

NEBRASKA

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DEPARTMENT OF REVENUE

2025

Nebraska

S Corporation

Income Tax Booklet

Included in this Booklet are:

Form 1120-SN;

Schedules A, I, II, III, K-1N, PTET;

Form 7004N; and

Use Tax information.

Electronic filing and payment options are available.

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2025 Nebraska S Corporation Income Tax Return

Instructions

What's New

Individual Income Tax Rate Change ([LB 754, 2023](#)). For the 2025 taxable year, the highest rate for Nebraska taxable income is reduced to 5.20%.

Affordable Housing Tax Credit Act ([LB 182, 2025](#)). The definition of taxpayer was updated to classify nonprofit corporations as taxpayers eligible for the credit. If an owner of a qualified project is a pass-through entity, the credit shall be allocated to some or all the partners, members, or shareholders of the owner of the qualified project. Any pass-through entity that receives an allocation of the credit, either from the owner of the qualified project or from another pass-through entity, may further allocate the tax credit among some or all of the partners, members, or shareholders, or transfer, sell, or assign all or a portion of the tax credit to a taxpayer. A pass-through entity may allocate the tax credit in any manner agreed to by its partners, members, or shareholders. A partner, member, or shareholder of a pass-through entity may transfer, sell, or assign all or part of his or her ownership interest, including his or her interest in the tax credits authorized. A taxpayer may transfer, sell, or assign all or a portion of the tax credit to another taxpayer.

Bullion - Gain or Loss on the Sale or Exchange of Bullion ([LB 1317, 2024](#)). Individuals, corporations, and fiduciaries must add to federal adjusted gross income or federal taxable income any net capital loss from the sale or exchange of gold or silver bullion to the extent included in federal adjusted gross income or federal taxable income. Individuals, corporations, and fiduciaries must subtract from federal adjusted gross income or federal taxable income any net capital gain from the sale or exchange of gold or silver bullion to the extent included in federal adjusted gross income or federal taxable income. The adjustments do not apply to a taxable distribution of a gain or loss on the sale of bullion from a retirement plan account.

Cast and Crew Nebraska Act ([LB 937, 2023](#) and [LB 650, 2024](#)). Beginning with tax year 2025, a production company may be eligible to receive refundable income tax credits equal to 20% of the qualifying expenditures incurred by the production company directly attributable to a qualified production activity. The tax credit may be increased by an additional 15% if certain qualifications are met. Qualified production activity means a full-length film, made-for-television movie, television series of at least five episodes, or streaming television series.

The total amount of tax credits allowed for each State fiscal year is \$500,000. The maximum allowable tax credit claimed under the Act in any single taxable year for any qualified production activity that is a full-length film, made-for-television movie, television series of at least five episodes, or streaming television series shall not exceed \$500,000.

A production company must file an application for qualification with the Nebraska Department of Economic Development (DED) prior to the start of principal production photography to determine eligibility of the production activity. Applications are considered in the order they are received. If DED approves the application, it notifies the production company and issues a screen credit that can be used to meet the requirement for the tax credit.

To receive tax credits, the production company must submit an application for the tax credit to DED after completing the qualified production activity. Applications are considered in the order they are received. If DED determines the application is complete and the production company qualifies for the tax credits, it will approve the application, notify the production company of the approval, and conduct an audit of each qualified production activity. Once the audit has been completed, DED will determine the value of the tax credit and issue a tax credit certification. A production company claims the tax credit by attaching the tax credit certification to its tax return for the taxable year in which the certificate was issued, or in the three taxable years immediately following the taxable year in which it was issued. The tax credits can be transferred to any Nebraska taxpayer at any time during the taxable year in which the certificate was issued, or in the three taxable years immediately following the year of issuance. The transferee must pay the transferor at least 85% of the value of the transferred credits in order to acquire the credits.

For more information, visit [Cast and Crew Nebraska Act \(CCNA\) - Nebraska Department of Economic Development](#).

Child Care Tax Credit Act ([LB 182, 2025](#)). The definition of taxpayer under the Child Care Tax Credit Act (Act) was expanded to include insurance companies subject to premium and retaliatory taxes imposed by Neb. Rev. Stat. §§ [44-150](#), [77-908](#), or [81-523](#) and financial institutions subject to the franchise tax imposed by Neb. Rev. Stat. §§ [77-3801 to 77-3807](#). The nonrefundable tax credit for contributors allowed under the Act can be used to offset any premium and retaliatory taxes or any franchise tax due under the above-noted statutes.

Community Development Assistance Act (CDAA) (LB 650, 2025). Beginning January 1, 2026, the Community Development Assistance Act (CDAA) is reestablished and replaces the Creating High Impact Economic Futures (CHIEF) Act. Under the CDAA, business firms and individuals that contribute to a community betterment organization's program which is certified for tax credit status by the Nebraska Department of Economic Development (DED) during a tax year are eligible for the nonrefundable credit. Applications are approved by DED. The credit for each approved business firm or individual is limited to 40% of the contribution. Any unused credits may be carried forward to the next five tax years after the credit was first allowed. The total amount of approved credits is limited to \$350,000 each State fiscal year.

Creating High Impact Economic Futures (CHIEF) Act (LB 650, 2025). The tax credits established under the CHIEF Act will not be allowed for calendar year 2026 or any year thereafter, except the tax credits allowed for calendar year 2025 that are unused may be carried forward for five years.

Food Bank, Food Pantry, Food Rescue Donation Tax Credit (LB 937, 2023; LB 208, 2025; and LB 650, 2025). For taxable years beginning on or after January 1, 2025, and before January 1, 2026, any grocery store retailer or restaurant that donates food or any agricultural producer that makes a qualifying agricultural food donation to a food bank, food pantry, or food rescue during the taxable year may be eligible for a nonrefundable tax credit. The nonrefundable credit equals the lesser of:

- ◆ 50% of the value of the food donations or qualifying agricultural food donations made during the taxable year; or
- ◆ \$2,500.

If the donation was deducted as a charitable contribution on the taxpayer's federal return, the donation must be added back in the determination of Nebraska adjusted gross income or Nebraska taxable income before the certified credit amount can be claimed. The total amount of approved tax credits is limited to \$500,000 for State fiscal year 2025-2026. Credit requests received on the day the annual limit is exceeded will be prorated and no additional credit requests will be approved for such fiscal year.

Foreign Adversarial Company (LB 644, 2025). A foreign adversarial company is ineligible to receive any benefits under an incentive program of the State of Nebraska.

Credits distributed from a Foreign adversarial company are also ineligible for tax credit benefits.

See [DOR's website](#) for additional information.

Individuals with Intellectual and Developmental Disabilities Support Act (LB 937, 2024). Beginning with tax year 2025, employers may be eligible for any of three nonrefundable credits. The three nonrefundable employer credits are:

1. Employers of one or more direct support professionals may apply for a nonrefundable income tax credit that equals \$500 for each direct support professional who:
 - ◆ Is employed by the employer for at least six months during the taxable year; and
 - ◆ Worked at least 500 hours for the employer during the taxable year.
2. Employers of one or more individuals receiving services pursuant to a Medicaid home and community-based services waiver may apply for a nonrefundable income tax credit that equals \$1,000 for each qualified employee who:
 - ◆ Is employed by the employer for at least six months during the taxable year; and
 - ◆ Worked at least 200 hours for the employer during the taxable year.
3. Employers that provide any of the following services to one or more individuals pursuant to a Medicaid home and community-based services waiver during the taxable year may apply for a nonrefundable income tax credit equal to \$1,000 for each eligible individual who received such services from the employer during the taxable year:
 - ◆ Prevocational;
 - ◆ Supported employment – individual;
 - ◆ Small group vocational support; or
 - ◆ Supported employment – follow along.

Employers must first apply to the DOR to receive approval of the credit prior to claiming it on their income tax return. The total amount of credits that may be approved for all tax credits under this act (including the refundable credit for direct support professionals) is limited to the [statutory limit](#) established for each State fiscal year.

If an employer receiving the credit is a partnership, a limited liability company, an S corporation, or an estate or trust, the tax credit may be distributed in the same manner and proportion as the partner, member, shareholder, or beneficiary reports the partnership, limited liability company, S corporation, estate, or trust income.

Nebraska Biodiesel Tax Credit Act (LB 208, 2025 and LB 650, 2025). The Nebraska Department of Revenue (DOR) may approve up to \$1 million in tax credits in State fiscal year 2024-25 and each fiscal year thereafter. Credit requests received on the day the annual limit is exceeded will be prorated and no additional credit requests will be approved for such fiscal year.

Nebraska Pregnancy Help Act (LB 937, 2024). Beginning with tax year 2025, individuals and entities that make cash contributions to eligible charitable organizations (approved PHOs) during the taxable year may qualify for a nonrefundable tax credit.

Taxpayers must notify the approved PHO of their intent to make a contribution and the amount to be claimed as a tax credit. The approved PHO notifies DOR of the intended contribution. If tax credits are available, DOR will notify the approved PHO of the approved credit amount. Provided the contribution is timely made, the approved PHO should issue a receipt for the contribution made by the taxpayer to take the nonrefundable tax credit. The nonrefundable tax credit equals the lesser of:

- ◆ The total amount of the contributions made to any approved PHO during the tax year and approved by DOR; or
- ◆ 50% of the income tax liability of the taxpayer for such year.

Any unused credit may be carried forward five years. The credit cannot be carried back. A taxpayer may only claim a credit on the portion of the contribution not claimed as a charitable contribution on their federal return.

Married filing separate taxpayers may each claim one-half of the credit.

When the contribution is made by a partnership, limited liability company, or a subchapter S corporation, the credit must be attributed to each partner, member, or shareholder in the same proportion used to report the partnership's, limited liability company's, or S corporation's income or loss. Any credit not used by an estate or trust may be attributed to each beneficiary in the same proportion used to report the beneficiary's income from the estate or trust.

Nebraska Shortline Rail Modernization Act (LB 937, 2024 and LB 650, 2025). Beginning with tax year 2025, the Nebraska Shortline Rail Modernization Act provides a nonrefundable tax credit against income tax, franchise tax imposed by [Neb. Rev. Stat. §§ 77-3801 to 77-3807](#), and premiums taxes imposed by [Neb. Rev. Stat. §§ 77-907 to 77-918](#) for qualified maintenance expenditures incurred by a Class III railroad. The credit is 50% of the qualified shortline railroad maintenance expenditures incurred during the tax year by the Class III railroad. Qualified shortline railroad maintenance expenditures do not include expenditures used to generate a federal tax credit or expenditures funded by a federal grant. The amount of the credit cannot exceed an amount equal to \$1,500 multiplied by the number of miles of railroad track owned or leased in the state by the applicant at the end of the taxable year. The total amount of tax credits allowed is limited to \$500,000 in each State fiscal year.

To receive the tax credit, the Class III railroad must submit an application to the DOR after incurring the relevant qualified shortline railroad maintenance expenditures. The application must be submitted no later than May 1 of the calendar year immediately following the calendar year in which the expenditures were incurred. DOR will issue a tax credit certificate to the Class III railroad with an approved application. The Class III railroad will claim the credit by attaching the certification to the tax return. Any unused credit is carried forward and can be applied against the tax liability for the next five taxable years immediately following the taxable year in which the credit was first allowed. The tax credits are transferable to another taxpayer by written agreement. No new applications for tax credits can be filed after December 31, 2033.

Relocation Incentive Act (LB 1023, 2024 and LB 650, 2025). Beginning with tax year 2025, a refundable credit is available to employers who pay relocation expenses for a qualified employee. A qualified employee is an individual who moves to Nebraska for the purpose of accepting a position of employment and receives an annual salary within the statutory annual wage income range for the applicable tax year. The credit is equal to the lesser of:

- ◆ 50% of the relocation expenses paid during the tax year; or
- ◆ \$5,000 for each qualified employee.

Employers must first apply to the DOR to receive approval of the credit prior to claiming it on their income tax return. DOR may approve credits until the total amount of credits approved for the year reaches \$1 million.

The refundable credit may be used to offset income taxes, franchise taxes imposed under [Neb. Rev. Stat. §§ 77-3801 to 77-3807](#), and premium taxes, including retaliatory taxes under [Neb. Rev. Stat. §§ 44-150, 77-908, or 81-523](#).

The credit may be recaptured from the employer if the qualified employee moves out of Nebraska within two years after the employer claimed the credit. The recaptured amount is an underpayment of tax and is due and payable on the tax return due immediately following the qualified employee's loss of residency.

Important Information for All Filers

Purpose. The instructions in this booklet provide guidance in completing the most common Nebraska S corporation return of income forms and schedules. This booklet is intended to be useful to the greatest number of taxpayers. Nothing in these instructions supersedes, alters, or otherwise changes any provisions of the Nebraska tax code, regulations, rulings, or court decisions.

We encourage the preparer of any [Nebraska S Corporation Income Tax Return, Form 1120-SN](#), to review applicable Nebraska law regarding any issue that may have a material effect on this return. Nebraska law and other useful information may be found at revenue.nebraska.gov.

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 1120-SN](#) 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 under the following conditions:

- ◆ Failing to file a return and pay the tax due on or before the due date;
- ◆ Failing to pay the tax due on or before the due date;
- ◆ Failing 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
- ◆ Understating 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 statutory rate of 8% from the original due date to the date the tax is paid. See the DOR Interest Rate Assessed on State Taxes [Revenue Ruling](#) for applicable interest rates.

Reporting Changes or Corrections. If information on a Nebraska S corporation return previously filed is incorrect, an Amended Nebraska S Corporation Income Tax Return, Form 1120-XSN must be filed. A Form 1120-XSN cannot be e-filed. When filing an amended return, remember:

- ◆ Changes made by the IRS or another state must be reported to DOR within 60 days;
- ◆ Please be sure to use the correct form for the tax year you are amending;
- ◆ 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
- ◆ When an amended return reflects a reduction in tax due because Nebraska source income for its nonresident individual shareholders is reduced, the S corporation will not receive a refund. Individual shareholders may file a claim for refund resulting from the reduced Nebraska source income.

Nebraska Extension of Time. An extension 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 [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. 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. Remember to attach proof of the federal extension to the Form 7004N.

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. By timely requesting an extension of time to file your federal return using the Federal Form 7004, you are granted an automatic Nebraska extension for the same number of months granted by the IRS. 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 cannot exceed a total of seven months after the original due date of the return.

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 that 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.

Estimated Income Tax Payments. Estimated income tax payments must be made by every S corporation that elected to be subject to Nebraska income tax, if the Nebraska income tax liability can reasonably be expected to exceed allowable credits by \$400 or more. The requirement to make estimated payments applies to tax years beginning on and after January 1, 2024. For additional information see the [2026 Nebraska Corporation Estimated Income Tax Payment Voucher Booklet](#).

Underpayment of Estimated Income Tax Penalty. An S corporation may owe a penalty if the amount of tax due, after allowable credits, is \$400 or more.

If the amount of tax due is \$400 or more, the corporation must complete an Underpayment of Estimated Tax for Corporations, S corporations, or Partnerships, Form 2220N, to calculate any applicable penalty.

Notification of Scam Text Messages. The Nebraska Department of Revenue (DOR) has been notified of scam text messages being sent asking individuals to click a link to receive their refund. While the cited Nebraska Revised Statute adds validity to the message, the embedded link will direct the taxpayer to a bogus site to enter their personal and/or banking information.

This scam has been reported in other parts of the country. The DOR will never send a text to ask for personal tax return information.

If you receive a text message of this kind, DO NOT REPLY and please delete it.

If you have questions on the status of your State of Nebraska tax refund, please go to: <https://revenue.nebraska.gov/individuals/refund-information>.

As scammers develop more sophisticated schemes, staying informed is your best defense. The Nebraska Attorney General's Office offers free resources to help consumers recognize and avoid scams. Visit [ProtectTheGoodLife.Nebraska.gov](https://www.nebraska.gov/protectthegoodlife).

Nonresident Shareholders

S corporations that did not elect to be subject to Nebraska income tax for 2025, must remit Nebraska income tax withholding for each nonresident individual shareholder who does not complete a [Nebraska Nonresident Income Tax Agreement, Form 12N](#). For the purposes of Form 12N and the income tax withholding requirements, an individual includes a nonresident grantor of a grantor trust.

Nonresident shareholders who sign the Form 12N agree to file a Nebraska income tax return and pay all taxes due directly to DOR. This relieves the S corporation from the obligation to remit income tax withholding on the shareholder's behalf. All signed and completed Forms 12N must be attached to the Form 1120-SN.

If a Form 12N is not signed and completed for a nonresident individual shareholder, the amount to be paid is 5.20% of the nonresident shareholder's share of S corporation taxable income from Nebraska sources.

The S corporation reports the amount of income tax remitted on behalf of each nonresident shareholder on the [Nebraska Shareholder's Share of Nebraska Income, Deductions, Modifications, and Credits – Schedule K-1N](#). Attach each Nebraska Schedule K-1N to the S corporation return. Do not remit income tax for corporations, estates, or trusts (except grantor trusts) that are shareholders. Nebraska law does not require payment of income tax by an S corporation on behalf of these entities. Instead, these entities are required to file a Nebraska return.

A nonresident individual shareholder may claim the amount of income tax remitted by the S corporation as a credit against his or her Nebraska income tax liability by attaching a copy of the Nebraska Schedule K-1N to the [Nebraska Individual Income Tax Return, Form 1040N](#).

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

- ◆ Their only connection with the state is conducting business activities of the S corporation; and
 1. The S corporation has remitted income tax from all the Nebraska income attributable to the nonresident's share of the S corporation's income; or
 2. The S corporation remitted the pass-through entity tax (PTET) and the credit for the nonresident individual shareholder's share of the PTET remitted would fully satisfy their Nebraska income tax liability.

In lieu of filing a Nebraska Individual Income Tax Return, a nonresident shareholder may elect to allow the full amount of income tax withholding or the refundable PTET credit to be retained by the state. Any nonresident may still file a Form 1040N, and claim a refund if one is due. A nonresident shareholder is not relieved of its responsibility to file a Form 1040N if the S corporation has not remitted income tax withholding or PTET attributable to the nonresident's share of the S corporation's income.

No Composite Filing. DOR does not allow filing "composite" income tax returns. S corporations with nonresident shareholders must either:

- ◆ Obtain a signed and completed Form 12N from the nonresident individual shareholder;
- ◆ Remit Nebraska income tax withholding on the nonresident shareholder's share of Nebraska income with [Form 1120-SN](#); or
- ◆ Make the PTET election and remit the PTET due.

Nonresident Shareholder – No Income Tax Withholding Requirement. The S corporation is not required to remit income tax for any nonresident individual shareholder who completes and submits a Form 12N to the S corporation, **before the original filing** of the Form 1120-SN. The S corporation is also not required to remit income tax for any nonresident individual if it makes the PTET election. For purposes of the Form 12N, an individual includes a nonresident grantor of a grantor trust. A completed Form 12N must:

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

Any nonresident shareholder who files Form 12N must file a Form 1040N. Failing to file the required Form 1040N may result in:

- ◆ An assessment issued to the nonresident individual shareholder based on the information available to DOR; or
- ◆ The loss, by the nonresident individual shareholder, of any current year Nebraska net operating or capital loss distributed from the S corporation. 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.

Shareholder's Return. Both resident and nonresident shareholders are subject to the Nebraska income tax on their share of the S corporation income derived from sources within Nebraska.

Reporting Nebraska Source Income to Shareholders. An S corporation must provide all shareholders with a [Nebraska Schedule K-1N](#). See the Nebraska Schedule K-1N instructions for additional information.

The income, loss, and deduction amounts reported on the Nebraska Schedule K-1N must be calculated in the same manner as income is distributed.

When S corporations issue a Nebraska Schedule K-1N to shareholders, they must complete all distribution schedules such as [Nebraska Employment and Investment Growth Act Credit Computation, Form 775N](#), [Nebraska Advantage Act Incentive Computation, Form 312N](#), [Nebraska Schedule PTET - Shareholders Share of Nebraska Pass-Through Entity Tax, Form 1120-SN](#), and [ImagiNE Nebraska Act Incentive Computation, Form 1107N](#), in addition to reporting the distributed credits to the shareholders in Part C of the Schedule K-1N.

Income Tax Withholding on Contractors. Construction contractors are required to withhold income tax at 5% on any payment or payments exceeding \$600 made to their construction subcontractors that are not registered on the [Nebraska Department of Labor's Contractor Registration Database](#). An S corporation, against whom the contractor income tax withholding was applied, must distribute the amount withheld to its shareholders if it does not make the PTET election. The total amount of income tax withheld from the S corporation must be distributed in the same manner as income. An S corporation that made the PTET election, may claim a credit for the withholding. For additional information see "[Construction Contractors](#)" section.

Credits Distributable to Shareholders

Community Development Assistance Act (CDAA) Credit. The Nebraska CDAA credit is allowable for contributions to approved projects of community betterment organizations recognized by the Nebraska Department of Economic Development (DED). Attach the [2025 Nebraska Community Development Assistance Act Credit Computation, Form CDN](#) to the [Form 1120-SN](#). Each shareholder is allowed a share of the credit calculated by using the same method used to report income received from the S corporation. S corporations do not need to attach a copy of the Form 1099NTC. DOR will receive the Form 1099NTC information directly from DED. An S corporation that made the PTET election cannot use this credit to offset its PTET liability.

More detailed information on this credit can be obtained by contacting:

Nebraska Department of Economic Development
245 Fallbrook Blvd, Suite 002
Lincoln, NE 68521-4666
opportunity.nebraska.gov

Beginning Farmer Credit. This credit is available to owners of agricultural assets, when the agricultural assets are rented to qualifying beginning farmers or livestock producers. Each shareholder eligible for the credit will receive a copy of the [Statement of Nebraska Tax Credit, Form 1099 BFC](#), from the Nebraska Department of Agriculture. Each shareholder is allowed a share of the credit calculated by using the same method used to report income received from the S corporation. The Form 1099 BFC does not need to be filed with the shareholder's individual income tax return. S corporations do not need to attach a copy of the Form 1099 BFC. DOR will receive the Form 1099 BFC information directly from the Nebraska Department of Agriculture.

School Readiness Tax Credit for providers. The credit may only be claimed after the application has been approved in writing by DOR. S corporations retaining the tax credit will enter the certificate number and the credit amount from your approved Form SR-3604 on the Form 1120-SN. S corporations distributing the tax credit, will include the certificate number and the credit amount on the Schedule K-1N. Attach a copy of the Schedule K-1N for each shareholder receiving a portion of the tax credit. The total amount distributed by the S corporation must be distributed in the same proportion as ordinary income.

Opportunity Scholarships Act Credit for contributors. Enter the carryforward credit not used on the 2024 Form 1120-SN. An S corporation may only claim a credit on the portion of the contribution that was not deducted as a charitable contribution on its federal return. The total amount distributed by the S corporation must be distributed in the same proportion as the granting of the tax credit for the contributions was limited to 2024 tax year. The unused tax credits granted in 2024 may be carried forward five years from the year granted. Taxpayers must use the carryover credit in the earliest taxable year possible.

Creating High Impact Economic Futures (CHIEF) credit. This nonrefundable credit is allowable for contributions to community betterment organization programs or projects certified for tax credit status by the Nebraska Department of Economic Development. The credit must be claimed on the tax return for the year in which the contribution was made. The granting of the tax credit for the contributions was limited to the 2025 tax year. The unused tax credits granted in 2025 may be carried forward five years from the year granted. Attach Form 1879NTC.

For more details regarding this credit, contact:

Nebraska Department of Economic Development
245 Fallbrook Blvd, Suite 002
Lincoln, NE 68521-4666
opportunity.nebraska.gov

Form 3800N Credits. Nebraska provides several tax incentive credits that may be earned by entities conducting business in this state.

S corporations must file tax incentive credit distribution forms including Forms 775N, 312N, 1107N, 544N, and 3800N Worksheet HBTC before credits can be allowed to individual shareholders. Attach a distribution schedule for [Form 775N, Schedule II](#), [Form 312N, Schedule II](#), [Form 1107N, Form 544N](#), or [3800N Worksheet HBTC](#) (that lists each shareholder, the shareholder's tax ID number, the income percentage, and each shareholder's distributed credits). The total amount distributed by the S corporation must be distributed in the same proportion as ordinary income.

Use Tax

An S corporation may be subject to use tax. An S corporation 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 S corporation 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 S corporation in Scottsbluff, Nebraska and no tax is charged or collected by the seller. The state tax is \$88 ($\$1,600 \times 5.5\%$) and the local tax is \$24 ($\$1,600 \times 1.5\%$). The total use tax owed is \$112 ($\$88 + \$24 = \112).

Example 2.

A 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 sales 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 Use Tax Information Guide](#).

Purpose of Form

The [Nebraska S Corporation Income Tax Return, Form 1120-SN](#), is not simply an informational return. The Form 1120-SN and schedules are necessary to:

- ◆ Calculate the income, deductions, and credits that will be passed through to the shareholders;
- ◆ Calculate and pay income tax on behalf of nonresident individual shareholders;
- ◆ Report any applicable PTET for tax years 2018 through 2022, and 2025. For additional information see instructions for line 18, Form 1120-SN; and
- ◆ Report and pay any recapture of incentive credits. This includes the economic development distribution schedules such as Forms 775N, 312N, 1107N, and 544N.

Who Must File?

The Nebraska S Corporation Income Tax Return, Form 1120-SN, must be filed by every S corporation, as defined by Internal Revenue Code (IRC) § 1361, with income from Nebraska sources. Form 1120-SN must also be filed by every S corporation that will distribute Nebraska incentive credits to its shareholders.

Financial institutions maintaining a permanent place of business in this state, actively soliciting deposits from residents of this state and organized as a S corporation must file a [Nebraska Financial Institution Tax Return, Form 1120NF](#) and a Nebraska S Corporation Income Tax Return, Form 1120-SN.

Qualified Subchapter S Subsidiaries. Any subsidiary of an S corporation that is treated as a Qualified Subchapter S Subsidiary (QSSS) for federal income tax purposes will be treated in the same manner for Nebraska income tax purposes. All of the assets, liabilities, and items of income, deductions, and credits of the QSSS will be considered to be those of its parent.

When and Where to File?

This return must be filed on or before the 15th day of the third month following the close of the taxable year. For information on e-filing the return, see the [Nebraska Handbook for e-file Providers of Income Tax Returns, Publication 1345N-MeF](#).

Electronically file or mail the Form 1120-SN to:

Nebraska Department of Revenue
PO Box 94818
Lincoln, NE 68509-4818

How to Complete Form 1120-SN

Tax Period. A 2025 Form 1120-SN must be used to file for the calendar year 2025, or a fiscal year beginning in 2025. 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 S corporation 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.

Business Classification Code. Enter the six-digit code that best describes the S corporation's principal business activity in Nebraska. Carefully review the [business classification codes](#) before you select one.

Principal Business Activity in Nebraska. Enter the principal business activity of the S corporation from the Business Classification Code listing.

Federal ID Number. Enter the Federal ID number assigned to the S corporation by the IRS.

Nebraska ID Number. Enter the Nebraska ID number assigned to the S corporation by DOR. S corporations that do not have a Nebraska state ID for S corporation income tax should e-file using their Nebraska income tax withholding or sales and use tax number. The prefix is the tax category and should not be included as part of the Nebraska ID number when entered. For example, do not include the 21 or 01 prefix as part of the Nebraska ID number. S corporations that do not have an existing Nebraska state ID number should use the online [Register a Business](#) application to obtain a Nebraska ID number.

Foreign Adversarial Company. A foreign adversarial company is ineligible to receive incentive benefits. Credits distributed from a foreign adversarial company are ineligible for tax credit benefits. Failing to answer will result in denial or delay in processing the credits claimed. If you answer yes, see [Foreign Adversarial Company](#) Notice for additional information regarding the benefits and credits impacted.

Final Return. Check the "Final Return" box at the top of the return if the S corporation ceased to exist during the 2025 tax year.

PTET Election. Check box 5 if the S corporation is electing or previously elected to be subject to income tax for the 2025 tax year. The election for 2025 must be made on or before the due date of the return including any approved extension.

Distributed Form 3800N Credit. Check the "Distributed Form 3800N Credit" box if the S corporation is distributing [Form 3800N](#) tax credits in this tax year. Include a distribution schedule in addition to recording the amount of the distributed credit on the [Schedule K-1N](#).

Line 1	Ordinary Business Income. Enter the ordinary business income or loss as shown on line 22 of Federal Form 1120-S.
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Line 2	Nebraska Adjustments Increasing Ordinary Business Income. Enter the amount from line 12 of Nebraska Schedule A. See the Schedule A instructions for additional information.
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Line 3	<p>Nebraska Adjustments Decreasing Ordinary Business Income. Enter the amount from line 23 of Nebraska Schedule A. The following examples are items that are not allowable adjustments decreasing federal ordinary business income:</p> <ul style="list-style-type: none">◆ The wage expense disallowed by the work opportunity tax credit;◆ Federal income taxes or other federal taxes paid;◆ The depreciation disallowed by the investment credit or other federally-required basis reduction;◆ Income earned in another state. Instead, Nebraska Schedule I, Apportionment for Multistate Business, must be completed; and◆ Income from a partnership. For additional information, see Business Entity Regulation 24-315, Sales Factor; Business Entities As Owners in a Partnership or Joint Venture.◆ Any food donation that was deducted as a charitable contribution on the taxpayer's federal return and that was also used to calculate the Nebraska Food Bank, Food Pantry, Food Rescue Donation Tax Credit on the Nebraska return must be added back as an increase to the federal taxable income.
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See the Nebraska Schedule A instructions for additional information.

Line 4	Nebraska Adjusted Income. If the S corporation does not have adjustments to ordinary business income, enter the line 1 amount on line 4. If the S corporation has adjustments to ordinary business income, line 4 equals line 1 plus line 2 minus line 3.
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Line 5	Income Reported to Nebraska. If all of the income earned by the S corporation is derived from Nebraska sources, enter the line 4 amount on line 5. If the S corporation earned income from both within and without Nebraska, enter the amount from line 3 of Nebraska Schedule I. See the Nebraska Schedule I instructions for additional information.
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Line 6	Electing Pass-Through Entity Tax (PTET) for Tax Year 2025. If the S corporation elected to be subject to Nebraska income tax for the 2025 tax year, enter the result of line 5 multiplied by 5.20%. If the partnership did not elect to be subject to Nebraska income tax for the 2025 tax year, skip lines 6 through 17.
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- Line 7** **Premium Tax Credit.** Enter the total amount of premium taxes paid (not accrued) by the S corporation in this taxable year. These taxes include:
- ◆ Premium taxes paid to the Nebraska Department of Insurance (NDOI) under [Neb. Rev. Stat. §§ 77-908](#) and [81-523](#); and
 - ◆ Assessments paid to the NDOI for the Comprehensive Health Insurance Pool that are allowed as an offset against any related premium and related retaliatory tax liability under [Neb. Rev. Stat. § 44-4233](#).

Premium taxes do not include amounts shown on the NDOI annual tax return as fees or the Workers' Compensation Court cash fund tax.

Example 3.

An insurance company made the following 2025 estimated premium tax payments and payments with its 2024 and 2025 NDOI returns.

Tax Year	Payment Type	Payment Date	Payment Amount	2025 Premium Tax Credit
2024	Payment with return	March 1, 2025	\$3,000	
Less: Fees included on the 2024 return			100	\$ 2,900
2025	Estimated	April 15, 2025	4,000	4,000
2025	Estimated	June 15, 2025	4,000	4,000
2025	Estimated	Sept. 15, 2025	4,000	4,000
2025	Payment with return	March 1, 2026	4,000	0
Total				\$14,900

In this example, the insurance company will enter \$14,900 on line 7 as a credit for premium taxes paid.

A corporation claiming this credit must attach a copy of the NDOI annual tax return related to any payment claimed as a credit for premium taxes paid. A schedule listing the date and amount of payment and the payee must also be attached.

- Line 8** **Employer's Credit for Expenses Incurred for TANF (ADC) Recipients.** Enter the total credit from line 2, Form TANF.

- Line 9** **Form 3800N Nonrefundable Credit.** Enter the total nonrefundable credits reported on Nebraska Incentives Credit Computation, Form 3800N. Attach a copy of Form 3800N and any supporting schedules.

- Line 10** **NE Employer Tax Credit for Employing Convicted Felons.** Enter the certified credit amount and the certificate number from the Nebraska Employer Tax Credit Application for Employing Convicted Felons, Form ETC-A.

- Line 11** **School Readiness Tax Credit for providers.** For S Corporations retaining the tax credit, enter the certificate number and the credit amount from your approved Form SR-3604. The approved credit may be distributed by completing the Form 1120-SN, Schedule K-1N for each shareholder with the certificate number and amount of the distributed credit. If the tax credit was received by a distributing entity, enter the certificate number and credit amount from the Schedule K-1N. Attach the Schedule K-1N from the distributing entity. For more information about this credit, go to [School Readiness Tax Credit Act](#).

- Line 12** **Opportunity Scholarships Act Credit for contributors.** Enter the carryforward credit not used on the 2024 Form 1120-SN. The granting of the tax credit for the contributions was limited to 2024 tax year. The unused tax credits granted in 2024 may be carried forward five years from the year granted. Taxpayers must use the carryover credit in the earliest taxable year possible.

- Line 13** **Child Care Tax Credit for contributors.** Enter the approved child care tax credit amount and certificate number from Form CCTC-A. An S corporation may only claim a credit on the portion of the contribution that was not deducted as a charitable contribution on its federal return. The taxpayer may carry forward the excess credit for up to five taxable years after the taxable year in which the credit first was allowed. Taxpayers must use the carryover credit in the earliest taxable year possible.

Line 14	Creating High Impact Economic Futures (CHIEF) credit. This nonrefundable credit is allowable for contributions to community betterment organization programs or projects certified for tax credit status by the Nebraska Department of Economic Development. The credit must be claimed on the tax return for the year in which the contribution was made. The granting of the tax credit for the contributions was limited to the 2025 tax year. The unused tax credits granted in 2025 may be carried forward five years from the year granted. Attach Form 1879NTC.
Line 15	Pregnancy Help Act Credit for contributors. Enter the lesser of the amount of contributions made to an approved Pregnancy Help Organization and verified by DOR or 50% of the income tax liability (line 6, Form 1120-SN). Any unused credit may be carried forward for the next five years after the credit was first allowed. The tax credit cannot be carried back. A taxpayer may only claim a credit on the portion of the contribution that was not claimed as a charitable contribution on their federal return.
Line 18	PTET for Tax Years 2018 Through 2022. If the S corporation elected to be subject to Nebraska income tax for any tax year from 2018 through 2022, enter the PTET the S corporation will distribute to its shareholders for the 2025 tax year. The PTET credit will not be allowed to the shareholders until the S corporation pays the amount reported on line 18.
Line 19	Income Reported to Nebraska Subject to Withholding. Enter the amount from the column (F), Nebraska Schedule II total.
Line 20	Nebraska Income Tax Withholding for Nonresident Individual Shareholders. Enter the amount from the column (G), Nebraska Schedule II total.
Line 22	Form 3800N Refundable Credit and Recapture. Enter the net amount of any refundable credits and any recapture of credits reported on the Nebraska Incentives Credit Computation, Form 3800N. If the recapture is larger than the credits, enter as a negative number.
Line 23	Tax Deposited with Form 7004N and 2025 Estimated Income Tax Payments. Add the total amount paid as estimated payments and any amount paid with the Nebraska extension request, Form 7004N . Enter the total on line 23.
Line 24	<p>Beginning Farmer Credit. Enter the amount of Beginning Farmer credit from the Statement of Nebraska Tax Credit, Form 1099BFC that is not distributed to the shareholders. The Beginning Farmer credit is available to owners of agricultural assets, when the agricultural assets are rented to qualifying beginning farmers or livestock producers. Any claimant eligible for the credit will receive a copy of the Statement of Nebraska Tax Credit, Form 1099BFC, from the Nebraska Department of Agriculture. S corporations do not need to attach a copy of the Form 1099BFC. DOR will receive the Form 1099BFC information directly from the Nebraska Department of Agriculture.</p> <p>For more details regarding this credit, contact:</p> <p>Nebraska Department of Agriculture PO Box 94947 Lincoln, NE 68509-4947 402-471-4876 nextgen.nebraska.gov</p>
Line 25	Nebraska Income Tax Withheld. If the S corporation elected to be subject to tax for the 2025 tax year, enter the amount of Nebraska withholding from Form 1099-MISC or Form 1099-NEC. Construction contractors are required to withhold 5% of any payment or payments exceeding \$600 made to construction subcontractors that are not registered in the Nebraska Department of Labor's Contractor Registration Database.
Line 26	<p>Credit for Community College Property Taxes. To claim the credit, taxpayers must complete and submit a Nebraska Property Tax Credit, Form PTC. Enter the amount from line 1 of Form PTC and attach Form PTC.</p> <p>S Corporations that claimed the amount from line 1 of Form PTC on line 21 of Form 1120NE, enter zero. Financial institutions that elected to be treated as S corporations may claim the credit on either Form 1120-SN or Form 1120NE, but not both.</p>
Line 27	PTET Credit Received From an Electing Partnership. If you are not distributing the PTET credits received from a partnership, enter the total amount of PTET credit received from electing partnerships on line 27 and complete lines 27a, 27b, 27c, 27d, and 27e; and attach the Schedules K-1N. If PTET credits were received from more than one partnership, attach a schedule in the same format as lines 27a, 27b, and 27c, 27d, and 27e. Financial institutions that elected to be

treated as S corporations may claim the credit on either Form 1120-SN or Form 1120NF, but not on both. If the PTET credits received from partnerships will be distributed to your shareholders do not include that amount here, instead include that amount in the shareholders Schedule K-1N and add the distributed credit to the Schedule PTET.

Line 29	Tax Due. If line 21 minus line 28 is greater than zero, enter the result on line 29.
Line 30	Penalty for Underpayment of Estimated Income Tax. Use the Underpayment of Estimated Tax for Corporations, S corporations, and Partnerships, Form 2220N, to determine if the corporation owes this penalty. A Form 2220N must be completed if the Nebraska tax less allowable credits is greater than \$400. If the corporation is required to complete Form 2220N, enter the amount of penalty from line 20, Form 2220N.
Line 31	Amount Due. There is an amount due when line 28 is less than the total of lines 21 and 30. Mandates of Electronic Payment. Some entities are required to make their payments (tax, penalty, and interest) electronically. All electronic payment and credit card options satisfy the mandate requirement. All entities 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 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 tax payment. 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.

Check or Money Order. If you are not using one of the electronic payment options described above, include a check or money order payable to the "Nebraska Department of Revenue." Checks written to DOR may be presented for payment electronically.

Line 32	Overpayment. If line 28 minus lines 21 and 30 is less than zero, enter the result on line 32.
Line 33	Amount Credited to 2026 Estimated Income Tax. Enter the amount of overpayment shown on line 32 that you want credited as a tax year 2026 estimated payment for the S corporation.
Line 34	Overpayment to be Refunded. Enter the amount of overpayment shown on line 32 that you want refunded. The overpayment to be refunded is calculated by subtracting line 33 from line 32. DOR recommends having any refund on line 34 directly deposited into the S corporation's bank account. See line 35 instructions below.
Line 35	Direct Deposit. To deposit the refund directly into the S corporation's checking or savings account, enter the routing number and account number found on the bottom of the checks used with the account. The routing number is listed first and must be nine digits. The account number is listed to the right of the routing number and can be up to 17 digits. Enter these numbers in the boxes found on lines 35a and 35c, and complete line 35b, Type of Account.

The box on line 35d must be checked if the refund will go to a bank outside the United States. This is necessary to comply with banking rules regarding International ACH Transactions (IATs). These refunds cannot be processed as direct deposits and instead will be mailed.

Signature

Sign and Date the Tax Return. This return must be signed by a corporate officer. Include a daytime phone number and an email address in case DOR needs to contact you.

Email. By entering an email address, the taxpayer acknowledges that DOR may contact the taxpayer by email. The taxpayer accepts any risk to confidentiality associated with this method of communication. DOR will send all confidential information by secure email or the State of Nebraska's file share system. If you do not wish to be contacted by email, write "Opt Out" on the line labeled "email address."

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

The act of e-filing a return is your signature. By e-filing the return, taxpayers and their preparers, if applicable, are declaring under penalties of perjury, that they have examined the electronic return, and to the best of their knowledge and belief, it is true, correct, and complete.

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

Nebraska Schedule A Instructions

Adjustments to Ordinary Business Income

Purpose. The Nebraska Schedule A is used to adjust the S corporation's ordinary business income for items of income and deduction that are required under federal or Nebraska law to be reported to the shareholders separately. The ordinary business income, plus or minus these adjustments, will estimate the income that was distributed to the shareholders, and become part of the shareholders' federal adjusted gross income. These adjustments to ordinary business income are necessary to calculate any required PTET for the 2025 tax year or income tax withholding on [Nebraska Schedule II – Shareholder's Share of Nebraska Income](#).

Adjustments Increasing Ordinary Business Income

Lines 1-8

The amounts on each of these lines come directly from Federal Form 1120-S, Schedule K.

Line 9

State and Local Government Interest and Dividend Income. Enter all state and local bond interest or dividends that are exempt from federal income tax and not issued by Nebraska state and local government subdivisions.

Line 10

Other Income. Enter any other additions to income for the S corporation that are includible in the shareholders' federal income, but are not reflected in lines 1 through 9. List the type of adjustment on line 10a, Schedule A, and the associated amount on line 10b. Attach a schedule if needed. Any food donation that was deducted as a charitable contribution on the S corporation's federal return and that was also used to calculate the Nebraska Food Bank, Food Pantry, Food Rescue Donation Tax Credit on the Nebraska return must be added back as an increase to the federal taxable income.

Line 11

Nebraska and Local Income, Sales, and Use Taxes Deducted on Federal Form 1120-S Under Section 164 of the IRC. The amount entered includes any Nebraska PTET deducted on the S corporation's 2025 Federal Form 1120-S.

Line 12

Total Adjustments Increasing Ordinary Business Income. Enter the total of lines 1 through 11 here and on line 2 of [Form 1120-SN](#).

Adjustments Decreasing Ordinary Business Income

Line 13

Qualified U.S. Government Interest Deduction. Enter the amount of interest and dividend income from U.S. government obligations exempt from state taxation.

The [Taxability of Interest and Dividend Income From State, Local, and U.S. Government Obligations Information Guide](#), lists U.S. interest and dividend income that can be included on line 13, Nebraska Schedule A. Interest income from repurchase agreements involving U.S. government obligations **is not** deductible as U.S. government interest.

Gains or losses from the sale or other disposition of federal securities are taxable for state income tax purposes and should not be included on line 13.

Lines 14-21	The amounts on each of these lines come directly from Federal Form 1120-S, Schedule K.
Line 22	Other Deductions. Enter any other deductions to income for the S corporation that are deductible in the shareholders' federal income, but are not reflected in lines 13 through 21 above. List the type of adjustment on line 22a, Nebraska Schedule A, and the associated amount on line 22b. Attach a schedule if needed.
Line 23	Total Adjustments Decreasing Ordinary Business Income. Enter the total of lines 13 through 22 here and on line 3 of Form 1120-SN.

Nebraska Schedule I Instructions

Apportionment for Multistate Business

Purpose. The Nebraska Schedule I is used to determine the amount of Nebraska source income ([Form 1120-SN](#), line 5, Income Reported to Nebraska) received by an S corporation deriving income from both within and without Nebraska.

Nebraska source income is determined by apportioning the S corporation income using a single, sales-only factor. Apportionment refers to the division of income between states by the use of a formula containing one or more apportionment factors.

Sales Factor. The sales factor is a fraction. The numerator is the total sales of the S corporation in Nebraska during the taxable year. The denominator is the total sales of the S corporation everywhere during the taxable year. Total sales includes gross sales of real and tangible personal property less returns and allowances, and all other items of gross receipts, except income for the discharge of indebtedness, amounts received from hedging transactions involving intangible assets, and net gains from marketable securities held for investment. The sales factor on this schedule is rounded to six decimal places. It is entered as a percentage.

For tax years beginning January 1, 2014 or after, a corporation may no longer use the costs of performance method of apportioning sales other than sales of tangible personal property except for a corporation operating as a communications company. For additional information, see the [Nebraska Apportionment Factor – Sales or Gross Receipts](#) section.

An S corporation using an alternative method of apportionment must attach a copy of the Tax Commissioner's prior written approval of the alternative method. The alternative apportionment factor computation must be included. Enter the factor on line 2, [Nebraska Schedule I](#).

Note: Approval of an alternative method of apportionment is rare.

If the S corporation is a partner in a partnership or joint venture, see [Business Entity Regulation 24-315, Sales Factor; Business Entities As Owners in a Partnership or Joint Venture](#).

If an S corporation is a member of a unitary group which includes a C corporation, the apportionment factor for the S corporation will be the apportionment factor as determined for the unitary group. This factor will be applied to the income of the S corporation. Separate returns must be filed for the S corporation and the C corporation.

An S corporation that operates a trucking business and has income from both within and without this state, must compute its sales factor in accordance with [Business Income Tax Regulation 24-343, Special Apportionment Rules; All Tax Years; Trucking Companies](#).

The method of computing the sales factor must be consistent with prior tax years and with the S corporation's filings in other states. If the S corporation modifies the basis for including or excluding gross receipts in the sales factor used in returns for prior years, the 2025 return must disclose the nature and extent of the modification.

If the S corporation files returns with other states that are not uniform in the inclusion or exclusion of gross receipts, the [Form 1120-SN](#) filed with DOR must disclose the nature and extent of the variance.

Computation of Nebraska Source Income — You must complete lines 4-15 prior to completing lines 1-3.

Line 1	Nebraska Adjusted Income. Enter the amount from line 4 of Form 1120-SN.
Line 2	Nebraska Apportionment Factor. Enter the amount from line 15, Nebraska Schedule I, Form 1120-SN .
Line 3	Income Apportioned to Nebraska. Enter the result of line 1 multiplied by line 2. Also enter this amount on line 5, Form 1120-SN.

Nebraska Apportionment Factor - Sales or Gross Receipts

Nebraska sales include all items of income received by the S corporation from Nebraska sources. The following types of sales are from Nebraska sources:

- ◆ Sales of tangible personal property delivered in Nebraska;
- ◆ Sales of tangible personal property shipped from Nebraska to the U.S. government;
- ◆ Gross receipts from the interest or service charges arising from the sale of tangible personal property if the sale of the property is attributed to Nebraska;
- ◆ Sales of other than tangible personal property —
 - ✓ To the extent a service relates to real or tangible personal property located in Nebraska;
 - ✓ To the extent a service relates to part of the buyer's trade or business operated in Nebraska;
 - ✓ A service provided to an individual present in Nebraska at the time the service is received;
 - ✓ To the extent an application service is used in Nebraska;
 - ✓ To the extent intangible property is used in Nebraska;
 - ✓ To the extent an intangible asset used in a treasury function is managed in Nebraska;
 - ✓ To the extent a loan is secured by real or tangible personal property located in Nebraska;
 - ✓ To the extent a loan is not secured by real or tangible personal property, if the borrower is in this state. The location is presumed to be the borrower's billing address;
 - ✓ Fees, charges, and net gains from credit card receivables, if the credit card holder's billing address is in Nebraska;
 - ✓ Gross receipts from selling, renting, licensing, or leasing of real property if the real property is located in Nebraska;
 - ✓ Gross receipts from renting, leasing, or licensing tangible personal property if the property is in Nebraska. If the property was located within and without Nebraska during the taxable year, then the gross receipts are attributable to Nebraska in proportion to the percentage of time the property was located in Nebraska;
 - ✓ For sales not specifically addressed above, sales to an individual if the individual's billing address is in Nebraska, and sales to a business if the business places its order from Nebraska or the billing address of the business if the ordering place cannot be readily determined; and
 - ✓ Sales made by a communications company if the income-producing activity is performed in Nebraska based on costs of performance.

For additional information, see [Neb. Rev. Stat. § 77-2734.14](#).

Line 4	Sales or Gross Receipts Less Returns and Allowances. Enter the gross receipts, less any returns and allowances reported on the Federal Form 1120-S.
Line 5	Sales Delivered or Shipped to Purchasers in Nebraska: Shipped From Outside Nebraska. Delivery in Nebraska is determined without regard to the F.O.B. point or other conditions of the sale. The amount entered on this line should not include sales to the U.S. government.
Line 6	Sales Delivered or Shipped to Purchasers in Nebraska: Shipped From Within Nebraska. Delivery in Nebraska is determined without regard to the F.O.B. point or other conditions of the sale. The amount entered on this line should not include sales to the U.S. government.
Line 7	Sales Shipped From Nebraska to the U.S. Government. The U.S. government is the purchaser when it makes direct payment to the seller. The amount on this line includes all sales of tangible personal property to the U.S. government that are shipped from an office, store, warehouse, factory, or other place of business in this state. For other sales made to the U.S. government, use the rules for sales of other than tangible personal property. For additional information, see Neb. Rev. Stat. § 77-2734.14 .
Line 8	Interest on Sales of Tangible Personal Property. In the Total column, enter all interest or service charges received from the sale of tangible personal property. In the Nebraska column, enter all the interest or service charges related to the sale of tangible personal property delivered in Nebraska and from sales to the U.S. government shipped from Nebraska.
Line 9	Interest, Dividends, and Royalties From Intangible Property. In the Total column, enter all of the interest, dividend, and royalty income from intangible property received by the S corporation. In the Nebraska column, enter the amount sourced to Nebraska as determined by Neb. Rev. Stat. § 77-2734.14 (3) .

Line 10	<p>Gross Rents. In the Total column, enter the gross receipts from renting or leasing all real or tangible personal property.</p> <p>In the Nebraska column, enter gross receipts for renting or leasing real or tangible personal property located in Nebraska. If the tangible personal property rented or leased is located or used both inside and outside this state, the Nebraska receipts are attributable to Nebraska in proportion to the percentage of time the property was located in Nebraska.</p>
Line 11	<p>Net Gain on Sales of Intangible Property. In the Total column, enter the net gain on sales of all intangible property made during the tax year.</p> <p>In the Nebraska column, enter the amount of net gain from sales made to a buyer who uses the intangible in Nebraska as determined by Neb. Rev. Stat. § 77-2734.14.</p> <p>Note: A net loss on the sale of intangible property is not included in the calculation of the Nebraska sales factor.</p>
Line 12	<p>Gross Receipts From Sales of Tangible Personal Property and Real Property Not Included Above. In the Total column, enter the gross receipts from sales of all tangible personal property and real property not included above.</p> <p>In the Nebraska column, enter the gross receipts from sales of real property located in Nebraska. Also enter the gross receipts from tangible personal property delivered in this state or delivered to the U.S. government from a location in this state.</p>
Line 13	<p>Other Income. In the Total column, enter any other income not reported above that was received by the S corporation and is included in the amount reported on line 4, Form 1120-SN. List the type of adjustment on line 13a, the total amount on line 13b, and the Nebraska amount on line 13c. Attach a schedule if needed.</p> <p>In the Nebraska column, enter any other income not reported above that was derived from Nebraska sources.</p> <p>The amounts entered on this line include, but are not limited to, net farm income (loss) and the ordinary business income (loss) from partnerships. If the S corporation would be considered unitary with the partnership if the partnership was a corporation, enter the distributed share of the partnership's gross receipts.</p> <p>If the S corporation and the partnership would not be considered unitary, enter the distributed share of the income received from the partnership. See Business Entity Regulation 24-315, Sales Factor: Business Entities As Owners in a Partnership or Joint Venture, for additional information regarding the apportionment of income received from a partnership.</p>
Line 14	<p>Total Sales or Gross Receipts. In the Total column, add lines 4 and 8 through 13. Enter the result on line 14.</p> <p>In the Nebraska column, add lines 5 through 13 and enter the result on line 14.</p>
Line 15	<p>Nebraska Apportionment Factor. Compute the Nebraska apportionment factor by dividing line 14, Nebraska column, by line 14, Total column; round to six decimal places and enter as a percent.</p>

Example 3:

$$\frac{\text{Line 14 Nebraska column } 107,699}{\text{Line 14 Total column } 499,992} = .2154014464231428$$

Enter 21.5401% on line 15.

Since the seventh digit (4) is less than five, the sixth digit (1) is not rounded up to 2.

Nebraska Schedule II Instructions

Shareholder's Share of Nebraska Income. Do not complete this schedule if you checked box 5 on Form 1120-SN.

Purpose. The [Schedule II](#) is completed to identify the shareholders and to calculate income tax withholding for the nonresident individual shareholders. No income tax withholding is remitted when the nonresident individual shareholder has completed a [2025 Nebraska Nonresident Tax Agreement, Form 12N](#).

Complete the Schedule II through column (C) for all shareholders. Column (D) is only required for individual shareholders. Columns (E), (F), and (G) are completed for nonresident individual shareholders.

Column (A). Enter each shareholder's name and address information. This should be the address of the actual shareholder, not the S corporation's address. If the shareholder is a grantor trust, enter the name and address of the grantor. If a single-member limited liability company (LLC) owns stock in the corporation and is treated as a disregarded entity for income tax purposes, enter the LLC owner's name and address information.

Column (B). Enter the Social Security number for each individual shareholder or grantor of a grantor trust. Enter the Federal ID number for each shareholder that is not an individual or grantor trust. If a single-member limited liability company (LLC) owns stock in the corporation and is treated as a disregarded entity for income tax purposes, enter the LLC owner's Social Security number or Federal ID number.

Column (C). Enter the pro rata ownership percentage of each shareholder during the S corporation's taxable year.

Column (D). For each shareholder who is an individual or grantor trust, enter a "Y" if the shareholder is a Nebraska resident, or an "N" if the shareholder is not a Nebraska resident.

Do not complete columns (E), (F), and (G) when either of the following applies:

1. A loss is reported on line 5, [Form 1120-SN](#); or
2. The box at the top of the [Nebraska Schedule II](#) is checked indicating that the S corporation 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, or royalties.

For additional items considered to be portfolio income, see the instructions for Federal Form 1120-S.

Column (E). Place a check mark in this column if a properly completed and signed Form 12N is attached. Do not complete columns (F) and (G) if this box is checked.

Column (F). Enter the nonresident individual shareholder's share of Nebraska income reported by the S corporation. This amount is determined by multiplying the line 5, Form 1120-SN amount, by the column (C), Nebraska Schedule II percentage. Enter the column (F) total on line 19, Form 1120-SN.

Column (G). Multiply the amount in column (F) by .0520 and enter the result in column (G). This is the amount of Nebraska income tax withholding for each nonresident individual shareholder who did not complete a Form 12N. Report the amount of income tax withholding remitted for each nonresident individual shareholder on a [Shareholder's Share of Nebraska Income, Deductions, Modifications, and Credits - Nebraska Schedule K-1N](#). Enter the total of column (G) on line 20, Form 1120-SN. Do not enter a negative amount in column (G).

Nebraska Schedule III Instructions

Subsidiary or Affiliated Corporations

Purpose. The [Nebraska Schedule III](#) is used to identify the members of a unitary group and summarize the Nebraska sales or receipts for those members of the unitary group that have nexus in this state.

This schedule must be completed if the S corporation is a member of a unitary group and should include any Qualified Subchapter S Subsidiary (QSSS) and all C corporations which are part of the unitary group.

The total Amount of Nebraska Sales or Receipts reported on this schedule must agree with the Total Sales or Gross Receipts from line 14 of the Nebraska column of Nebraska Schedule I.

NOTE: For Nebraska income tax purposes, including nexus, the parent S corporation and all QSSSs will be treated as one entity.

[See the Nebraska Schedule K-1N for the Instructions](#)

Shareholder's Share of Income, Deductions, Modifications, and Credits

Nebraska Schedule PTET

Shareholder's Share of Nebraska Pass-Through Entity Tax

Complete this schedule only if the S corporation elected to be subject to Nebraska income tax for any of the 2018 through 2022 tax years during its 2025 tax year; or made a timely PTET election for the 2025 tax year; or is distributing a PTET credit received.

Purpose. The Nebraska Schedule PTET is used to report the Nebraska PTET by an S corporation that elected to be subject to Nebraska income tax or to distribute a PTET credit received. Schedule PTET is also used to report the amount of Nebraska PTET credit allowable to each shareholder that held an ownership interest in the electing S corporation during the 2025 tax year.

Line 1. Enter the 2025 Nebraska PTET reported on line 6, Form 1120-SN.

Line 2. Enter the 2018 through 2022 Nebraska PTET reported on line 18, Form 1120-SN.

Line 3. Enter the amount of PTET credit reported on line 27e, Form 1120-SN received in the 2025 tax year that you are redistributing to your shareholders.

Line 4. Enter the total of lines 1, 2, and 3. This is the total PTET amount distributed to the shareholders. The total of the amounts entered in Column (J) must be the same as the amount entered on line 4.

Column (A). Enter the shareholder's name. If the shareholder is a grantor trust, enter the name of the grantor. If a single-member LLC owns stock in the corporation and is treated as a disregarded entity for income tax purposes, enter the LLC owner's name.

Column (B). Enter the Social Security number for each individual shareholder or grantor of a grantor trust. Enter the Federal ID number (FEIN) for each shareholder that is not an individual. If a single-member LLC owns stock in the corporation and is treated as a disregarded entity, enter the LLC owner's Social Security number or FEIN.

Column (C). Enter the percent of ownership for each individual or trust that held an ownership interest in the S corporation during the 2025 tax year.

Columns (D) through (I). Enter each shareholder's share of the 2018 through 2022, and 2025 PTET credit. The shareholder's share is equal to the Nebraska PTET deducted for each tax year multiplied by the shareholder's 2025 percent of ownership.

Columns (J). For each shareholder enter the result of Columns (D) through (I). The total of Column (J) is the line 4 total, Schedule PTET amount.