



2008

Nebraska

Partnership Return of Income Booklet

Included in this Booklet:

Form 1065N, Schedules I,
ELP, II, and III and
Business Classification
Codes.

Questions?

www.revenue.ne.gov

(800) 742-7474 (toll free in NE or IA) or (402) 471-5729

2008 Nebraska Partnership Return of Income

INSTRUCTIONS

IMPORTANT REMINDERS

BONUS DEPRECIATION AND ENHANCED SECTION 179 EXPENSE. Partners are no longer required to add back bonus depreciation or any enhanced Section 179 expense deduction on their Nebraska income tax returns. Partners may reclaim 20 percent of the bonus depreciation previously added back in tax years 2000 through 2002 on their 2008 Nebraska income tax return. Partners may also reclaim 20 percent of the bonus depreciation and enhanced Section 179 expense deduction previously added back in tax years 2003 through 2005 on their 2008 Nebraska income tax return. See specific instructions. **NOTE: No bonus depreciation or enhanced Section 179 subtraction amounts can be claimed directly on Form 1065N.**

NEBRASKA CHARITABLE ENDOWMENT TAX CREDIT. Due to the passage of LB 28 (2005) and LB 1010 (2006), certain planned gifts to Nebraska charitable organizations may qualify for a nonrefundable credit of up to \$5,000. The credit is to be disbursed to the partners or members in the same manner as income and cannot be carried back or forward. See page 4 for more details or visit www.revenue.ne.gov.

NOTE: Beginning with the 2009 tax year, the Department will no longer complete a mass mailing of printed Partnership Return of Income Tax Booklets. The partnership forms and instructions continue to be available at www.revenue.ne.gov. If you are unable to access them electronically, a printed copy may be obtained from either the Department or your accountant.

WHAT'S NEW

BIODIESEL TAX CREDIT. Due to the passage of LB 343 (2007), partnerships may establish a credit for investing in a Nebraska biodiesel facility. The credit cannot be taken by the partnership, but may be distributed to partners or members in the same manner as income.

WITHHOLDING (GRANTOR TRUSTS). Due to the passage of LB 915 (2008), partnerships are to withhold tax from nonresident grantors of a grantor trust in the same manner as a nonresident individual.

WITHHOLDING ON CONTRACTORS. Due to the passage of LB 1001 (2008), contractors are required to withhold five percent of any payment or payments exceeding \$600 from their construction subcontractors that are not registered in the Revenue Contractor Database. The amount withheld may be used as a credit against a partner's or member's income tax liability. See www.revenue.ne.gov for additional information regarding the mandatory five percent withholding and the Revenue Contractor Database.

PARTNERSHIP DEFINED. The term "partnership" includes a limited partnership, electing large partnership, limited liability company, syndicate, group, pool, joint venture, or other unincorporated organization, through or by means of which any business, financial operation, or venture is carried on, and which is not, within the meaning of the Internal Revenue Code (IRC), a corporation, trust, estate, or sole proprietorship. **For the remainder of these instructions, the term "partner" means a partner of a partnership or a member of a limited liability company.**

WHO MUST FILE. The Nebraska Partnership Return of Income, Form 1065N, must be completed by every partnership listed above, unless all partners are residents of Nebraska and all income is derived from Nebraska sources. Form 1065N must also be filed by a limited liability company which has elected to be treated as a partnership for federal income tax purposes and which derives income from Nebraska sources.

A limited partnership conducting business entirely outside this state which has Nebraska resident partners, none of whom are general partners charged with the management responsibility of the partnership, is not required to file Form 1065N.

Only one return is required to be filed for each partnership. If copies of the form are furnished to each partner, they should be clearly identified as "Duplicate" or "Copy."

The Nebraska Department of Revenue (Department) does not provide for the filing of "composite" income tax returns submitted on behalf of the nonresident individual partners. Partnerships with nonresident partners are required to either obtain a Nebraska Nonresident Income Tax Agreement, Form 12N, from the nonresident individual, or to withhold and remit Nebraska income tax on the nonresident's share of Nebraska income. For the purposes of Form 12N and the withholding

requirements, an individual includes a nonresident grantor of a grantor trust.

A publicly traded partnership is not required to withhold from its nonresident individual partners who do not submit a 12N.

WHEN AND WHERE TO FILE. This return must be filed on or before the 15th day of the fourth 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 RETURN. This return must be filed for the calendar year 2008, or a fiscal year beginning in 2008. A partnership filing 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 purposes must be the same as the year used for federal income tax purposes. If the partnership changes its federal taxable year, it must change its Nebraska taxable year accordingly. A copy of the approval from the Internal Revenue Service (IRS) to change accounting periods must accompany the first return that reflects the change. Check the box "Final Return" at the top of the return if the partnership ceased to exist during the 2008 tax year.

EXTENSION OF TIME. It is not necessary to request a Nebraska extension of time when the partnership has been granted an extension of time to file the federal return. The Department will accept an approved federal extension of time, provided a copy of the approval is attached to the Nebraska return when filed. When a federal extension of time has been granted and additional time is necessary to file the Nebraska return, the Nebraska Form 7004N must be filed on or before the date the federal extension expires.

An extension of time to file may be obtained from the Department even though you do not request an extension of time in which to file the federal return. The extension must be requested on Application for Automatic Extension of Time to File Nebraska Corporation, Fiduciary, or Partnership Return, Form 7004N, on or before the due date of the return.

NONRESIDENT PARTNER WITHHOLDING. The partnership, unless it is publicly traded, is required to remit Nebraska income tax for each nonresident **individual** partner for whom a properly executed Form 12N is not attached to the original partnership return. The amount to be withheld is 6.84 percent of the nonresident partner's share of partnership income which was derived from or attributed to sources within Nebraska. For the purposes of Form 12N and the withholding requirements, an individual includes a nonresident grantor of a grantor trust. When calculating the withholding for each nonresident individual partner, the partnership must not subtract any bonus depreciation or enhanced Section 179 expense deduction previously added back for such individuals in prior tax years. Instead, the nonresident partner may recover 20 percent of the total bonus depreciation previously added back for tax years 2000 through 2002 by filing a 2008 Nebraska individual income tax return. The nonresident partner may also recover 20 percent of the total bonus depreciation and enhanced Section 179 expense deduction previously added back for tax years 2003 through 2005 on his or her 2008 Nebraska individual income tax return. The remainder may be recovered in a similar fashion in subsequent tax years. The partnership must report the amount withheld from each nonresident partner on the Statement of Nebraska Income Tax Withheld for Nonresident Individual, Form 14N. Attach each Form 14N to the partnership return. Do not file Forms 14N for corporations, estates, or trusts (except grantor trusts) that are partners. Nebraska statutes do not provide for the remittance of tax by a partnership on behalf of these entities.

The nonresident individual partner 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.

Nonresident individual partners do not have to file a return if their only connection with the state is conduct of the business activities of the partnership, and the partnership has withheld tax from all the Nebraska income attributable to the nonresident's share of the organization's income. 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 Form 1040N and claim a refund if one is due.

NONRESIDENT PARTNER – NO WITHHOLDING REQUIREMENT. Withholding is not required to be remitted by the partnership on behalf of any nonresident individual partner who submits a properly executed Nebraska Nonresident Income Tax Agreement, Form 12N, to the partnership before the original filing of the Nebraska Partnership Return of Income, Form 1065N. For the purposes of the Form 12N, an individual includes a nonresident grantor of a grantor trust. To be properly executed, the Form 12N must be completed with **all the requested information** and be **signed and dated** by either the **partner** agreeing to file a Nebraska Individual Income Tax Return, Form 1040N, or his or her duly authorized representative (attach copy of Power of Attorney). **The partnership will be held responsible for withholding related to each nonresident individual**

partner for whom a properly executed Form 12N is not attached to the original partnership return.

The Form 12N is an agreement by the nonresident individual partner to file a Nebraska individual income tax return. Form 12N is not to be completed for corporations, estates, or trusts (except grantor trusts) that are partners. These entities must file the respective Nebraska income tax return to report the partnership income derived from Nebraska.

Any nonresident who files Form 12N to avoid withholding, or who receives Nebraska income from a publicly traded partnership must file Form 1040N.

PAYMENT OF TAX WITHHELD. The entire tax withheld from the nonresident partners 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. An extension of time to file Form 1065N 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 the statutory interest rate from the original due date to the date the tax is paid.

AMOUNTS INCLUDED IN THE RETURN OF THE PARTNER. A resident partner, except for a resident member of a limited liability company, must include in adjusted gross income his or her entire share of the partnership income as computed under the provisions of the IRC. Nonresident or corporate partners, or members of a limited liability company are subject to the Nebraska income tax on their share of the partnership income derived from or attributed to sources within Nebraska.

REPORT OF NEBRASKA SOURCE INCOME TO PARTNERS. A partnership must provide all partners with a schedule listing the amount and type of income or deductions that are to be included in each partner's Nebraska tax return.

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

For partnerships apportioning income, the amount of **Nebraska** income must also be provided to each partner together with a copy of the Nebraska Schedule I, Form 1065N.

Each partnership will determine the Nebraska portion of income subject to tax by either apportionment formula or an approved alternative method. Corporate partners are to refer to Corporate Income Tax Regulation 24-056 for information on calculating their apportionment factors.

Any agreement that allocates the Nebraska portion of income or expenses to a particular partner is void for the purpose of determining the income tax due from the partners. When apportioning income, the amount of income or deductions reportable to the partners is the amount on each line of the Federal Schedule K-1 multiplied by the apportionment factor determined on Apportionment of Income, Nebraska Schedule I.

For partnerships using an alternative method to determine income attributable to Nebraska, the amount reportable to the partners will be determined in accordance with the method approved by the Tax Commissioner.

Electing large partnerships will complete Schedule ELP in order to calculate income to be reported to nonresident or corporate partners.

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

ROUND TO WHOLE DOLLARS. Any amounts of 50 cents through 99 cents should be rounded to the next higher dollar. Round any amount less than 50 cents to the next lower dollar. The amounts on the return and schedules must be shown in whole dollars.

FEDERAL RETURN. A copy of the actual federal return and supporting schedules as filed with the IRS must be attached to this return. Copies of the K-1's may be submitted to the Department using CD-R media or report format.

CHANGES OR CORRECTIONS IN FEDERAL RETURN OR ANOTHER STATE'S RETURN. Any partnership whose reported income or deductions are changed or corrected by the IRS, or through renegotiation of a contract with the United States, is required to report the change or correction to the Nebraska Department of Revenue. The report must be made within 60 days of the final determination of the federal change. In addition, any partnership whose reported income or allowed 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 60 days after it becomes final.

Any partnership which files an amended return with the IRS, 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 Department within 60 days of the filing of the amended federal or state return.

All partnerships reporting a change or correction in the amounts previously reported to the Department must file a Nebraska Partnership Return of Income, Form 1065N, and check the box "Amended Return" at the top of the return. The amended return must be mailed separately from any annual return of the partnership.

A partnership will not receive a refund of any tax due with its original return when the Nebraska source income for its nonresident individual partners is reduced. Such partners may file a claim for refund resulting from the reduced Nebraska source income.

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. Attach the 2008 Nebraska Community Development Assistance Act Credit Computation, Form CDN, and a copy of Form 1099NTC to the Form 1065N and provide each partner a copy of Form 1099NTC. Each partner shall report his or her share of the credit in the same manner and proportion as he or she reports the partnership income.

More detailed information on this credit can be obtained at www.neded.org/content/view/97/227/ or by contacting the Nebraska Department of Economic Development, Community and Rural Development Division, P.O. Box 94666, Lincoln,

Nebraska 68509-4666; or by calling (402) 471-6587 or (800) 426-6505, extension 6587.

BEGINNING FARMER CREDIT. This credit is available to owners of agricultural assets which are rented to qualifying beginning farmers or livestock producers. Each partner eligible for the credit will receive a copy of the Statement of Nebraska Tax Credit, Form 1099 BFC, from the Nebraska Department of Agriculture. To claim their share of the credit, eligible partners must file Form 1099 BFC with their income tax return. **Form 1099 BFC is not filed with Form 1065N.** For detailed information on this credit, see www.agr.state.ne.us/division/med/begfrm.htm, or contact the Nebraska Department of Agriculture, P.O. Box 94947, Lincoln, NE 68509-4947, or call (402) 471-6890 or (800) 446-4071.

FORM 3800N CREDITS. Nebraska provides several tax incentive credits that may be earned by entities conducting business in this state. For additional information on each of the tax credits available, see Form 3800N, www.revenue.ne.gov, or contact the Nebraska Department of Revenue, P.O. Box 94818, Lincoln, Nebraska 68509-4818, or call the Lincoln regional office at (402) 471-5729, or (800) 742-7474 (toll free in Nebraska and Iowa).

NEBRASKA CHARITABLE ENDOWMENT TAX CREDIT. This credit is calculated at 15 percent of a planned gift to a qualified Nebraska charitable endowment for Nebraska charitable purposes (other requirements also apply), up to a maximum \$5,000 credit (\$10,000 for married, filing jointly taxpayers). **Most charitable donations will not qualify for this credit.** The credit is to be disbursed to the partners in the same proportion used to distribute income or loss for income tax purposes. The credit cannot be carried back or forward, and can only be claimed in the tax year in which the contribution is made. The credit applies to the same tax year end used to report income. The credit cannot be used to offset nonresident withholding.

For more details regarding this credit, see www.revenue.ne.gov.

SIGNATURES. This return must be signed by a partner. If a partner authorizes another person to sign the return, there must be a power of attorney on file with the Department. Include your phone number and e-mail address in case the Department needs to contact you about your account. **By including your e-mail address you are agreeing that the Department may use it to transmit confidential information.** Any person who is paid for preparing a taxpayer's return must also sign the return as preparer.

DEFINITIONS.

1. **Apportionment.** 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. **Sales.** All gross receipts of the taxpayer.
3. **State.** Any state of the United States, District of Columbia, 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 inside back cover of this booklet that best describes your principal business activity. **Please review your code carefully.**

PARTNERSHIPS WITH ONLY NEBRASKA RESIDENT INDIVIDUAL PARTNERS.

Partnerships which only have Nebraska income and Nebraska resident individual partners do not need to file a Nebraska partnership return. Partnerships, except electing large partnerships and limited liability companies, must only complete lines 1 through 6 of Form 1065N and Nebraska Schedule II if their partners are all Nebraska resident individuals. Electing large partnerships which only have Nebraska resident individual partners, must only complete lines 5 and 6 of Form 1065N and Nebraska Schedule ELP. Limited liability companies which only have Nebraska resident individual members only need to complete lines 1 through 6 and Nebraska Schedules I and II.

PARTNERSHIPS WITH NONRESIDENT PARTNERS.

Most partnerships with nonresident partners must complete lines 1 through 16, and Nonresident or Corporate Partner's Share of Nebraska Income and Deductions, Nebraska Schedule III. If any of the nonresident individual partners do not furnish a Form 12N to the partnership prior to the filing of the return, the partnership must withhold income tax from each of those partners, attach a Form 14N to the Form 1065N, and remit the tax as computed on line 11 of Form 1065N to the Nebraska Department of Revenue.

A **publicly traded partnership** with nonresident or corporate partners must check the "Publicly Traded Partnership" box and complete lines 1 through 6 and Nonresident or Corporate Partner's Share of Nebraska Income and Deductions, Nebraska Schedule III. Publicly traded partnerships are not required to withhold from their partners. See additional specific instructions for Nebraska Schedule III.

All partnerships with income derived from sources both within and without Nebraska must complete Nebraska Schedule I before completing lines 7 through 16 and Nebraska Schedule III.

LINE 1. Enter the ordinary income or loss as shown on the Federal Form 1065. Electing large partnerships will enter zero (-0-) on lines 1 through 4, and complete Nebraska Schedule ELP in order to complete line 5.

LINE 5. Lines 3 minus line 4. Electing large partnerships enter line 10 from Schedule ELP.

LINE 6. If all income is derived from sources within Nebraska, enter the amount from line 5, Form 1065N.

Partnerships including electing large partnerships deriving income from sources within and without Nebraska and having nonresident or corporate partners shall enter the amount from line 3, Nebraska Schedule I.

Limited liability companies deriving income from sources within and without Nebraska shall enter the amount from line 3, Nebraska Schedule I.

LINE 12. Enter the net amount of any refundable Form 3800N credits and any recapture of such credits. If the credits are larger than the recapture, enter as a negative number.

LINES 7 THROUGH 16. These lines relate to Nebraska Schedule III and pertain to the percent of ownership by nonresident partners who are individuals. Percent of ownership by other nonresident partners which are corporations, estates, trusts, (except grantor trusts) or other entities cannot be included in the withholding tax calculation. These lines need not be completed by publicly traded partnerships.

INSTRUCTIONS FOR NEBRASKA SCHEDULE I Apportionment of Income

Nebraska Schedule I must be completed by all partnerships that derive income from sources both within and without Nebraska and have at least one nonresident or corporate partner. Limited liability companies must complete Nebraska Schedule I when income is derived from sources both within and without Nebraska without regard to the residence of their members. The factor on this schedule must be calculated to five decimal places and rounded to four decimal places.

Income apportioned to Nebraska is determined by multiplying the income of the partnership by the apportionment factor. Nebraska uses a single factor, sales only (gross receipts) formula, to apportion income.

A partnership using an alternative method of apportionment must attach a copy of the approval from the Department of the alternative method and a computation of the apportionment factor. Enter the factor on line 2, Nebraska Schedule I.

SALES FACTOR. The sales factor is a fraction. The numerator is the total sales of the partnership in Nebraska during the taxable year; and the denominator is the total sales of the partnership 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. Gross receipts, if substantial in amount, realized from an incidental or occasional sale of a fixed asset used in connection with the partnership's regular trade or business are excluded from the sales factor if the inclusion of such receipts would not fairly reflect the extent of the partnership's business activity in Nebraska. Trucking partnerships with income from within and without this state, must compute their sales factor in accordance with Corporate Income Tax Regulation 24-059. For additional information see Reg-24-059 and the Apportionment Worksheet for Transportation Revenue found at www.revenue.ne.gov.

The following sales 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; and
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 of other than 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 income year than in any other state, based on cost of performance. The application of this paragraph is limited to those transactions which will result in an equitable apportionment of the partnership's income, e.g., the servicing of industrial equipment. This paragraph does not apply to sales which constitute a principal source of income from the partnership's regular trade or business.

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 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 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 personal services are in Nebraska if the personal services are performed in Nebraska. If such personal services are performed partly within and partly without Nebraska, a portion of the gross receipts from performance of the personal services shall be attributed to Nebraska based on the ratio which the time spent in performing such services in this state bears to the total time spent in performing such services everywhere; and
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.

LINE 6, 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 15, NEBRASKA APPORTIONMENT FACTOR. To compute the Nebraska apportionment factor, divide line 14, NEBRASKA column, by line 14, TOTAL column; calculate to five decimal places and round to four decimal places.

INSTRUCTIONS FOR NEBRASKA SCHEDULE ELP
Electing large partnerships complete Nebraska Schedule ELP to compute the amount to report on line 5, Form 1065N, Nebraska Adjusted Income. Use Parts I and II, and Schedule K of Federal Form 1065-B as the source for the income and deductions.

LINE 7. Enter all state and local bond interest which is exempt from federal tax and is not issued by Nebraska sources.

LINE 8. Enter income from obligations of the U.S. government exempt from state taxation. See line 9, Nebraska Schedule II instructions for more information.

LINE 9. Enter and identify any other adjustments.
 Do not deduct any bonus depreciation or **enhanced Section 179 expense deduction** previously added back for nonresident partners in tax years 2000 through 2005. Instead, the nonresident partner may recover 20 percent of the total bonus depreciation previously added back for tax years 2000 through 2002 by filing a 2008 Nebraska individual income tax return. The nonresident partner may also recover 20 percent of the total bonus depreciation and enhanced Section 179 expense deduction previously added back for tax years 2003 through 2005 on his or her 2008 Nebraska individual income tax return.

INSTRUCTIONS FOR NEBRASKA SCHEDULE II
Adjustments to Ordinary Income
 Complete Nebraska Schedule II to compute adjustments to federal ordinary income. Use Schedule K, Federal Form 1065, as the source for the amounts of income and deductions.

LINE 6. Enter all state and local bond interest which is exempt from federal tax and is not issued by Nebraska sources.

LINE 7. Enter any other additions to income for the partnership that are includible in the partner's federal income but are not reflected in lines 1 through 6 (attach schedule).

LINE 9. Enter income from obligations of the U.S. government exempt from state taxation. A listing of the U.S. government securities that are exempt may be obtained by reviewing Individual Income Tax Regulation 22-002. Interest income from repurchase agreements involving U.S. government obligations **is not** deductible as U.S. government interest.

LINE 17. Enter any other deductions to income for the partnership that are deductible in the partner's federal income but are not reflected in lines 9 through 16 (attach schedule). Do not include bonus depreciation.

INSTRUCTIONS FOR NEBRASKA SCHEDULE III
Nonresident or Corporate Partner's Share of
Nebraska Income and Deductions

PUBLICLY TRADED PARTNERSHIPS. When completing the lower half of Nebraska Schedule III, publicly traded partnerships are only required to fill in the information requested in columns A through C and E for those partners who received more than \$500 of Nebraska income.

A Nebraska Schedule III must be completed when a partnership has income derived from or attributable to sources within Nebraska, and has nonresident or corporate partners. A nonresident partner may be a corporation which must file a corporate return if any partnership income is from Nebraska sources. However, such corporation is not subject to Form 12N or Form 14N filings.

Enter the name, address, and social security number or Nebraska identification number of each nonresident or corporate partner. If additional space is needed, attach a schedule using the same format as Nebraska Schedule III.

The lower half of this schedule is completed for nonresident **individual** partners only. For the purposes of withholding, an individual includes a nonresident grantor of a grantor trust. Withholding is not calculated for corporations, estates, trusts (except grantor trusts), or any other non-individual entities.

COLUMN B. Determine the individual partner's share of income by adding any guaranteed payments received by the partner to the partner's share of other income. Divide this amount by the amount listed on line 5 of Form 1065N and express as a percent in column B.

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

COLUMN E. Enter the nonresident individual partner's distributive share of Nebraska income reported by the partnership. This amount is determined by multiplying column B by column C.

COLUMN G. Enter 6.84 percent of column E. This is the amount of Nebraska income tax to be withheld for each nonresident individual partner who did not complete Form 12N. Report the amount withheld from each nonresident individual partner 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 1065N.



Nebraska Partnership Return of Income
for the calendar year January 1, 2008 through December 31, 2008
or other taxable year

FORM 1065N
2008

beginning _____, and ending _____,

PLEASE DO NOT WRITE IN THIS SPACE

Name Doing Business As (dba)

Legal Name

Street or Other Mailing Address

Nebraska Identification Number

25—

City State Zip Code Federal Identification Number

Business Class. Code (See Instructions)

Date Business Began in Nebraska

Does the partnership have nonresident individual partners?

YES (Complete Schedule III) NO

Type of Organization

Partnership Limited Liability Company Electing Large Partnership Publicly Traded Partnership Other, Explain _____

Check applicable box(es):

(1) Initial Return (2) Final Return (3) Change in Address (4) Amended Return (5) Form 3800N Attached

1 Ordinary income (line 22, Federal Form 1065)	1		
2 Nebraska adjustments increasing ordinary income (line 8, Schedule II)	2		
3 Line 1 plus line 2	3		
4 Nebraska adjustments decreasing ordinary income (line 18, Schedule II)	4		
5 Nebraska adjusted income (line 3 minus line 4; Electing Large Partnerships enter line 10, Nebraska Schedule ELP)	5		
6 Income reported to Nebraska (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 partners (see instructions)	7	%	
8 Percent of ownership by nonresident individual partners for whom Nebraska Nonresident Income Tax Agreements, Forms 12N, are attached	8	%	
9 Percent of income subject to withholding (line 7 minus line 8)	9	%	
10 Line 6 multiplied by line 9	10		
11 Nebraska income tax withheld for nonresident individual partners (line 10 multiplied by .0684) ..	11		
12 Form 3800N credit and recapture	12		
13 Total of lines 11 and 12	13		
14 Prior payments	14		
15 TAX DUE if line 13 is greater than line 14 (line 13 minus line 14)	15		
16 Overpayment to be REFUNDED if line 14 is greater than line 13 (line 14 minus line 13)	16		

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 Partner or Member

Date

Signature of Preparer Other Than Taxpayer

Date

Title

Daytime Phone Number

Address

Daytime Phone Number

E-Mail Address

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, NEBRASKA 68509-4818**
www.revenue.ne.gov, (800) 742-7474 (toll free in NE and IA), (402) 471-5729



PARTNERSHIP WITH NONRESIDENT OR CORPORATE PARTNERS
NEBRASKA SCHEDULE I — Apportionment of Income
NEBRASKA SCHEDULE ELP — Income Reported to Partners by Electing Large Partnership
 • If you use this schedule, read instructions

FORM
1065N

Name as Shown on Form 1065N

Nebraska Identification Number
 25—

NEBRASKA SCHEDULE I — Apportionment of Income
 • See instructions

1 Nebraska adjusted income (line 5, Form 1065N).....	1	
2 Nebraska apportionment factor (line 16 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 here and on line 6, Form 1065N	3	

APPORTIONMENT FACTORS	TOTAL	NEBRASKA	NEBRASKA APPORTIONMENT FACTOR
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Sales or Gross Receipts

4 Sales or gross receipts less returns and allowances	4		
5 Sales delivered or shipped to purchasers in Nebraska: Shipped from outside Nebraska		5	
6 Sales delivered or shipped to purchasers in Nebraska: Shipped from within Nebraska		6	
7 Sales shipped from Nebraska to the U.S. government.....		7	
8 Ordinary income (loss) from other partnerships, etc.	8	8	
9 Interest on sales of tangible property	9	9	
10 Gross rents.....	10	10	
11 Net farm profit (loss).....	11	11	
12 Net gain on sales of intangible property	12	12	
13 Gross receipts from sales of tangible personal and real property not included above	13	13	
14 Other income (attach schedule)	14	14	
15 TOTAL SALES OR GROSS RECEIPTS.....	15	15	
16 Nebraska apportionment factor (divide line 15, NEBRASKA column, by line 15, TOTAL column, calculate to five decimal places and round to four). Enter here and on line 2 above.....	16		<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

NEBRASKA SCHEDULE ELP — Income Reported to Partners by Electing Large Partnership Filing Federal Form 1065-B
 • See instructions

1 Taxable income (loss) from passive activities.....	1	
2 Taxable income (loss) from other activities	2	
3 Net capital gain (loss) from passive activities.....	3	
4 Net capital gain (loss) from other activities.....	4	
5 Guaranteed payments.....	5	
6 Income from discharge of indebtedness	6	
7 Add: Tax exempt state and local bond interest (from non-Nebraska sources)	7	
8 Subtract: Income from U.S. government obligations (see instructions)	8	
9 Other (attach schedule).....	9	
10 Total of lines 1 through 9 (enter here and on line 5, Form 1065N).....	10	



PARTNERSHIP WITH OTHER INCOME AND DEDUCTIONS
NEBRASKA SCHEDULE II— Adjustments to Ordinary Income
 •Read instructions
 •Enter amounts from Schedule K, Federal Form 1065

FORM
1065N

Name as Shown on Form 1065N

Nebraska Identification Number
 25—

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 Total net long-term capital gain.....	3 e	
f Other portfolio income	3 f	
4 Guaranteed payments to partners	4	
5 Net gain under IRC Section 1231 (other than casualty or theft)	5	
6 Non-Nebraska state and local bond interest income (see instructions)	6	
7 Other (attach schedule)	7	
8 TOTAL adjustments increasing ordinary income (total of lines 1 through 7). Enter here and on line 2, Form 1065N	8	
ADJUSTMENTS DECREASING ORDINARY INCOME		TOTAL
9 Income from U.S. government obligations (see instructions)	9	
10 Net loss from rental real estate activities	10	
11 Net loss from other rental activities	11	
12 Portfolio loss:		
a Net short-term capital loss.....	12 a	
b Net long-term capital loss	12 b	
c Other portfolio loss.....	12 c	
13 Net loss under IRC Section 1231	13	
14 Other loss not included in lines 10 through 13.....	14	
15 Charitable contributions	15	
16 Section 179 expense deduction	16	
17 Other (attach schedule)	17	
18 TOTAL adjustments decreasing ordinary income (total of lines 9 through 17). Enter here and on line 4, Form 1065N	18	



NEBRASKA SCHEDULE III — Nonresident or Corporate Partner's Share of Nebraska Income and Deductions

FORM 1065N

• If you use this schedule, read instructions and attach this page to Form 1065N

Name as Shown on Form 1065N

Nebraska Identification Number
25—

NAME AND ADDRESS OF EACH NONRESIDENT OR CORPORATE PARTNER

Name	Street or Other Mailing Address	City	State	Zip Code
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

COMPLETE FOR NONRESIDENT INDIVIDUAL PARTNERS ONLY

• Do not include corporations, trusts, partnerships, or limited liability companies

NOTE: A partnership with out-of-state partners and with ONLY portfolio income, need not complete this section. Instead check this box.

(A) Social Security Number	(B) Share of Income (%)	(C) Nebraska Income Reported by Partnership (Line 6, Form 1065N)	(D) Check if Form 12N Attached	COMPUTATION OF NEBRASKA WITHHOLDING TAX		
				(E) Column B Times Column C	(F) Rate	(G) Tax Withheld (Column E times 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						