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Nebraska Department of REVENUE

Electing Small Business Trust (ESBT) Tax Calculation Worksheet

FORM 1041N

Name of Trust

Employer Identification Number

1 Total federal income (ESBT)	1		
2 Federal taxable income (ESBT)	2		
ADJUSTMENTS			
3 ESBT income from U.S. government bonds or other U.S. obligations	3		
4 Line 2 minus line 3	4		
5 ESBT income from non-Nebraska state and local bond interest and other Nebraska adjustments increasing federal taxable income. List type(s) and amount _____	5		
6 ESBT bonus depreciation subtraction (attach schedule) (see instructions)	6		
7 Line 4 plus line 5 minus line 6	7		
8 Nebraska adjustments decreasing federal taxable income. List type(s) and amount _____	8		
9 Nebraska taxable income (line 7 minus line 8)	9		
• **Nonresident ESBTs should not make entries on lines 10, 11, or 12. Nonresident ESBTs must complete the Computation of Nebraska Tax for Nonresident ESBT (below) to determine their Nebraska tax.**			
10 Nebraska income tax on line 9 amount (use the tax rate schedule on page 5 of the Form 1041N instructions)	10		
11 Nebraska minimum or other tax (Federal Form 1041, Schedule I and Federal Form 4972)	11		
12 Total Nebraska tax (line 10 plus line 11). Enter here and on Form 1041N, page 1, line 11	12		
COMPUTATION OF NEBRASKA TAX FOR NONRESIDENT ESBT			
13 Nebraska taxable income (line 9 above)	13		
14 Nebraska income tax on line 13 amount (use the tax rate schedule on page 5 of the Form 1041N instructions)	14		
15 Nebraska minimum or other tax (Federal Form 1041, Schedule I and Federal Form 4972)	15		
16 Total Nebraska tax (line 14 plus line 15)	16		
17 Income derived from Nebraska sources, except capital gains and ordinary gain (loss)	17		
18 Nebraska capital and ordinary gain (loss)	18		
19 Adjustments as applied to Nebraska income, if any. List: _____	19		
20 Nebraska adjusted gross income (line 17 plus or minus lines 18 and 19)	20		
21 Nebraska share of line 16. Compute below, and enter result on line 11, Form 1041N: Calculate the ratio to five decimal places and round to four			

$$\frac{\text{Line 20}}{\text{(Line 1 + Line 5) – (Line 3 + Lines 6 and 8)}} = .\square\square\square\square \text{ (ratio)} \times \underline{\quad\quad} \text{ (line 16)} = \underline{\quad\quad}$$

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INSTRUCTIONS

WHO MUST FILE. This worksheet must be filed by an Electing Small Business Trust (ESBT) which receives income from an S corporation doing business in Nebraska and which is taxed under Internal Revenue Code (IRC) §641(c).

WHEN AND WHERE TO FILE. This worksheet must be completed and attached to the Nebraska Fiduciary Income Tax Return, Form 1041N.

SPECIFIC INSTRUCTIONS. Under IRC §641(c), an ESBT receiving income from an S corporation is required to calculate its tax liability as a separate trust. Nebraska also requires such ESBT to calculate its Nebraska tax on the S corporation income as a separate trust. All amounts entered on this Worksheet must be related to the amounts **received from the S corporation** upon which the separate federal tax was calculated. If the separate federal tax was calculated based on distributions received from more than one S corporation, this worksheet should include the aggregate amounts received.

Reminder: ESBTs which receive income or losses from S corporations doing business in more than one state must adjust their federal taxable income as indicated in the instructions for line 5 and line 8 on this worksheet.

LINE 1. Enter the ESBT's share of the total federal income received from the S corporation.

LINE 2. Enter the ESBT's federal taxable income. This amount should be included in the supplemental information of the ESBT's federal income tax return.

LINE 3. U.S. government bond interest is subtracted from federal taxable income. U.S. government interest or dividend income includes, but is not limited to, U.S. Savings Bonds and U.S. Treasury Bills. See Regulation 23-004 for a listing of U.S. government interest or dividend income deductible for Nebraska income tax purposes. Interest income received from repurchase agreements involving U.S. government obligations is **not** deductible as U.S. government interest.

LINE 5. State and local bond interest exempt from federal tax is added to federal taxable income. Interest from Nebraska source bonds is not added back.

A loss from the S corporation that is not related to Nebraska sources is added to federal taxable income.

LINE 6. An ESBT is allowed to deduct 20 percent of the bonus depreciation previously added back on its 2000 through 2005 tax year returns.

LINE 8. The net income received from an S corporation that is not related to Nebraska sources is deducted from federal taxable income. For information on other deductions see Nebraska Fiduciary Income Tax Regulation 23-004.

LINE 10. A resident ESBT will compute and report its tax liability on lines 10 and 11 of the Worksheet and enter the total on line 12 of the Worksheet and on line 11 of Form 1041N.

A nonresident ESBT will not use lines 10, 11, or 12 of the Worksheet. A Nonresident ESBT must complete lines 13 through 21 of the Worksheet to determine its Nebraska tax liability.

Figure the tax using the rate schedule for the appropriate tax year. These rates may be found in the Form 1041N booklet and on our Web site.

LINE 15. Use the worksheet in the Form 1041N booklet to calculate the Nebraska minimum tax.

LINE 17. Enter the entire net income or loss distributed from the S corporation to the ESBT.

If the S corporation has business activity in more than one state, only a portion of the income is included on line 17. The portion included will be based on the S corporation's Nebraska apportionment factor.

LINE 18. Enter the taxable amount of Nebraska capital and ordinary gain and loss distributed from the S corporation.

Line 19. The adjustments must relate to Nebraska income amounts reported on lines 17 and 18. Include a schedule specifically identifying the adjustments claimed.

An ESBT is allowed to deduct 20 percent of the bonus depreciation previously added back on its 2000 through 2005 tax year returns.

Line 21. The factor used in the division calculation of this line must be computed to five digits and rounded to four digits.