Circular EN Instructions

Purpose. The Circular EN explains the responsibility you have as an employer to withhold, report, and remit Nebraska income tax. The Circular EN explains the forms you must give your employees, the forms your employees must give you, and the forms you must submit to DOR.

The Circular EN also includes the percentage method tables and the tax table brackets used to calculate Nebraska taxes for income tax withholding from each employee for wages paid on or after **January 1, 2027.**

Taxpayer Assistance. The Lincoln office is open from 7:30 a.m. until 5:00 p.m., Monday through Friday. Call Taxpayer Assistance at 800-742-7474 (NE and IA), or 402-471-5729. Visit DOR's website for additional information.

Are You Required to Withhold Income Tax? If you have an office or conduct business in Nebraska and are considered an employer for federal purposes, you must withhold income taxes for Nebraska. This includes payments made to all employees, including nonresidents, for services performed in this state.

If you pay a nonresident of Nebraska for personal services performed in Nebraska, even when the person is not your employee, and the payment is not subject to federal income tax withholding, you may still be required to withhold income tax for Nebraska. See the instructions on page 10, Income Tax Withholding from Nonresidents on Payments Not Subject to Federal Income Tax Withholding.

If you pay a construction contractor or construction subcontractor see the instructions on page 10 for construction contractors.

Income Tax Withholding Certificate. You must complete a Nebraska Tax Application, Form 20, to apply for an income tax withholding certificate. There is no fee for this certificate.

Multiple locations. An employer with more than one location or accounting office may file deposits and returns for all locations, or for a region, separate location, or district.

Taxable wages. All amounts determined to be wages and subject to federal income tax withholding are also wages for Nebraska purposes. They are subject to Nebraska income tax withholding if the wages were paid for services performed in this state.

Cancelling the income tax withholding certificate. If you are no longer making payments subject to Nebraska income tax withholding, the income tax withholding certificate can be cancelled. This is done by checking the box below the name and location address on the paper Nebraska Income Tax Withholding Return, Form 941N or when the Form 941N is e-filed. The income tax withholding certificate can also be cancelled by filing a Nebraska Change Request, Form 22.

Gambling Winnings. Certain gambling winnings that are subject to federal income tax withholding are subject to Nebraska income tax withholding. See page 10.

Pensions and Annuities. If the recipient requests withholding for federal income tax from pension and annuity payments, the recipient may also have Nebraska income tax withheld.

Amounts Not Subject to Nebraska Income Tax Withholding. Backup withholding on interest and dividends is not required for Nebraska income tax withholding purposes.

Payroll Period. The payroll period for Nebraska purposes is the same period used for federal income tax withholding.

Income Tax Withholding From Employees. Employees are required to complete the Nebraska Form W-4N for every Federal Form W-4 completed on or after January 1, 2020. Employees who have completed a Federal Form W-4 prior to January 1, 2020, are not required to submit a Nebraska Form W-4N and employers will continue to use the Federal Form W-4 on file for Nebraska withholding purposes.

The same marital status and number of income tax withholding allowances claimed for federal purposes must be used for Nebraska if the Federal Form W-4 was completed prior to January 1, 2020. If a Federal Form W-4 was completed on or after January 1, 2020, the employee must complete the Nebraska Form W-4N to determine the number of income tax withholding allowances because the Nebraska law allows individuals to claim personal exemption credits. If an employee completed a Federal Form W-4 on or after January 1, 2020 but did not complete a Nebraska Form W-4N, the employer must withhold as if the employee was single and claimed no withholding allowances regardless of marital status.

An employee may request that an additional Nebraska income tax withholding amount be withheld by the employer by completing a Nebraska Form W-4N.

Exempt Employees. Employees claiming exemption from Nebraska income tax withholding because they did not have a Nebraska liability last year and expect none this year, must complete a new Nebraska Form W-4N by February 15 each year. An exemption is good for only one year.

Caution: This may be overruled by the special income tax withholding requirement (see page 2). If the IRS requires withholding for an individual who has previously claimed exemption from income tax withholding, that individual is also subject to Nebraska income tax withholding.

Nonresident Employees. Nebraska employers must review their payroll systems for income tax withholding purposes for employees working at a location that is in a different state to assure compliance with Nebraska requirements in 316 Neb. Admin. Code, Ch. 21 and Ch. 22.

The following **Special Rules** section addresses legislative changes enacted in LB 1023 (2024) for tax years beginning on or after January 1, 2025. Nebraska employers who employ nonresidents who work in Nebraska and other states should review this section to determine if either rule impacts the amount of Nebraska income tax required to be withheld on the nonresident employee's wages. In general, the special rules apply to wages paid to nonresident employees who work a total of seven or less employment duty days in Nebraska or who earn convenience rule wages during a calendar year.

General Rule. A Nebraska Nonresident Employee Certificate for Allocation of Income Tax Withholding, Form 9N, may be filed with the employer by any nonresident employee who is working for an employer in both Nebraska and other states. The form is used to designate the percentage of the wages subject to income tax withholding for Nebraska purposes. A nonresident working 100% of the time in Nebraska will not complete a Form 9N.

The employer first calculates the income tax withholding for a nonresident on the total wages paid using either the percentage method or the wage bracket method. After determining what the income tax withholding on the total is, the employer multiplies the amount calculated by the percentage subject to income tax withholding shown on the Form 9N. The result is the amount of income tax withheld for the nonresident.

The percentage of compensation subject to withholding stated on the Form 9N is used only for the purpose of withholding the expected Nebraska individual income tax liability. **The percentage used for income tax withholding purposes does not determine the wage amount that must be included on the Form W-2 as Nebraska wages.**

A nonresident servicemember spouse making the election to claim the non-Nebraska military servicemember's state of legal residence for tax purposes, must complete a Form 9N so that their employer does not withhold Nebraska income tax on the wages.

Special Rules. For tax years beginning on or after January 1, 2025, Nebraska employers are not required to withhold Nebraska income tax on certain wages earned by nonresident employees who work in Nebraska and other states, and whose work during the calendar year meets either special rule defined below. Any partial days worked in Nebraska count as full days.

1. **Conference or Training Wages.**

   Wages paid to a nonresident employee for attending a conference or training while present in Nebraska are not subject to Nebraska income tax withholding only if the nonresident employee, during the year, (a) works in more than one state, (b) is present and working in Nebraska seven employment duty days or less, and (c earns $5,000 or less in wages from work performed while present in Nebraska.

   If any of the requirements are not met, this rule does not apply.

2. **Convenience Rule Wages.**

   a. **Nonresident Employee Works Seven Employment Duty Days or Less in Nebraska During the Year.**

      All wages paid to a nonresident employee are not subject to Nebraska income tax withholding if the nonresident employee is paid both convenience rule wages and wages for working seven employment duty days or less while present in Nebraska during a calendar year. Once the nonresident employee exceeds seven employment duty days in Nebraska all days worked in Nebraska are subject to Nebraska income tax withholding.

   b. **Nonresident Employee Works More than Seven Employment Duty Days in Nebraska During the Year.**

      If a nonresident employee is paid convenience rule wages and works more than seven employment duty days while present in Nebraska during a calendar year, the Nebraska employer must deduct and withhold Nebraska income tax on wages paid to the nonresident employee for all work performed while present in Nebraska including the seven employment duty days.

Additional Information for Special Rules.

1. The definitions for conference, employment duty days, and training in Neb. Rev. Stat. § 77-2733(9) apply to this section. In addition, the term convenience rule wages mean wages paid for work performed outside Nebraska for the nonresident employee's convenience as provided in Neb. Rev. Stat. § 77-2733(8)(c).
2. If a nonresident employee is paid convenience rule wages and wages for attending a conference or training while present in Nebraska during the same year, the total days the nonresident employee works while present in Nebraska applies to each special rule.

   For example, a nonresident employee is paid wages for attending five days of training in Nebraska and for working an additional ten employment duty days while present in Nebraska. The rest of the year the nonresident employee is paid convenience rule wages for work performed at her home in Iowa. Because the nonresident employee works more than seven employment duty days in Nebraska, the special rule for conference or training wages does not apply. The employer must deduct and withhold Nebraska income tax on the wages paid for the days in Nebraska.

Nonresidents Performing Personal Services. A nonresident who performs personal services substantially within Nebraska who is not subject to federal income tax withholding may still be subject to Nebraska income tax withholding. There are special rates and methods for this income tax withholding.

Income tax withholding is required when a payor maintaining an office or transacting business in Nebraska makes payments to any nonresident individual, partnership, corporation, or LLC of more than $600 for performing personal services. Income tax withholding is also required when a payor makes payments of more than $5,000 to a nonresident performing personal services in Nebraska. See the instructions and rates on page 11.

Filing and Payment Requirements

Quarterly Return. Every employer maintaining an office or transacting business in Nebraska, and making payments to employees, is required to file the Nebraska Income Tax Withholding Return, Form 941N, unless licensed as an annual filer.

Form 941N is filed whether or not there were payments made during the quarter that were subject to Nebraska income tax withholding. The Form 941N is due on or before the last day of the month following the end of the quarter. The Form 941N may be e-filed using DOR's free Form 941N filing program.

Monthly Deposits. The amount of income taxes withheld determines the frequency of deposits.

Deposit for the first month of the quarter. An employer must make a deposit if more than $500 was withheld in this period.

Deposit for the second month of the quarter. An employer must make a deposit if more than $500 was withheld in either this period or in the first month of the quarter.

Deposits are required to be made on or before the 15th day of the month following the calendar month the income taxes were withheld.

Monthly Deposit Filing. DOR no longer mails Nebraska Monthly Income Tax Withholding Deposit, Forms 501N, to employers. Most taxpayers required to make monthly withholding deposits have been mandated to submit their payments via EFT. The Form 501N is a transmittal document used for making a withholding deposit by check in the first and second months of a quarter and should not be used when making deposits electronically.

Payments can be made using DOR's e-pay system, or by using Tele-pay. Payment options and descriptions are available on our website. If you are not mandated to make payments electronically, Form 501N can be printed from our website at **revenue.nebraska.gov**.

Annual Filers. Employers who have been licensed to file on an annual basis will file a single Form 941N for the entire calendar year. This return is due on or before January 31 of the following year. **The Form 941N may be e-filed using DOR's Form 941N free filing program.** Quarterly returns will not be sent for the first three quarters of the year.

Annual Reconciliation of Income Tax Withheld. A Nebraska Reconciliation of Income Tax Withheld, Form W-3N, is due on or before January 31 of the following year. It is filed separately from Form 941N. The Form W-3N may be e-filed using DOR's Form W-3N free filing program. DOR will no longer mail the Form W-3N to employers who have previously e-filed the Form W-3N or employers who are required to electronically pay the income tax withholding.

Nebraska copies of the following forms (for each employee or payee receiving wages or having income tax withheld) are due January 31 after the close of the tax year:

- Wage and Tax Statements, Federal Forms W-2;
- Certain Gambling Winnings, Federal Forms W-2G;
- Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., Federal Forms 1099-R;
- Miscellaneous Income, Federal Forms 1099-MISC;
- Nonemployee Compensation, Federal Forms 1099-NEC; and
- Informational forms that do not have Nebraska income tax withheld are not required to be submitted but DOR encourages the forms to be submitted.

An employer who is filing more than 50 Forms W-2, W-2G, 1099-R, 1099-MISC, and/or 1099-NEC with Nebraska income tax withholding amounts for a tax year must file the forms electronically.

Electronic Payments. All of the payment options identified below satisfy the electronic payment requirement for entities that are required to make their payments (tax, penalty, and interest) electronically. All taxpayers are encouraged to make their payments electronically.

Electronic Payment Options:

- **Electronic Funds Withdrawal (EFW)**. With this payment option, you provide your payment information within your electronically-filed return. Your payment will automatically be withdrawn from your bank account on the date you specify.

- **Nebraska e-pay**. Nebraska e-pay is DOR's web-based electronic payment system. You enter your payment and bank account information, and choose a date (up to a year in advance) to have your account debited. You will receive an email confirmation for each payment scheduled.
- **ACH Credit**. You (or your bank) create an electronic file in the appropriate ACH file format. It is submitted to the Federal Reserve and instructs your bank to "credit" the state's bank account.
- **Nebraska Tele-pay**. Nebraska Tele-pay is DOR's phone-based electronic payment system. Call 800-232-0057, enter your payment and bank account information, and choose a date (up to a year in advance) to have your account debited. You will receive a confirmation number at the end of your call.
- **Credit Card**. Secure credit card payments can be initiated through ACI Payments, Inc. at www.acipayonline.com; or via phone at 800-272-9829. Eligible credit cards include American Express, Discover, MasterCard, and VISA. A convenience fee is charged to the card you use. This fee is paid to the credit card vendor, not the State, and will appear on your credit card statement separately from the payment made to DOR. At the end of your transaction, you will be given a confirmation number. Keep this number for your records. [If you are making your credit card payment by phone, you will need to provide the Nebraska Jurisdiction Code, which is 3700.]

  Cancel a Payment. To cancel a scheduled EFW payment, contact our Taxpayer Assistance office at 800-742-7474 or 402-471-5729 before 4:00 pm Central Time two business days prior to your scheduled payment date. You may cancel a payment scheduled through Nebraska e-pay by logging into the e-pay program from our website and selecting "cancel payment." To cancel a credit card payment, contact ACI Payments, Inc.

Electronic Filing. Any taxpayer mandated to make the income tax withholding payments electronically DOR will not mail Form 941N or W-3N to anyone required to pay electronically, or to anyone who has e-filed Form 941N or W-3N in the past. DOR encourages all employers to file and pay electronically.

Preidentified Return. A preidentified return is a return that is mailed to you by DOR. This return should be used only by the taxpayer whose name is printed on it. Do not file returns that are photocopies, are for another tax period, or have not been preidentified. If you have not received a return for the tax period, and will be filing a paper return, visit DOR's website to print a Form 941N. Complete the ID number, tax period, name, and address information.

E-Filing Income Tax Withholding Documents. DOR offers a free e-filing program to upload Forms W-2, W-2G, 1099-R, 1099-MISC, and 1099-NEC on its website. While all taxpayers are encouraged to e-file these forms, employers filing more than 50 Forms W-2, W-2G, 1099-R, 1099-MISC, and/or 1099-NEC for any year must e-file these forms. Employers filing more than 50 forms may be assessed a penalty of $2 per form, up to $2,000, for not e-filing all federal withholding forms before the due date of the W-3N.

The e-filed forms must meet the specifications in the information guides Nebraska Computer Reporting Procedure for 1099s, 21CM and Nebraska Computer Reporting Procedure, 21EFW2. The Nebraska guidelines are used in combination with the federal guidelines in the Internal Revenue Service Publication 1220 and Social Security Administration's Publication 42-007 for e-filing these forms. Follow the same formatting in the Nebraska Computer Reporting Procedure for 1099s, 21CM for submitting informational forms such as Forms 1099-K without Nebraska income tax withholding.

Where to File. All returns must be e-filed or sent to the Nebraska Department of Revenue, PO Box 98915, Lincoln, Nebraska 68509-8915. Payment of taxes withheld must also be mailed to the same address or made electronically. See Electronic Payments above.

Federal forms can either be obtained from the IRS or from commercial distributors.

Taxable Wages. Nebraska taxable wages are equal to federal taxable wages.

Determining Income Tax Withholding. There are several ways to determine income tax withholding. You can use the Nebraska percentage method or the Nebraska wage bracket method, regardless of the method used to determine federal income tax withholding.

If you determine federal withholding using any of the following methods, the same method of determining income tax withholding can be used for Nebraska. The methods that can be used are:

- Annualized wages;
- Average estimated wages;
- Cumulative wages; and
- Part-year employment.

If you do not use one of these methods for federal income tax withholding, either the percentage method or the wage bracket method must be used for Nebraska.

Percentage Method. If you do not want to use the wage bracket tables to determine income tax withholding, or if the amount of wages paid is more than the amounts included on the wage bracket tables, you can use the percentage method. To use the percentage method, start with the taxable wage amount for the payroll period. Subtract the value of any income tax withholding allowances using the table below. Deduct the result from the taxable wages before using the percentage method tables on pages 12 and 13.

If this calculation is less than 1.5% of the taxable wage amount, adjust the income tax withholding to be at least 50% or more of the income tax withholding for a single employee with one income tax withholding allowance, or for a married employee with two allowances. **These amounts meet the minimum income tax withholding requirement and may be used by the employer to determine an acceptable employee's state income tax withholding amount.**

Find the amount of income tax to withhold in the following manner:

Income Tax Withholding–Percentage Method
Withholding Allowance Table
Effective January 1, 2027

Payroll Period	Value of One Income Tax Withholding Allowance
Daily or Miscellaneous	$ 9.65
Weekly	48.27
Biweekly	96.54
Semimonthly	104.58
Monthly	209.17
Quarterly	627.50
Semiannually	1,255.00
Annually	2,510.00

1. Multiply one income tax withholding allowance for the appropriate payroll period from the table above by the number of allowances claimed by the employee.
2. Subtract that amount from the employee's taxable wages before using the percentage method tables.
3. Determine the employee's income tax withholding using the appropriate table on pages 12 or 13. Use the payroll period and the marital status of the employee.

Wage Bracket Method. The Nebraska Income Tax Withholding Wage Bracket Tables in this Circular EN (beginning on page 14) shades the income tax withholding amounts that do not meet the 1.5% special income tax withholding requirement.

- The non-shaded area shows income tax withholding amounts that meet the special 1.5% withholding requirement. The non-shaded amounts are either 1.5% of the employee's taxable wage for the mid-point of the wage bracket or at least 50% of the income tax withholding for a single employee with one income tax withholding allowance, or for a married employee with two allowances. **The non-shaded amounts meet the minimum income tax withholding requirement and may be used by the employer to determine an employee's state income tax withholding.**
- The shaded area indicates income tax withholding amounts that do not meet the minimum requirement. These amounts should not be used unless the employer receives documentation from the employee substantiating the need for the lower income tax withholding amount. Without documentation, the employee's income tax withholding must be set at a level within the non-shaded area of the income tax withholding tables.

When using the wage bracket method, use the proper table from pages 14 through 31, for the employee's marital status and your payroll period. Next, find the correct amount of income tax to withhold using the wage amount and the appropriate number of income tax withholding allowances claimed. If the employee claims more than ten allowances, the tax must be determined using an adjusted wage amount.

Adjusting the Wage Bracket Income Tax Withholding for Taxpayers With More Than 10 Income Tax Withholding Allowances. The wage bracket tables include up to ten allowances. To adapt the table for more than ten allowances:

1. Multiply the number of income tax withholding allowances claimed over ten by the income tax withholding allowance value for the payroll period used in the income tax withholding allowance table.
2. Subtract the result from the employee's wages.
3. For this amount, find and withhold the tax in the column for ten allowances.

This calculation will be used whenever the same method is used for the federal income tax withholding.

Bonuses, Supplemental Wages, and Taxable Awards. If supplemental wages (bonuses, commissions, overtime pay, severance pay associated with Nebraska employment, and sales awards) are paid at the same time as regular wages, the income tax withheld is determined as if the total of the supplemental and regular wages were a single wage payment for the regular payroll period. If supplemental wages are paid at a different time, the employer may determine the income tax withholding by adding the supplemental wages either to the regular wages for the current payroll period, or to the regular wages for the last preceding payroll period within the same calendar year. The employer may also elect to withhold income tax on the supplemental wages by using a flat 3.5% withholding rate.

Gambling Winnings From Nebraska Sources. There is a flat Nebraska income tax withholding rate of 3.5% of the winnings in Nebraska that are subject to federal income tax withholding. The amount of income tax withheld must be reported on Federal Form W-2G. Form W-2G is also used when income tax withholding is not required, but income is being reported. The payor must furnish a Form W-2G if the recipient receives any Nebraska Lottery or other gambling winnings received in Nebraska subject to federal income tax withholding.

Pensions and Annuities. For periodic payments of employer-provided pensions and annuities, the income tax withholding is determined in the same manner as income tax withholding from wages. Payors must use the same number of allowances and the marital status as claimed by the payee on the Federal Form W-4P, Withholding Certificate for Pension or Annuity Payments, filed with the payor if the Federal Form W-4P was completed prior to January 1, 2022. If the payee completes a Federal Form W-4P on or after January 1, 2022, a Nebraska Form W-4N must be completed for Nebraska income tax withholding purposes.

Use the payroll period in the **Nebraska Circular EN** that corresponds with the type of periodic payment (monthly or quarterly), together with the applicable income tax withholding allowances and marital status to compute the amount to withhold for Nebraska income tax withholding purposes.

Nonperiodic payments or eligible rollover distributions subject to either the 10% or 20% federal income tax withholding rate will be withheld at a rate of 3.5% of the distribution for state income tax withholding purposes. A taxpayer may request to have additional state income tax withheld by completing a Nebraska Form W-4N.

Payees choosing to **not** have federal income tax withheld are not required to have state income tax withheld. Alternatively, a taxpayer may request to have state income tax withheld by completing a Nebraska Form W-4N.

Premature distributions from an IRA are not subject to Nebraska income tax withholding.

Construction Contractors. Contractors providing construction services in Nebraska must be registered on the Nebraska Contractor Database. The database is maintained by the Nebraska Department of Labor. A construction contractor that is not registered on the database is subject to 5% income tax withholding on payments received from another contractor. **If a contractor is subject to the 5% income tax withholding, it will not be subject to nonresident personal services income tax withholding.** However, if the contractor is not hired for construction services and is a nonresident, the payments to the contractor would be subject to nonresident personal services income tax withholding.

Income Tax Withholding from Nonresidents on Payments Not Subject to Federal Income Tax Withholding. A nonresident of Nebraska who performs personal services substantially within Nebraska and who is not subject to federal income tax withholding may still be subject to Nebraska income tax withholding.

Some persons performing personal services that require Nebraska income tax withholding include:

- Consultants;
- Entertainers;
- Athletes;
- Performers;
- Public speakers;
- Those providing professional services; or
- Non-construction contractors

Income tax withholding is not required from payments to nonresident aliens providing personal services who are citizens of a country that has a tax treaty with the United States. The nonresident alien must provide the payor a statement regarding the tax exempt status of the income earned.

For tax years beginning on or after January 1, 2025, income tax withholding is not required from payments to nonresident board of directors, or nonresidents holding similar positions in a business, for services performed in Nebraska that relate to board or governing body activities.

Personal services withholding excludes services performed when capital furnished by the nonresident is a material income-producing factor. Capital is considered a material income-producing factor whenever the value of the use of capital, or the value of capital furnished, exceeds 50% of the amount of payment. For additional information, see the Income Tax Withholding for Nonresident Individuals Performing Personal Services in Nebraska information guide.

Who Must Withhold. Any person paying a nonresident for services substantially performed in Nebraska may be required to withhold Nebraska income tax. A payor must withhold income tax if the payee is not an employee; the payment is not subject to federal income tax withholding; and the payor is either: (1) maintaining an office or transacting business within Nebraska and making a payment or payments of more than $600; or (2) making payments in excess of $5,000. Payors may be relieved of the income tax withholding requirement if the payor and payee complete a Nonresident Individuals Performing Personal Services in Nebraska, Form W-4NB.

Form W-4NA. Cooperation between the payor and payee is necessary to properly complete the Nebraska Withholding Certificate for Nonresident Individuals, Form W-4NA. Compute the amount of Nebraska income tax to be withheld from payments using Form W-4NA. The income tax withholding is reported to the person performing the personal services and to DOR in the same manner as wages or other payments subject to income tax withholding. Use Federal Form 1099-NEC or 1042-S and Forms 941N and W-3N.

Determine the Income Tax Withholding Amount. If the amount of the payment minus allowable expenses is less than $28,000, the amount of income tax withheld should be 4% of the net payment. If the payment minus allowable expenses is $28,000 or more, the amount of income tax withheld should be 6% of the net payment amount.

Any nonresident performing personal services may provide the payor with a statement of expenses reasonably and directly related to the personal services performed in Nebraska. The expenses claimed may not exceed 50% of the payments. The total payment to the individual must be reduced by the allowable expenses before calculating the amount of income tax withholding.

If more than one payment is made for the same services, or for services that are a part of the same job or project, then all of the payments will be totaled to determine the applicable rate of income tax withholding. If the sum of the payments minus expenses is $28,000 or more, and some of the income tax withholding was at the lower rate, the amount of income tax withheld from the later payments must be increased to make the total income tax withholding equal to 6% of all the net payments.

Payments to a Corporation, Partnership, or LLC for Personal Services. **Payments to a corporation** are subject to income tax withholding requirements if 80% or more of the voting stock of the corporation is held by the shareholders who are performing personal services. Payments to a partnership or LLC are subject to income tax withholding requirements if 80% or more of the capital interest or profits interest of the partnership or LLC is held by the partners or members who are performing personal services. See line 11 instructions.

Every payor required to withhold income tax from a payment to a corporation, partnership, or LLC is also required to furnish Federal Forms 1099-NEC to each shareholder, partner, or member who performs services in Nebraska. The total payment must be divided among the shareholders, partners, or members performing the services in Nebraska based on their percent of ownership in the entity. The amount of income tax withheld, which is computed on the total payments to the corporation, partnership, or LLC, is divided among the shareholders, partners, or members in the same manner. The share of income tax withholding is allowed as a credit on the individual income tax returns of the shareholders, partners, or members.

If the partnership, corporation, or LLC fails to give the payor the information needed to prepare the Federal Form 1099-NEC, the payor must prepare the Federal Form 1099-NEC in the name of the corporation, partnership, or LLC. Send the copies normally given to the payee to DOR as if the forms were not deliverable.

Payors must issue Forms 1099-NEC to nonresidents providing personal services by January 31 following the close of the calendar year, or within 30 days after the service has been provided.

When payment is made to a partnership, corporation, or LLC, but the personal services are not performed by shareholders, partners, or members who are individuals representing at least 80% of the stock or other controlling interest of the entity, the payor and payee may collaborate to execute a Form W-4NB when applicable. If circumstances change substantially, the payor and payee should reconsider whether the Form W-4NB continues to reflect the understanding of the parties and if the withholding should continue. Failure to reconsider a Form W-4NB will not relieve the payor from liability when the facts and circumstances change. If the payor accepts or reconsiders an acceptance of a Form W-4NB in good faith, the payor will not be liable for withholding on payments with respect to the personal services that are provided by the nonresident individual.