



2010

Nebraska Fiduciary Income Tax Booklet

Included in this Booklet are:

Form 1041N,
Schedules I, II, and III; and
Use Tax information.

Questions?

www.revenue.ne.gov

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

2010 Nebraska Fiduciary Income Tax Return

INSTRUCTIONS

Important Information for All Filers

Purpose. The Nebraska Fiduciary Income Tax Return is not simply an informational return. The [Form 1041N](#) and schedules are necessary to:

- ◆ Calculate tax on income retained by the estate or trust;
- ◆ Calculate taxable income and credits that will be passed through to the beneficiaries; and
- ◆ Calculate and pay tax on behalf of nonresident individual beneficiaries.

Use Tax. An estate or trust may also be subject to use tax. See the additional information on page 3 of these instructions.

General Filing Information

Nebraska Nonresident Income Tax Agreement, Form 12N. If [Form 12N](#) is used, it must be filed for the nonresident beneficiary each year.

Enter All Amounts as Whole Dollars. Do not include cents on the return or schedules. Do not change the pre-printed zeros in the cents column of the Form 1041N or schedules. Round any amount from 50 cents to 99 cents to the next higher dollar. Round any amount less than 50 cents to the next lower dollar.

Penalties and Interest. Either or both may be imposed in the following circumstances:

- ◆ Failure to file a return and pay the tax due on or before the due date;
- ◆ Failure to pay the tax due on or before the due date;
- ◆ Failure to file an amended Nebraska income tax return to report changes made to your federal return;
- ◆ Preparing or filing a fraudulent income tax return; or
- ◆ Understatement of income on an income tax return.

Filing a false or fraudulent Nebraska return is subject to penalty, even if the amounts reported are taken from your federal return. Unpaid tax is subject to interest at the current statutory rate of five percent from the original due date to the date the tax is paid. See [Revenue Ruling 99-10-1](#) for applicable interest rates.

Reporting Changes or Corrections. If information on a Nebraska fiduciary income tax return previously filed is incorrect, a Form 1041N with the “Amended Return” box checked must be filed. When filing an amended return, remember:

- ◆ Changes made by the Internal Revenue Service (IRS) or another state must be reported to the Nebraska Department of Revenue (Department) within 60 days;
- ◆ Form 1041N is year-specific. Please be sure to use the correct form for the tax year you are amending. The appropriate forms can be found on the Department’s website;
- ◆ You must attach a copy of the related federal or other state amended return, and all related schedules or other documentation to explain the changes shown on the amended Nebraska return; and
- ◆ Show only the corrected figures on the amended return.

When an amended return reflects a reduction in tax due because Nebraska source income for its nonresident individual beneficiaries is reduced, the estate or trust will not receive a refund. The individual beneficiaries may file a claim for refund resulting from the reduced Nebraska source income.

Nebraska Extension of Time. An extension of time to file may only be obtained by:

- ◆ Attaching a copy of a timely-filed Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns, Federal Form 7004, to the Nebraska return when filed;

- ◆ Attaching a schedule to the Nebraska return listing the federal confirmation number and providing an explanation that the electronic request for automatic federal extension was not denied; or
- ◆ Filing a [Nebraska Application for Extension of Time to File Nebraska Corporation, Fiduciary or Partnership Return, Form 7004N](#), on or before the due date of the return, when you need to make a tentative Nebraska payment or when a federal extension is not being requested.

Failure to attach the applicable extension document may result in a late filing penalty. An extension of time only extends the date to file the return. It does not extend the due date to pay the tax. Any tax not paid by the original due date is subject to interest.

NOTE: The IRS provides automatic extensions to estates and trusts for either a five or six-month period dependent upon the type of federal return to be filed (Form 1041 – five months; Form 1041-N and Form 1041-QFT – six months). Nebraska follows the IRS regarding the number of months an automatic extension will be granted. **No additional extension of time to file the Nebraska fiduciary income tax return will be provided.**

Estimated Tax Payments. Nebraska does not require an estate or trust to make estimated tax payments. Any estate or trust making a voluntary estimated payment should use the [Nebraska Fiduciary Estimated Income Tax Payment Voucher, Form 1041N-ES](#). Report the estimated tax payment on line 19.

Accounting Methods. The accounting method used for federal income tax purposes must be used for Nebraska income tax purposes. A taxpayer may not change the accounting method used to report income in prior years unless the change is approved by the IRS. A copy of this approval must accompany the first return which shows the change in the method of accounting.

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

Tax Period. A 2010 Form 1041N must be used to file for the calendar year 2010, or a fiscal year beginning in 2010. Space is provided at the top of the return to enter the beginning and ending dates for short-period or fiscal-year filers. The taxable year for Nebraska must be the same as the taxable year used for the federal income tax return.

If the estate or trust changes its federal taxable year, it must also change its Nebraska taxable year. A copy of the approval from the IRS to change accounting periods must accompany the first return that shows the change.

Final Return. Check the “Final Return” box at the top of the return if the estate or trust ceased to exist during the 2010 tax year.

USE TAX

An estate or trust owes use tax when the proper sales tax has not been paid on purchases delivered into Nebraska. This often occurs when purchases are made from out-of-state, mail order, or Internet sellers. Use tax is also due when items purchased for resale are withdrawn from inventory for business or personal use.

EXAMPLE 1:

The estate or trust purchased a computer from a seller in South Dakota over the Internet for \$1,570 plus \$30 shipping and handling charges. Both charges are taxable. The computer is shipped to the estate or trust in Scottsbluff, Nebraska and no tax is charged or collected by the seller. The total state tax is \$88 (\$1,600 X 5.5%) and the local tax is \$24 (\$1,600 X 1.5%). The total use tax owed is \$112 (\$88 + \$24 = \$112).

EXAMPLE 2:

A motor vehicle repair shop in Scottsbluff, Nebraska provides motor vehicle repair service. The repair shop also owns a tow truck used for towing customer motor vehicles needing repair. The shop purchases oil and oil filters, tax exempt, for resale using the [Nebraska Resale or Exempt Sale Certificate, Form 13](#). When oil and oil filters are removed from tax exempt inventory and used to change the oil in the business-owned tow truck, state and local use tax is due on the cost of the oil and oil filters.

For additional information, see the [Nebraska Consumer's Use Tax Information Guide](#) on the Department's website.

NONRESIDENT BENEFICIARIES

Estates and trusts must withhold and remit the Nebraska income tax for each nonresident individual beneficiary who does not complete a [Nebraska Nonresident Income Tax Agreement, Form 12N](#). For the purposes of Form 12N and the withholding requirements, an individual includes a nonresident grantor of a grantor trust.

Nonresident beneficiaries who sign the Form 12N agree to file a Nebraska income tax return and pay all taxes due directly to the Department. This relieves the estate or trust from withholding and remitting the tax on the beneficiary's behalf. All completed [Forms 12N](#) must be attached to the [Form 1041N](#).

If a Form 12N is not completed for a nonresident individual beneficiary, the amount to be paid is 6.84% of the nonresident beneficiary's share of estate or trust income from Nebraska sources. When calculating the payment for each nonresident individual beneficiary, the estate or trust cannot subtract any bonus depreciation previously added back for the beneficiary in prior tax years. Only the nonresident beneficiary may recover these amounts by filing a [Nebraska Individual Income Tax Return, Form 1040N](#).

The estate or trust reports the amount withheld from each nonresident beneficiary on the [Statement of Nebraska Income Tax Withheld for Nonresident Individual, Form 14N](#). Attach each Form 14N to the fiduciary return. Do not file Forms 14N for corporations, estates, or trusts (except grantor trusts) that are beneficiaries. Nebraska law does not allow payment of tax by an estate or trust on behalf of these entities. These entities are required to file a Nebraska return.

The nonresident individual beneficiary may claim the amount withheld and remitted by the estate or trust as a credit against his or her Nebraska income tax liability by attaching a copy of the Form 14N to the Form 1040N.

Nonresident individual beneficiaries do not have to file a Nebraska individual income tax return if:

- ◆ Their only source of Nebraska income was their share of the estate's or trust's income, which was derived or attributable to sources within this state; and
- ◆ The estate or trust has withheld and remitted tax from all the Nebraska income attributable to the nonresident's share of the estate's or trust's income.

The full amount of the withholding, at the nonresident beneficiary's option, is retained in lieu of filing an individual income tax return. Any nonresident may still file a Form 1040N and claim a refund if one is due.

Nonresident Beneficiary – No Withholding Requirement. The estate or trust is not required to withhold and remit tax for any nonresident individual beneficiary who completes and submits a Form 12N to the estate or trust, before the original filing of the Form 1041N. For purposes of the Form 12N, an individual includes a nonresident grantor of a grantor trust. A complete Form 12N must:

- ◆ Include all the requested information; and
- ◆ Be signed and dated by the beneficiary or the beneficiary's authorized representative (attach copy of [Power of Attorney, Form 33](#)).

Any nonresident beneficiary who files Form 12N to avoid withholding, must file Form 1040N. Failure to file the required Form 1040N may result in:

- ◆ The issuance of an assessment to the nonresident individual beneficiary based on the information available to the Department; or
- ◆ The loss of use, by the nonresident individual beneficiary, of the current year Nebraska net operating or capital loss distributed from the estate or trust. A Nebraska net operating or capital loss carryforward will not be allowed to offset Nebraska income until the Nebraska return for the loss year has been filed.

Beneficiary's Return. A resident beneficiary must include his or her entire share of the estate or trust income in adjusted gross income. Income should be computed under the applicable provisions of the Internal Revenue Code (IRC). Nonresident beneficiaries are subject to the Nebraska income tax on their share of the estate or trust income derived from sources within Nebraska.

Reporting Nebraska Source Income to Beneficiaries. An estate or trust must provide all beneficiaries with a schedule listing the amounts and types of income and deductions to be included in each beneficiary's Nebraska tax return.

A Federal Schedule K-1 may be used for each beneficiary, provided it is modified to include the beneficiary'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.

Accumulation Distribution. If the accumulation distribution is included in the beneficiary's federal adjusted gross income, it should be included in the beneficiary's Nebraska taxable income.

CREDITS DISTRIBUTABLE TO BENEFICIARIES

Nebraska Community Development Assistance Act (CDAA) Credit. A fiduciary for an estate which operates a business is allowed a credit for a contribution made to approved projects of community betterment organizations recognized by the Nebraska Department of Economic Development. Attach the [2010 Nebraska Community Development Assistance Act Credit Computation, Form CDN](#), and a copy of Form 1099NTC to the Form 1041N.

For more details regarding this credit, see the [Nebraska Department of Economic Development's website](#) or contact the Nebraska Department of Economic Development, Community and Rural Development Division, PO Box 94666, Lincoln, Nebraska 68509-4666; (402) 471-3775; or (800) 426-6505, extension 6587.

Financial Institution Tax Credit. An estate or trust may take a nonrefundable credit against its tax liability for the Nebraska financial institution tax. The credit is limited to the estate or trust's share of the Nebraska financial institution tax paid by a financial institution electing to be taxed under the IRC as an S corporation. This credit is claimed on line 14 of [Form 1041N](#).

The amount of financial institution tax credit taken by the estate or trust is an adjustment increasing federal taxable income. The amount of this credit claimed on line 14, Form 1041N, is included in the amounts reported on line 4, Form 1041N, and on line 33 of Nebraska Schedule I, Form 1041N.

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, go to www.revenue.ne.gov and click on "Economic Tax Incentives" on the left side of the webpage.

Beginning Farmer Credit. This credit is available to owners of agricultural assets which are rented to qualifying beginning farmers or livestock producers. The credits must be approved by the Beginning Farmer Board. For additional information, see www.agr.ne.gov or contact the Nebraska Department of Agriculture, PO Box 94947, Lincoln, Nebraska 68509-4947; (402) 471-6890; or (800) 446-4071.

Who Must File?

The Nebraska Fiduciary Income Tax Return, Form 1041N, must be filed by the fiduciary of every resident estate or trust that is required to file a federal income tax return, except for trusts that meet all of the following conditions:

- ◆ The trust is classified as a simple trust;
- ◆ All of the trust's beneficiaries are residents of Nebraska;
- ◆ All of the trust's income is derived from Nebraska sources;
- ◆ The trust has no federal tax liability; and
- ◆ The trust is not an electing small business trust.

The Nebraska Fiduciary Income Tax Return, Form 1041N, must also be filed by the fiduciary of a nonresident estate or trust: if the estate or trust is required to file a federal income tax return for the taxable year; and the estate or trust had income derived from Nebraska sources. The fiduciary is responsible for filing the return for the estate or trust, whether the income is taxable to the estate or trust, or to the beneficiaries. If the income is taxable to the beneficiaries, the fiduciary must include a statement of each beneficiary's distributive share of net income.

Electing Small Business Trust (ESBT). An ESBT which reports and pays federal income tax pursuant to IRC § 641(c) on income from an S corporation doing business in Nebraska, must report and pay Nebraska income tax on the income. See line 9 instructions for further information.

Bankruptcy Estate for an Individual. The bankruptcy trustee or debtor in possession must file Form 1041N for the estate of an individual involved in bankruptcy proceedings under Chapter 7 or 11 of Title 11 of the United States Code where a fiduciary income tax return is required under the provisions of the IRC. Calculate the tax for the bankruptcy estate on Form 1040N using the tax rate schedule for married, filing separately and subtract one personal exemption credit. Enter the tax on line 28 of the [Form 1040N](#), and on line 8 of [Form 1041N](#). Complete the remaining lines of Form 1041N. Attach Form 1040N to Form 1041N. In a jointly administered case, if two separate federal tax returns are required, then two separate Nebraska tax returns must be filed.

Bankruptcy Estate for Corporations and Partnerships. Unlike the situation for an individual in bankruptcy, the commencement of bankruptcy proceedings for a corporation or partnership does not create a separate taxable entity. Therefore, there is no federal filing requirement for the bankruptcy trustee, and no Nebraska filing requirement.

Exempt Trusts. A trust, which by reason of its purposes and activities is exempt from federal income tax, is also exempt from Nebraska income tax. However, exempt trusts filing an Exempt Organization Business Income Tax Return, Federal Form 990-T, to report unrelated business income must file a Nebraska return and pay tax to Nebraska.

If the federal tax was computed at the corporate rates, the fiduciary must file a [Form 1120N](#). If the federal tax was computed at the fiduciary rates, the fiduciary must file a Form 1041N.

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. If this return is being filed by an exempt organization which has unrelated business income, the due date is the 15th day of the fifth month following the close of the taxable year of the exempt organization.

Mail the return to the:
Nebraska Department of Revenue
PO Box 94818
Lincoln, Nebraska 68509-4818

How to Complete Form 1041N

Nebraska ID Number. Enter your Nebraska ID number. If you have not been assigned a Nebraska ID number, leave this field blank. A Nebraska ID number will be assigned when the return is received. The Department will send notification of the assigned Nebraska ID number to the address shown on the return.

Federal ID Number. Enter the federal ID number assigned to the estate or trust by the IRS.

Residence of Estates and Trusts. The residence of an estate or trust is the same as either the domicile of the deceased at the time of death; or the domicile of the creator of the trust at the time the trust, or a portion of the trust, became irrevocable. The residence of a trust is not changed by a change in the domicile of the creator or a change in location of the property of the trust. The residence of the fiduciary does not affect the residence of the estate or trust.

LINE 1 **Total Federal Income.** Enter the total federal income as shown on the federal return. (Federal Form 1041, 1041-QFT, or 1041-N).

LINE 2 **Federal Taxable Income.** Enter the federal taxable income as shown on the federal return.

LINE 3 **Undistributed Income from U.S. Government Bonds or Other U.S. Obligations.** Enter all income from obligations of the U.S. government exempt from state taxation, which was not distributed to the beneficiaries. A listing of the U.S. government obligations that are exempt may be obtained by

reviewing [Fiduciary Income Tax Regulation 23-004](#). Interest income from repurchase agreements involving U.S. government obligations is not deductible as U.S. government interest.

LINE 4 **Undistributed Income from Non-Nebraska State and Local Interest and Other Nebraska Adjustments Increasing Federal Taxable Income.** Enter the total adjustments increasing federal taxable income that was not distributed to the beneficiaries. This income includes, but is not limited to:

- ◆ Non-Nebraska state or local obligations exempt from federal taxation;
- ◆ Any loss from an S corporation or LLC which was not from Nebraska sources; and
- ◆ Federal net operating or capital losses deducted in computing federal taxable income.

LINE 5 **Undistributed Bonus Depreciation Subtraction.** Estates and trusts are allowed to deduct 20% of the total bonus depreciation previously added back on their 2003 through 2005 tax year returns. Attach a schedule identifying the bonus depreciation previously added back in each tax year.

LINE 6 **Nebraska Adjustments Decreasing Federal Taxable Income.** Enter the total adjustments decreasing federal taxable income, except those already deducted above. These deductions include, but are not limited to:

- ◆ Income from an S corporation or LLC which was not from Nebraska sources;
- ◆ Any Nebraska net operating or capital loss;
- ◆ Any amount included in federal taxable income, but not in federal distributable net income by a **nonresident** estate or trust [e.g., gains on capital assets that are allocated to the corpus of the estate or trust and are not – (A) paid or credited, or (B) required to be distributed to a beneficiary during the taxable year, paid, permanently set aside, or to be used for the purposes specified in IRC § 642(C)]. The nonresident estate or trust must attach Schedule B, Federal Form 1041, to its Nebraska Form 1041N and include an explanation of the deduction; and
- ◆ Gifts, grants, and donations made to the Nebraska Educational Savings Plan Trust (Trust) to the extent not already deducted for federal income tax purposes. Attach a **copy of the letter of receipt** from the State Treasurer’s Office acknowledging the gift has been received. Fiduciaries making contributions as participants in the Trust may deduct contributions on line 6 up to \$5,000 per tax year. Income from interest and earnings from the Nebraska College Savings Program may be deducted to the extent that the income is included in federal taxable income.

Nebraska resident estates and trusts cannot deduct income earned or derived from outside Nebraska, except for non-Nebraska S corporation or LLC income. Instead, the resident estate or trust may be entitled to a credit for income tax paid to another state. See the instructions for [Credit for Tax Paid to Another State for Resident Estate or Trust Only, Nebraska Schedule III](#).

NOTE: Federal and state income taxes paid or refunded cannot be deducted as an adjustment decreasing federal taxable income for state purposes.

LINE 7 **Nebraska Taxable Income.** Enter the result of line 2 plus line 4 minus lines 3, 5, and 6.

LINE 8 **Nebraska Income Tax.** Resident estates and trusts compute their tax using the tax schedule below, and enter the result on line 8.

Nonresident estates and trusts do not make an entry on line 8. Instead, nonresident estates and trusts use the tax rate schedule to complete line 28 of [Nebraska Schedule I](#).

2010 NEBRASKA TAX RATE SCHEDULE FOR FIDUCIARY INCOME TAX RETURN			
If taxable income is:		The Nebraska tax is:	
over —	but not over		
\$ 0	\$ 500	2.56% of the income	
500	4,700	\$ 12.80 + 3.57% of the excess over \$500	
4,700	15,150	\$162.74 + 5.12% of the excess over \$4,700	
15,150	—	\$697.78 + 6.84% of the excess over \$15,150	

LINE 9

Nebraska Minimum or Other Tax. The Nebraska minimum or other tax is calculated by adding: (1) federal alternative minimum tax; and (2) federal tax on lump-sum distributions of pensions, and multiplying the result by 29.6%. Resident estates and trusts use the worksheet below to compute their line 9 entry.

Unless a nonresident estate or trust receives income from an ESBT, it will not make an entry on line 9. Instead, nonresident estates and trusts use the worksheet below to compute line 29 of Nebraska Schedule I.

NEBRASKA MINIMUM OR OTHER TAX WORKSHEET	
(Use to compute line 9, Form 1041N. Keep for your records.)	
1. Alternative minimum tax, amount on Federal Form 1041, Schedule I, recalculated for Nebraska in accordance with Nebraska Revenue Ruling 23-10-1	_____
2. Tax on lump-sum distributions of pensions (enter amount from Federal Form 4972)	_____
3. SUBTOTAL (Add lines 1 and 2)	_____
	x .2960
4. TOTAL (Subtotal multiplied by .2960).....	_____

**Enter this total on line 9, Form 1041N.
Attach a copy of your Federal Form 4972 and/or
recomputed Federal Form 1041, Schedule I, to your return.**

A credit for prior year minimum tax is available. The federal credit is recalculated for Nebraska in accordance with [Revenue Ruling 23-10-2](#).

Electing Small Business Trust (ESBT). An ESBT must compute Nebraska income tax on income received from S corporations doing business in Nebraska which is taxed federally under IRC § 641(C). Under federal law, an ESBT is required to calculate its tax liability as a separate trust. Nebraska also requires an ESBT to calculate its Nebraska tax liability as a separate trust. An estate or trust with ESBT income should complete the [Electing Small Business Trust Tax Calculation Worksheet, Form 1041N](#), or a similar schedule to calculate the Nebraska tax liability on its ESBT income. In completing the worksheet, the ESBT adjusts its federal taxable income in the same manner as an estate or trust which is not an ESBT. This includes, but is not limited to, an adjustment to federal taxable income for non-Nebraska S corporation income or loss. In addition, a nonresident ESBT will compute its Nebraska source income and tax liability on the ESBT income in the same manner as a nonresident estate or trust which is not an ESBT.

The tax computed on the ESBT income is based on the Nebraska tax rate schedule found in the line 8 instructions. Add this amount to any tax computed on the Nebraska Minimum or Other Tax worksheet and enter the total on line 9. The [Electing Small Business Trust Worksheet](#) may be found on the Department’s website.

LINE 10 **Total Nebraska Tax.** Resident estates and trusts enter the total of lines 8 and 9. Nonresident estates and trusts enter the amount from line 35 of [Nebraska Schedule I](#).

LINE 11 **Nebraska Income Tax Withholding for Nonresident Individual Beneficiaries.** Enter the total amount of tax withheld from column (G) of [Nebraska Schedule II](#).

LINE 12 **Total Nebraska Income Tax Liability.** Enter the result of line 10 plus line 11.

Credits. Enter the allowable credits only if the estate or trust did not distribute its income for the 2010 tax year. If the estate or trust distributed its 2010 income, any credits are also distributed to the beneficiaries in the same manner as income.

LINE 13 **Credit for Tax Paid by Resident Estate or Trust to Other States.** Enter the amount from line 5 of [Nebraska Schedule III](#). Attach a copy of the income tax return filed with the other state, or a copy of a letter or statement from the other state or city stating the amount of income and tax paid. If the estate or trust is claiming credit for income tax paid to a political subdivision of another

state in which no annual income tax return is required, then attach a Federal Form W-2 statement to support the claimed credit. Prepare a separate Nebraska Schedule III for each state in which income tax was paid. However, if some income is subject to income tax in both another state and a city within that state, complete only one Nebraska Schedule III and combine the city and state taxes paid.

LINE 14	CDAA Credit and Financial Institution Tax Credit. Add the credit calculated on line 12 of the Nebraska Community Development Assistance Act Credit Computation, Form CDN , to the credit reported on the Statement of Nebraska Financial Institution Tax Credit, Form NFC , and enter the result on line 14. Attach a copy of the forms supporting the credit claimed on this line (Form CDN; Statement of Nebraska Tax Credit for Community Development Assistance Act Contribution, Form 1099NTC; and Form NFC). Also provide each beneficiary a copy of the Form 1099NTC.
LINE 15	Form 3800N Nonrefundable Credit. Enter any nonrefundable credits from Form 3800N . Attach a copy of the Form 3800N supporting the credit claimed.
LINE 16	Total Nonrefundable Credits. Add lines 13, 14, and 15 and enter the result on line 16.
LINE 17	Subtract line 16 from line 12 and enter the result on line 17. If line 16 (Total Nonrefundable Credits) is greater than line 12 (Total Nebraska Income Tax Liability), enter zero (-0-).
LINE 18	Form 3800N Refundable Credit. Enter the total refundable credits from Form 3800N. Attach a copy of the Form 3800N supporting the credits claimed.
LINE 19	Tax Deposited with Form 7004N and 2010 Estimated Tax Payments. Add the total amount paid in estimated tax payments and any amount paid with the Nebraska extension request, Form 7004N . Enter the total on line 19.
LINE 20	Beginning Farmer Credit. Enter the Beginning Farmer credit reported on a Statement of Nebraska Tax Credit, Form 1099 BFC. Attach a copy of Form 1099 BFC to support the amount claimed.
LINE 21	Other Credits. Enter Nebraska income tax withheld on salary or wage payments included in the income of the estate. Enter any Nebraska withholding shown on Federal Forms 1099-R or W-2G if the related income is included in the income of the estate or trust. Attach a copy of Federal Forms W-2, 1099-R, or W-2G to support the amount claimed.
LINE 22	Total Payments. Add lines 18, 19, 20, and 21 and enter the result on line 22.
LINE 23	Tax Due. If line 17 is greater than line 22, subtract line 22 from line 17 and enter the result on line 23. Check or Money Order. Include a check or money order payable to the Nebraska Department of Revenue with your return. Checks written to the Department may be presented for payment electronically. At this time, the Department does not offer credit card or electronic payment options for fiduciary income tax returns.
LINE 24	Overpayment. If line 22 is greater than line 17, subtract line 17 from line 22 and enter the result on line 24.
LINE 25	Overpayment on Line 24 you want Credited to 2011 Estimated Tax. Enter the amount of overpayment shown on line 24 that you want credited as a tax year 2011 estimated payment for the estate or trust.
LINE 26	Overpayment to be Refunded. Enter the amount of overpayment shown on line 24 that you want refunded. The overpayment to be refunded is calculated by subtracting line 25 from line 24. Note: An estate or trust filing an amended return will not receive a refund of any amount withheld on its original return for nonresident beneficiaries when the Nebraska source income for its nonresident individual beneficiaries is reduced. Instead, the beneficiaries may file a claim for refund resulting from the reduced Nebraska source income.

Sign and Date the Tax Return. This return must be signed by the fiduciary or officer of the organization receiving, having custody of, or controlling and managing the income of the estate or trust. Include your daytime phone number and e-mail address in case the Department needs to contact you. By including your e-mail address, you are agreeing that the Department may use it to transmit confidential information through a secure website.

If the fiduciary authorizes another person to sign this return, there must be a [Power of Attorney, Form 33](#), on file with the Department, or attached to the return.

Paid Preparer's Use Only. Any person who is paid for preparing a taxpayer's return must also sign the return as preparer. Additionally, the preparer must enter their Preparer Tax Identification Number (PTIN), their firm's name, and Federal Employer Identification Number (EIN).

Nebraska Schedule I Instructions

Computation of Nebraska Tax for Nonresident Estate or Trust

Purpose. The [Nebraska Schedule I](#) is used by nonresident estates and trusts to determine the Nebraska tax (Form 1041N, line 10, Total Nebraska Tax) on income derived from or connected with Nebraska sources. To complete this schedule, tax is computed on federal taxable income as modified by specific Nebraska adjustments. The Nebraska tax liability of the nonresident estate or trust is determined by multiplying the tax computed on line 30 by a ratio of Nebraska source income over **total federal income**, as modified by specific Nebraska adjustments.

LINE 27 **Nebraska Taxable Income.** Enter the amount from [Form 1041N](#), line 7.

LINE 28 **Nebraska Income Tax on Line 27 Amount.** Nonresident estates and trusts compute their tax using the tax rate schedule shown for line 8 on page 7 of the instructions, and enter the result on line 28.

LINE 29 **Nebraska Minimum or Other Tax.** The Nebraska minimum or other tax is calculated by adding: (1) federal alternative minimum tax; and (2) federal tax on lump-sum distributions of pensions, and multiplying the result by 29.6%. Nonresident estates and trusts use the worksheet included as part of the Form 1041N, line 9 instructions to compute their line 29 entry.

LINE 30 **Total Nebraska Tax.** Add lines 28 and 29, and enter the result on line 30.

LINE 31 **Income Derived from Nebraska Sources, Except Capital and Ordinary Gain (Loss).** Enter the total amount of taxable income derived from Nebraska sources. Include the Nebraska portion of taxable income reported on lines 1, 2a, 3, 5, 6, and 8 of the U.S. Income Tax Return for Estates and Trusts, Form 1041. Attach a schedule listing the income amounts.

If there was business activity in more than one state, and any of this activity had income from Nebraska sources, only a portion of the fiduciary's income is included on line 31. The portion included will be based on the same ratio that income from Nebraska bears to total income for that business activity. A separate calculation is required for each separate business activity.

Attach a copy of any K-1, or K-1 equivalent, reporting Nebraska source income distributed to the fiduciary by a partnership, LLC, or S corporation.

LINE 32 **Nebraska Capital and Ordinary Gain (Loss).** Enter the taxable amount of Nebraska capital and ordinary gain or loss reported on lines 4 and 7 of Federal Form 1041. Also attach a schedule identifying each asset sold and the amount of Nebraska gain or loss received from the sale. The reportable gains (losses) may include those from the sale of the following properties located in Nebraska: real property; trade or business property; depreciable and amortizable property; oil, gas, geothermal, or other mineral properties; IRC § 126 property; and tangible personal property located in Nebraska at the time of sale.

LINE 33

Adjustments, if any, Applied to Nebraska Income. The adjustments must relate to the Nebraska income amounts reported on lines 31 and 32. Include a schedule specifically identifying the adjustments claimed.

Estates and trusts are allowed to deduct 20% of the bonus depreciation added back on their 2003 through 2005 tax year returns.

LINE 34

Nebraska Adjusted Gross Income. Enter the result of line 31 plus or minus lines 32 and 33.

LINE 35

Nebraska Share of Line 30. Use the mathematical formula provided on line 35 of Nebraska Schedule I to calculate the Nebraska tax. Enter the result on line 35, and on Form 1041N, line 10.

Nebraska Schedule II Instructions

Nonresident Beneficiary's Share of Nebraska Income, Deductions, and Credits

Purpose. The Schedule II is completed to identify the nonresident beneficiaries and to calculate withholding tax for the nonresident individual beneficiaries. The withholding is calculated on the distributable net income from Nebraska sources. No tax is withheld when the nonresident individual beneficiary has completed a Form 12N. This schedule must be completed **unless**:

- ◆ All the beneficiaries are residents of Nebraska; or
- ◆ The Form 1041N is filed for a simple trust with nonresident beneficiaries and the trust only received portfolio income. Generally, portfolio income includes all gross income (other than income derived in the ordinary course of a trade or business) that is attributable to interest, dividends, and royalties. These simple trusts must check the box under the Schedule II heading.

Name and Address. Enter the name and address for each nonresident beneficiary.

Column (A). Enter the Social Security number or Nebraska ID number for each nonresident individual beneficiary.

Column (B). Enter the nonresident individual beneficiary's share of the distributable net income which was derived from or attributable to Nebraska sources. Include only current earnings distributions, not accumulation distributions. Portfolio income (see above) is not included in Nebraska income.

Do not reduce the current year Nebraska income reported in column (B) by any portion of the bonus depreciation previously added back in calculating the withholding for nonresident individuals in tax years 2003 through 2005. The nonresident individual beneficiary may reclaim 20% of the total bonus depreciation previously added back for tax years 2003 through 2005 by filing a 2010 Nebraska individual income tax return.

Column (C). Enter the nonresident individual beneficiary's share of the deductions related to the income included in column (B).

Column (D). Place a check mark in this column if a properly completed and signed [Nebraska Nonresident Income Tax Agreement, Form 12N](#), is attached. Do not complete columns (E) and (G) when this box is checked.

Column (E). Enter the nonresident individual beneficiary's share of Nebraska income subject to withholding. Subtract the amount in column (C) from the amount in column (B), and enter the difference or zero (-0-), whichever is greater.

Column (G). Multiply the amount in column (E) by .0684 and enter the result in column (G). This is the amount of Nebraska income tax to be withheld for each nonresident individual beneficiary who did not complete a Form 12N. Report the amount withheld from each nonresident individual beneficiary on a Statement of Nebraska Tax Withheld for Nonresident Individual, Form 14N. The total of column (G) must equal the amount entered on line 11, Form 1041N.

Nebraska Schedule III Instructions

Credit for Tax Paid to Another State for Resident Estate or Trust Only

Purpose. The [Nebraska Schedule III](#) is used to calculate the credit for tax paid by a resident estate or trust to another state, political subdivision of another state, or the District of Columbia.

LINE 1 **Nebraska Tax.** Enter the amount from line 10, [Form 1041N](#).

LINE 2 **Taxable Income from Another State.** Refer to the [Conversion Chart](#) on the Department's website. Enter the amount shown on the return filed with the other state as referenced on the Conversion Chart. Do not include any income from S corporations or LLCs that is not from Nebraska sources.

LINE 3 **Computed Tax Credit.** Use the mathematical formula provided on line 3 of Nebraska Schedule III to calculate the amount entered on this line.

LINE 4 **Tax Due and Paid to Another State.** Refer to the Conversion Chart and enter the amount shown on the return filed with the other state as tax paid to that state. Attach a copy of the income tax return filed with the other state, or a copy of a letter or statement from the other state or city identifying the amounts of income and tax paid. If the estate or trust is claiming credit for income tax paid to a political subdivision of another state in which no annual income tax return is required, then attach a Federal Form W-2 statement to support the credit claimed.

Prepare a separate Nebraska Schedule III for each state in which income tax was paid. However, if some income is subject to income tax in both another state and a city within that state, complete only one Nebraska Schedule III and combine the city and state taxes paid.

LINE 5 **Maximum Tax Credit.** Enter the smallest of the amounts reported on lines 1, 3, or 4 on line 5, and on line 13, Form 1041N.