 by filing a 2005 Nebraska individual income tax return. The S corporation must report the amount withheld from each nonresident shareholder on the Statement of Nebraska Income Tax Withheld for Nonresident Individual, Form 14N. Attach the white copy of each Form 14N to the S corporation return.

The nonresident individual shareholder may claim the amount withheld as a credit against his or her Nebraska income tax liability by attaching a copy of the Form 14N to the Nebraska Individual Income Tax Return, Form 1040N.

The Form 12N and Form 14N requirements apply only to nonresident **individual** shareholders. Shareholders other than individuals are not subject to the nonresident shareholder withholding requirements.

If a nonresident shareholder's only connection with Nebraska is conduct of the business activities of the S corporation and the corporation has withheld tax from any bonus depreciation and enhanced Section 179 expense deduction add-back and all the Nebraska income attributable to the nonresident's share of the organization's income, the nonresident shareholder does not have to file a return. The full amount of the withholding is, at the taxpayer's option, retained in lieu of filing an individual income tax return. Any nonresident who so desires can still file a return and claim a refund if there is one due. Any nonresident who filed Form 12N to avoid withholding must file Form 1040N.

PAYMENT OF TAX WITHHELD. The entire tax withheld from the nonresident shareholders is required to be paid on or before the original due date of the return. Make check or money order payable to the Nebraska Department of Revenue. Write the Nebraska identification number on the face of the remittance. Payment can also be made by electronic funds transfer (EFT), or by credit card. Details for these payment options can be found on the department's Web site at www.revenue.ne.gov. An extension of time to file Form 1120-SN does not extend the date for payment of tax. Checks written to the Department of Revenue may be presented for payment electronically.

PENALTIES AND INTEREST. Penalties may be imposed for failure to file a complete return, failure to file a timely

return, or failure to file an amended return when required. Any unpaid tax is subject to interest at the statutory rate from the original due date to the date the tax is paid.

QUALIFIED SUBCHAPTER S SUBSIDIARIES. Any subsidiary of an S corporation which is treated as a Qualified Subchapter S Subsidiary (QSSS) for federal income tax purposes will be treated in the same manner for Nebraska income tax purposes. All of the assets, liabilities, and items of income, deduction, and credit of the QSSS will be considered to be those of its parent.

AMOUNTS INCLUDED IN THE RETURN OF THE SHAREHOLDER. Both resident and nonresident shareholders are subject to the Nebraska income tax on their share of the S corporation's bonus depreciation, Section 179 expense deduction, and income derived from or attributable to sources within Nebraska.

A shareholder will only be taxed on the **enhanced** Section 179 expense deduction **calculated on his or her income tax return.**

REPORT OF NEBRASKA SOURCE INCOME TO SHAREHOLDERS. An S corporation must provide all shareholders with a schedule listing the amount and type of income, deductions, bonus depreciation, and Section 179 expense deduction, that are to be included in the shareholder's Nebraska tax return.

A Federal Schedule K-1 may be used for each shareholder, provided it is modified to include the shareholder's share of U.S. government interest, state and local obligations, bonus depreciation, and Section 179 expense deduction. The amounts reported on the K-1 must be calculated in the same manner as income is distributed.

For S corporations apportioning income, the amount of **Nebraska** income, bonus depreciation, and Section 179 expense deduction must also be provided to each shareholder together with a copy of the Nebraska Schedule I, Form 1120-SN.

If the S corporation is a member of a unitary group, the S corporation is deemed to be doing business within this state if any part of its income is derived from transactions with other members of the unitary group doing business within this state. Such corporation shall apportion its income, bonus depreciation, and Section 179 expense deduction by using the apportionment factor determined for the entire unitary group, including the S corporation.

For S corporations using an alternative method to determine income attributable to Nebraska, the amount reportable to the shareholder will be determined in accordance with the method previously approved by the State Tax Commissioner.

ACCOUNTING METHODS. The method of accounting used for federal income tax purposes must be used for Nebraska income tax purposes. The taxpayer may not change the method of accounting used in reporting income in prior years unless the change is approved by the Internal Revenue Service. A copy of this approval must accompany the first return which reflects the change in the method of accounting.

ROUND TO WHOLE DOLLARS. 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. The amounts on the return and schedules are to be shown in whole dollars.

FEDERAL RETURN. A copy of the actual federal return and supporting schedules as filed with the Internal Revenue Service must be attached to this return.

CHANGES OR CORRECTIONS ON FEDERAL RETURN OR ANOTHER STATE'S RETURN. Any corporation whose reported income or deductions are changed or corrected by the Internal Revenue Service or through a renegotiation of a contract with the United States is required to report the change or correction to the Nebraska Department of Revenue within 90 days of the federal determination. In addition, any corporation whose reported income or allowable tax credits in another state are changed or corrected by that state, or any other competent authority, in a way material to the tax liability owed to Nebraska is required to report the change or correction within 90 days after it becomes final.

Any corporation which filed an amended return with the Internal Revenue Service which will result in a credit or refund must report the change or correction within 90 days **after receiving proof that the Internal Revenue Service accepted the federal return.**

Any corporation which filed an amended return with the Internal Revenue Service which will not result in a federal credit or refund, or which filed an amended return with another state involving a change or correction material to its Nebraska tax liability must file an amended return with the Nebraska Department of Revenue within 90 days of the filing of the amended federal or state return.

All returns filed to report a change or correction in the amounts previously reported to the Nebraska Department of Revenue must file a Nebraska S Corporation Income Tax Return, Form 1120-SN, and check the box "Amended Return" at the top of the return. The amended return must be mailed separately from the annual return of the corporation.

NEBRASKA COMMUNITY DEVELOPMENT ASSISTANCE ACT CREDIT. This credit is allowable for contributions to **approved** projects of community betterment organizations recognized by the Nebraska Department of Economic Development. See the instructions on the 2005 Nebraska Community Development Assistance Act Credit Computation, Form CDN, for more information on this credit. Form CDN and a copy of Form 1099NTEC must be attached to the Form 1120-SN and a copy provided to each shareholder.

Each shareholder of an electing S corporation shall report his or her share of the credit in the same manner and proportion as he or she reports the S corporation income.

More detailed information on this credit can be obtained by writing to the Nebraska Department of Economic Development, Community and Rural Development Division, P.O. Box 94666, Lincoln, Nebraska 68509-4666; or by calling 1-402-471-3775 or 1-800-426-6505.

BEGINNING FARMER CREDIT, is the credit available to owners of agricultural assets which are rented to qualifying

beginning farmers or livestock producers. Each shareholder eligible for the credit will receive a copy of the Certificate of Nebraska Tax Credit, Form 1099 BFC, from the Nebraska Department of Agriculture. To claim their share of the credit, eligible shareholders must file Form 1099 BFC with their income tax return. **Form 1099 BFC is not filed with Form 1120-SN.** For detailed information on this credit, contact the Nebraska Department of Agriculture, P.O. Box 94947, Lincoln, NE 68509-4947, or call 1-402-471-6890 or 1-800-446-4071.

EMPLOYMENT AND INVESTMENT GROWTH CREDIT. This credit is allowable for additional investment and employment in Nebraska. For more information, see the instructions on the Nebraska Employment and Investment Credit Computation, Form 3800N. Form 3800N must be attached to the Form 1120-SN, and a copy provided to each shareholder if this credit is allowed to the shareholders.

Reminder: S corporations that establish LB 270 credits in tax year 2003 must file Form 3800N to show that the required employment and investment levels were maintained.

LB 608 CREDIT is the credit granted after filing an application and \$500.00 fee with the department for added investment and jobs in certain rural areas and designated enterprise zones.

More detailed information on these credits can be obtained on our Web site at www.revenue.ne.gov or by contacting the Nebraska Department of Revenue, P.O. Box 94818, Lincoln, Nebraska 68509-4818, or by calling the Lincoln regional office at 1-402-471-5729, or dial 1-800-742-7474 (toll free in Nebraska and Iowa).

SIGNATURES. This return must be signed by a corporate officer. If the S corporation authorizes another person to sign the return, there must be a power of attorney on file with the Nebraska Department of Revenue.

Any person who is paid for preparing a taxpayer's return must also sign the return as preparer.

DEFINITIONS.

1. **Apportionment** means the process of determining the portion of income derived from sources within a state. The entire federal taxable income of a unitary business operating within and without Nebraska is presumed subject to apportionment.
2. **Bonus depreciation** means the special depreciation allowance for certain property pursuant to provisions of the Internal Revenue Code.
3. **Enhanced Section 179 expense deduction** means the expense in excess of \$25,000 allowed pursuant to provisions of the Internal Revenue Code.
4. **Sales** means all gross receipts of the taxpayer.
5. **Single economic unit** means a business where there is a sharing or exchange of value between the parts of the unit. A sharing or exchange of value

occurs when the parts of the business are linked by a) common management or b) common operational resources that provide material economies of scale or transfers of value or flow of goods, capital, or services between the parts of the unit.

6. **State** means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, and any foreign country or political subdivision thereof.

SPECIFIC INSTRUCTIONS

BUSINESS CLASSIFICATION CODE. Enter the number from the Business Classification Code list in this booklet that best describes your principal business activity. **Please review your code carefully.**

ALL S CORPORATIONS which are required to file a Form 1120-SN must complete lines 1 through 6. Lines 7 through 18 are completed only if the S corporation has nonresident individual shareholders and its line 6 entry is not a loss.

LINE 4. Enter line 19 of Nebraska Schedule II. Federal income taxes paid cannot be deducted as an adjustment decreasing federal taxable income.

LINE 6. If all income is derived from sources within Nebraska, enter the amount from line 5, Form 1120-SN.

The entire income of an S corporation is from Nebraska sources when the S corporation is not subject to tax in another state.

S corporations deriving income from sources within and without Nebraska which are subject to tax in another state shall enter the amount from line 3, Nebraska Schedule I.

LINE 12. Enter the net amount of any refundable Form 3800N credit and any recapture of Employment Expansion and Investment Incentive Act (LB 270) credits. If the credits are larger than the recapture, enter as a negative number.

LINE 14. Enter the amount of taxes deposited with Form 7004N. Also include any amounts that were paid as estimated taxes for 2005 for any S corporation which is included on this return. Please note that there is no requirement that S corporations remit estimated taxes and no penalty for failure to do so. Do not include any Nebraska withholding reported on Form 1099-MISC which was withheld on payments for nonresident personal services performed by shareholders of the S corporation.

INSTRUCTIONS FOR NEBRASKA SCHEDULE I Apportionment of Income

Nebraska Schedule I must be completed by all S corporations which derive income from sources both within and without Nebraska. Income, bonus depreciation, and enhanced Section 179 expense deduction apportioned to Nebraska are determined by multiplying these items by the calculated apportionment factor. The factor on this schedule must be calculated to at least five decimal places and rounded to four.

Nebraska uses a single factor, sales only, formula to apportion income.

An S corporation using an alternative method of apportionment or separate accounting must attach a copy of the prior approval of either method. The separate accounting calculation or the alternative apportionment factor computation must be included. Enter the factor on line 2, Nebraska Schedule I.

If the S corporation is a partner in a partnership or joint venture, see Corporate Income Tax Regulation 24-056, Corporation as Partner in a Partnership or Joint Venture.

If an S corporation is a member of a unitary group which includes a C corporation, the apportionment factor for the S corporation will be the apportionment factor as determined for the unitary group. This factor will be applied against the income, bonus depreciation, and enhanced Section 179 expense deduction of the S corporation. **Separate returns must be filed for the S corporation and the C corporation.**

SALES FACTOR. The sales factor is a fraction, the numerator of which is the total sales of the taxpayer in Nebraska during the taxable year, and the denominator of which is the total sales of the taxpayer everywhere during the taxable year. Total sales include gross sales of real and tangible personal property less returns and allowances and all other items of gross receipts which constitute apportionable income. Intercompany sales between unitary corporations using the combined income approach are excluded from the sales factor. Gross receipts, if substantial in amount, realized from an incidental or occasional sale of a fixed asset used in connection with the taxpayer's regular trade or business are excluded from the sales factor since the inclusion of such receipts would not fairly reflect the extent of the taxpayer's business activity in Nebraska.

The following sales of tangible personal property are included as Nebraska sales in the sales factor:

1. Sales of property which are delivered or shipped to a purchaser, other than the U.S. government, within Nebraska regardless of the f.o.b. point or other conditions of the sale;
2. Sales to the U.S. government of property shipped from an office, store, warehouse, factory, or other place of storage in this state;

Sales other than the sales of tangible personal property are in Nebraska if:

1. The income-producing activity is performed in Nebraska; or
2. The income-producing activity is performed both within and without Nebraska and a greater proportion of the income-producing activity is performed in Nebraska during the taxable year than in any other state, based on cost of performance.

Sales or receipts not specifically assigned by the preceding paragraphs shall be assigned as follows:

1. Gross receipts from the sale, rental, or lease of real property are in Nebraska if the real property is located in Nebraska.

2. Gross receipts from the rental, lease, or licensing of the use of tangible personal property are in Nebraska if the property is in Nebraska. If the property was both within and without Nebraska during the taxable year, then the gross receipts attributable to the period or the percentage of time the property was used in Nebraska are considered in Nebraska.
3. Gross receipts from the performance of services are in Nebraska if the services are performed in Nebraska. If such services are performed partly within and partly without Nebraska, a portion of gross receipts from performance of the services shall be attributed to Nebraska based upon the ratio which the direct costs incurred in Nebraska bears to the total direct costs of the services.
4. Gross receipts from interest or service charges arising from the sale of tangible personal property are attributable to Nebraska if the sale is attributed to Nebraska.

Sales to the U.S. government. The U.S. government is the purchaser when it makes direct payment to the seller. A sale to the U.S. government of tangible personal property is in Nebraska if it is shipped from an office, store, warehouse, or other place of storage in Nebraska. For other sales made to the U.S. government, use the rules stated above for sales of other than tangible personal property.

LINE 13. NEBRASKA APPORTIONMENT FACTOR. To compute the Nebraska apportionment factor, divide line 12, NEBRASKA column, by line 12, TOTAL column, calculate to at least five decimal places and round to four.

INSTRUCTIONS FOR NEBRASKA SCHEDULE II Adjustments to Ordinary Income

Complete Nebraska Schedule II to compute Nebraska adjustments to ordinary income such as income from U.S. government obligations. Use Schedule K, Federal Form 1120S, as the source for the amounts of income and deductions.

LINE 5. Enter all interest income from state and local bonds which are exempt from federal tax and are not issued by Nebraska sources.

LINE 6, BONUS DEPRECIATION ADD-BACK. Multiply the total bonus depreciation claimed on the federal return by 85 percent (.85) and enter the result on line 6. This will allow the S corporation to withhold and remit the additional tax due for all nonresident individual shareholders who do not provide a completed Form 12N to the S corporation. Do **not** reduce the current year bonus depreciation add-back by any portion of the bonus depreciation previously added back in tax years 2000 through 2002.

LINE 7, ENHANCED SECTION 179 EXPENSE DEDUCTION ADD-BACK. Subtract \$25,000 from the total Section 179 expense deduction claimed on the federal

return and enter the result on line 7. This will allow the S corporation to withhold and remit the additional tax due for all nonresident individual shareholders who do not provide a completed Form 12N to the S corporation.

LINE 8. Enter any other additions to income for the S corporation that are includible in the shareholders' federal income but are not reflected in lines 1 through 7 above (attach schedule).

LINE 10. Enter income from obligations of the U.S. government exempt from state taxation. A listing of those U.S. government securities that are exempt may be obtained by reviewing Corporate Income Tax Regulation 24-048. Interest income from repurchase agreements involving U.S. government obligations is **not** deductible as U.S. government interest.

LINE 18. Enter any other deductions to income for the S corporation that are deductible in determining the shareholders' federal income but are not reflected in lines 10 through 17 above (attach schedule).

INSTRUCTIONS FOR NEBRASKA SCHEDULE III Nonresident Shareholder's Share of Bonus Depreciation, Enhanced Section 179 Expense Deduction, and Nebraska Income

An S corporation which has claimed federal bonus depreciation, enhanced Section 179 expense deduction or which has income derived from sources within Nebraska and has at least one nonresident shareholder who is an individual will complete Nebraska Schedule III. This schedule is not necessary when the corporation has a Nebraska loss; instead, attach a schedule showing each shareholder who owned stock during the taxable year, the dates of ownership, and the percent of ownership. Compute the share of the Nebraska loss by multiplying the loss by the percent of ownership for the portion of the year the stock was owned.

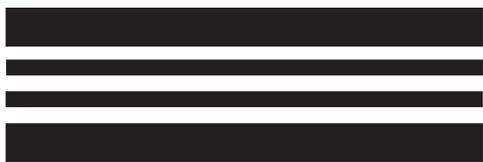
Nebraska Schedule III is also not necessary when all the corporation's shareholders are Nebraska residents.

Enter the name, address, and social security number of each nonresident individual shareholder. If additional space is needed, attach a schedule using the same format as Nebraska Schedule III. **This schedule is completed for nonresident individual shareholders only.**

COLUMN B. Enter the pro rata interest of each nonresident individual who was a shareholder during the corporation's taxable year.

COLUMN D. If a signed Nebraska Nonresident Income Tax Agreement, Form 12N, is attached, do not complete columns E and G.

COLUMN G. Enter 6.84 percent of column E, which is the amount of Nebraska income tax to be withheld for each nonresident individual shareholder. Report the amount withheld from each nonresident individual shareholder on a Statement of Nebraska Income Tax Withheld for Nonresident Individual, Form 14N. The total of column G must equal the amount entered on line 11, Form 1120-SN.



Nebraska S Corporation Income Tax Return
for the calendar year January 1, 2005 through December 31, 2005 or
other taxable year
beginning _____, and ending _____,

FORM 1120-SN
2005

PLEASE DO NOT WRITE IN THIS SPACE

Please Type or Print

Name _____

Street or Other Mailing Address _____

City _____ State _____ Zip Code _____

Business Classification Code _____ Date Business Began in Nebraska _____ Federal Identification Number _____ Nebraska Identification Number 24—

Check here if you need to receive a printed booklet from the Nebraska Department of Revenue next year.

Check applicable box(es):

- (1) Initial Return (2) Final Return (3) Amended Return: Reason for Amending _____ (4) Form 3800N Attached

Do not file if all shareholders are Nebraska residents and all income is derived from Nebraska sources.

1 Ordinary income (line 21, Federal Form 1120S).....	1	\$	
2 Nebraska adjustments increasing ordinary income (line 9, Schedule II).....	2		
3 Line 1 plus line 2.....	3		
4 Nebraska adjustments decreasing ordinary income (line 19, Schedule II).....	4		
5 Nebraska adjusted income (line 3 minus line 4).....	5		
6 Income reported to Nebraska (enter line 5 above or line 3, Schedule I, if applicable).....	6	\$	
If line 6 shows a loss, omit lines 7 through 11			
7 Percent of ownership by nonresident individual shareholders.....	7	%	
8 Percent of ownership by nonresident individual shareholders for whom Nebraska Nonresident Income Tax Agreements, Forms 12N, are attached... ..	8	%	
9 Percent of taxable income subject to withholding (line 7 minus line 8).....	9	%	
10 Income subject to withholding (line 6 multiplied by line 9).....	10	\$	
11 Nebraska income tax withheld for nonresident shareholders (multiply line 10 by .0684).....	11		
12 Form 3800N credit and recapture.....	12		
13 Total of lines 11 and 12.....	13		
14 Tax deposited with Form 7004N and 2005 estimated tax payments.....	14		
15 TAX DUE if line 13 is greater than line 14 (line 13 minus line 14).....	15		
16 Overpayment if line 14 is greater than line 13 (line 14 minus line 13).....	16		
17 Amount on line 16 you want credited to 2006 estimated tax.....	17		
18 Overpayment to be REFUNDED (line 16 minus line 17).....	18	\$	

Under penalties of perjury, I declare that as taxpayer or preparer I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is correct and complete.

sign here

Signature of Officer _____

Date _____

Signature of Preparer Other than Taxpayer _____

Date _____

Title _____

()
Phone Number _____

Address _____

()
Phone Number _____

A COPY OF THE FEDERAL RETURN AND SUPPORTING SCHEDULES MUST BE ATTACHED TO THIS RETURN

Mail this return and payment to: **NEBRASKA DEPARTMENT OF REVENUE, P.O. BOX 94818, LINCOLN, NE 68509-4818**

Visit our Web site: www.revenue.ne.gov, or call 1-800-742-7474 (toll free in NE and IA) or 1-402-471-5729.



**S CORPORATION WITH INCOME DERIVED FROM SOURCES BOTH
WITHIN AND WITHOUT NEBRASKA
NEBRASKA SCHEDULE I—Apportionment of Income**
• If you use this schedule, read instructions

FORM
1120-SN

Name as Shown on Form 1120-SN

Nebraska Identification Number
24—

1 Nebraska adjusted income (line 5, Form 1120-SN)	1	
2 Nebraska apportionment factor (line 13 below).....	2	. <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
3 Income apportioned to Nebraska (line 1 multiplied by line 2). Enter on line 6, Form 1120-SN	3	

APPORTIONMENT FACTORS	TOTAL	NEBRASKA	NEBRASKA APPORTIONMENT FACTOR
Sales or Gross Receipts			

4 Sales or gross receipts minus returns and allowances	4			
5 Sales delivered or shipped to purchasers in Nebraska:				
a Shipped from outside Nebraska		5 a		
b Shipped from within Nebraska.....		5 b		
6 Sales shipped from Nebraska to the U.S. government.....		6		
7 a Interest on sales of tangible property	7 a			
b Interest, dividends, and royalties from intangible property.....	7 b			
8 Gross rents.....	8			
9 Net gain on sales of intangible property	9			
10 Gross receipts from sales of tangible personal and real property not included above	10			
11 Other income (attach schedule)	11			
12 TOTAL SALES OR GROSS RECEIPTS.....	12			
13 Nebraska apportionment factor (divide line 12, NEBRASKA column, by line 12, TOTAL column, calculate to at least five decimal places and round to four). Enter here and on line 2 above	13		. <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	



**S CORPORATION WITH OTHER INCOME AND DEDUCTIONS
NEBRASKA SCHEDULE II— Adjustments to Ordinary Income**

• Read instructions
• Enter amounts from Schedule K, Federal Form 1120S

**FORM
1120-SN**

Name as Shown on Form 1120-SN

Nebraska Identification Number
24—

ADJUSTMENTS INCREASING ORDINARY INCOME		TOTAL
1 Net income from rental real estate activities	1	
2 Net income from other rental activities.....	2	
3 Portfolio income:		
a Interest income	3 a	
b Dividend income	3 b	
c Royalty income	3 c	
d Net short-term capital gain	3 d	
e Net long-term capital gain.....	3 e	
f Other portfolio income	3 f	
4 Net gain under Section 1231 (other than casualty or theft)	4	
5 Non-Nebraska state and local bond interest and dividend income (see instructions)	5	
6 Bonus depreciation add-back (see instructions) Total federal bonus depreciation \$ _____ x .85 = \$ _____. Enter on line 6	6	
7 Enhanced Section 179 expense deduction add-back (see instructions) Total federal Section 179 expense deduction \$ _____ - \$25,000 = \$ _____. Enter on line 7. If less than zero, enter zero	7	
8 Other income (attach schedule)	8	
9 TOTAL adjustments increasing ordinary income (total of lines 1 through 8). Enter here and on line 2, Form 1120-SN.....	9	
ADJUSTMENTS DECREASING ORDINARY INCOME		TOTAL
10 Income from U.S. government obligations (see instructions)	10	
11 Net loss from rental real estate activities	11	
12 Net loss from other rental activities.....	12	
13 Portfolio loss:		
a Net short-term capital loss.....	13 a	
b Net long-term capital loss.....	13 b	
c Other portfolio loss	13 c	
14 Net loss under Section 1231.....	14	
15 Other loss not included in lines 11 through 14.....	15	
16 Charitable contributions	16	
17 Section 179 expense deduction	17	
18 Other deductions (attach schedule)	18	
19 TOTAL adjustments decreasing ordinary income (total of lines 10 through 18). Enter here and on line 4, Form 1120-SN.....	19	



NEBRASKA SCHEDULE III — Nonresident Shareholder's Share of Bonus Depreciation, Enhanced Section 179 Expense Deduction, and Nebraska Income

FORM 1120-SN

• If you use this schedule, read instructions and attach this page to Form 1120-SN

Name as Shown on Form 1120-SN

Nebraska Identification Number
24—

NAME AND ADDRESS OF EACH NONRESIDENT SHAREHOLDER				
Name	Street or Other Mailing Address	City	State	Zip Code
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

(A) Social Security Number	(B) Percent of Ownership	(C) Nebraska Income Reported by S Corporation (Line 6, Form 1120-SN)	(D) Check if Form 12N Attached	COMPUTATION OF NEBRASKA WITHHOLDING TAX		
				(E) Column B Times Column C	(F) Rate	(G) Tax Withheld Column E x Column F (Attach Form 14N)
1					6.84%	
2					6.84%	
3					6.84%	
4					6.84%	
5					6.84%	
6					6.84%	
7					6.84%	
8					6.84%	
9					6.84%	
10					6.84%	
TOTALS						