

Special Conversion Chart Instructions for Tax Year 2025

for Nebraska Form 1040N – Nebraska Schedule II, Lines 2 and 5,
and Nebraska Form 1041N – Nebraska Schedule III, Lines 2 and 4

Individual Resident Returns

1. Married, filing jointly accounts, that file married, filing separately with the other state. Since the line 2 instruction says to use the other state's total W-2 wages, use only the other state's wages of the spouse filing the separate return. **Do not use the wages of both spouses.**

If the filing status on the Nebraska return is married, filing separately, but a married, filing jointly return is filed in the other state, the credit must be prorated.

If the other state's return separates the income of both spouses, use the income and tax paid to the other state reported by the spouse who is filing the resident return with Nebraska.

2. If your Schedule II, line 2 entry excludes **non-Nebraska S corporation** or **limited liability company** income from non-Nebraska sources, Schedule II, lines 2 and 5 should be less than the amounts reported on the other state's return on the lines referenced in the conversion chart. If you indicate the credit has been adjusted because of non-Nebraska S corporation or limited liability company income, Schedule II, lines 2 and 5 will generally be accepted as reported. If the Schedule II, line 2 includes a non-Nebraska S corporation or limited liability company loss from Nebraska Schedule I, line 8, the Schedule II, line 2 should be more than the amount reported on the other state's return on the line referenced in the conversion chart.

The Special Conversion Chart instructions must be used when Nebraska residents claiming the decreasing adjustment for S corporation or LLC non-Nebraska income for income that is taxed in several states and the apportionment computations for the taxing states exceed 100% of the S corporation or LLC non-Nebraska income.

Please note: This situation is rare. Generally, the decreasing adjustment on Nebraska Schedule I removing the S corporation or LLC non-Nebraska income from being taxed by Nebraska is sufficient and apportionment for the **other** taxing states will not exceed 100%.

3. **Dual State Residents (Nebraska Form 1040N Schedule II – Special Calculation)**

If you are a dual state resident (whose total income is reported to both states) and are claiming credit for tax paid to those states, calculate the credit by using the following formula:

Take the lower tax liability of the two returns and multiply by the ratio of the Nebraska liability, divided by the combined tax liabilities on the two returns.

For both returns, the liability referenced in the formula above is the liability after nonrefundable credits, with the exception of the credit claimed for payment of tax to the other state representing the dual state residency.

4. **Electronic Filings**

Electronically-filed forms are treated like any other state form. If it is not identified on the conversion chart, DOR may further review the returns.

Fiduciary Returns

1. **Fiduciary returns taxed in multiple states (Nebraska 1041N Schedule III - Special Calculation)**

On fiduciary returns, the tax liability for each separate state is computed on only the portion of the trust's income which is subject to tax in **both** states.

First, determine the tax liability for each of the resident returns in order to determine which state has the lower liability. The tax amount is computed on the portion of the trust's income which is subject to tax in both states. If there are any modifications to the other state's income **which are not the same modifications taken on the Nebraska return** (such as an addition for a state income tax refund, etc.), the modification must **not** be included when determining the portion of the trust's income that is taxed in both states. In most situations, the liability for each state that is used in the formula should be the tax liability after all nonrefundable credits, except for the credit for tax paid to the other state.

2. **Electronic Filings**

Electronically-filed forms are treated like any other state form. If it is not identified on the conversion chart, DOR may further review the returns.