

INSTRUCTIONS

WHO MUST FILE. Corporations required to make estimated tax payments must file Corporation Underpayment of Estimated Tax, Form 2220N, when any underpayment is computed on line 21 of Form 2220N.

Corporations are required to make estimated tax payments if they reasonably expect their Nebraska income tax to exceed their allowable credits by \$400 or more. The allowable credits are: the Premium tax credit; Nebraska Endowment credit; Community Development Assistance Act (CDAA) credit; Nebraska tax incentive credits (Form 3800N credits); the Beginning Farmer credit; and the Biodiesel tax credit.

If the amount on line 9 is less than \$400, do not complete the rest of the form. You do not owe penalty.

WHEN AND WHERE TO FILE. This form must be attached to the Nebraska Corporation Income Tax Return, Form 1120N, and filed with that return.

PART I—Calculate Your Underpayment

LINE 1. Enter the tax amount from line 13 of the 2009 Form 1120N on line 1 of this form.

LINE 7. The amount entered on this line should only include the Beginning Farmer Credit. Any amount claimed for Nebraska income tax withheld on line 23 of Form 1120N must be included on line 15 of Form 2220N.

LINE 11. The entry on this line allows corporations to use the tax reported on their prior year's return less the prior year's allowable credits to determine whether an underpayment exists. Enter line 19 minus lines 20 and 23 from 2008 Form 1120N. ("Large corporations," except as noted, cannot use this calculation.) The prior year's Nebraska return must cover a period of 12 months and show a tax liability. If this calculation does not apply to you, enter your line 10 amount on line 12.

Large Corporations. A "large corporation" is one which had, or its predecessor had, federal taxable income of at least \$1 million for any of the three taxable years immediately preceding the tax year involved. In applying the "\$1 million test," taxable income is computed without regard to net operating loss carryovers or capital loss carrybacks.

A **large corporation** is prohibited from using its prior year's tax liability, except in determining the first installment of its tax year. Any reduction in a large corporation's first installment as a result of using the prior year's tax must be recaptured in the corporation's second installment.

Large corporations compute line 14 amounts by using the same procedures that result in the comparable entry on the Federal Form 2220.

METHODS TO REDUCE OR AVOID PENALTY. A corporation may reduce or eliminate the penalty by using the annualized income or adjusted seasonal installment method. To use one or both of these methods to figure one or more required installments, recalculate and attach the Federal Schedule A, "Adjusted Seasonal Installment Method and Annualized Income Installment Method" using Nebraska income and other Nebraska amounts.

On this form, enter on line 14 of each column, the corresponding amount from the recalculated Federal Schedule A.

LINE 15. Enter the tax payments made by the corporation and any credit for Nebraska income tax withheld from the corporation as indicated below.

In column A enter the total of:

1. The corporation's 2008 overpayment that was credited to its 2009 estimated payments;
2. Any estimated payment made for the 2009 tax year by the date on line 13, column A; and
3. Any Nebraska income tax withheld from the corporation by the the date on line 13, column A.

In columns B, C, and D enter the total of:

1. Any estimated payment made for the 2009 tax year by the date on line 13 for that column and after the date on line 13 of the preceding column; and
2. Any Nebraska income tax withheld from the corporation by the date on line 13 for that column and after the date on line 13 of the preceding column.

LINE 21. When an underpayment is reported on this line, you must complete Part II, lines 23 through 27, in order to determine the penalty amount for each underpayment of an installment.

LINE 22. OVERPAYMENT. Any overpayment of an installment on line 22 in excess of all prior underpayments should be applied as a credit on line 16 against the next installment.

PART II—Calculate the Penalty

LINE 24. A payment of estimated tax is applied against underpayments of required installments in the order that installments are required to be paid, regardless of the installment to which the payment pertains.

Example: A corporation has an underpayment for the April 15 installment of \$1,000. The June 15 installment requires a payment of \$2,000. On June 15, the corporation deposits \$2,000 for its June 15 installment. However, \$1,000 of this payment is considered to be for the April 15 installment. The penalty for the April 15 installment is calculated to June 15 (61 days). The payment to be applied to the June 15 installment will then be \$1,000.

In determining the date of payment on line 24, use the date of the payment which was applied against the underpayment on line 23, the due date of the next payment (line 13 of the next column), or the 15th day of the 3rd month following the close of the taxable year, whichever is earliest.

LINE 26. The penalty is calculated at five percent per annum for any days in 2009 and 2010. Multiply line 23 by the applicable interest rate for the number of days on line 25.

If the corporation has made more than one payment for a required installment, make separate penalty calculations through the date of payment and for the remaining underpayment through the date it is paid, then add the results together and enter on line 26.