NEBRASKA
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DEPARTMENT OF REVENUE

Electing Small Business Trust (ESBT) Tax Calculation Worksheet

FORM 1041N
ESBT Worksheet
2026

Name on Form 1041N	Nebraska ID Number

1 Total federal income	1		00
2 Federal taxable income	2		00
Adjustments			
3 Income from U.S. government bonds or other U.S. obligations	3		00
4 Income from non-Nebraska state and local bond interest and other Nebraska adjustments increasing federal taxable income (includes Nebraska and local income, sales and use taxes deducted under section 164 of the IRC) (see instructions). List the types and enter the total amount on line 4 ______	4		00
5 Nebraska adjustments decreasing federal taxable income. List the types and enter the total amount on line 5 ______	5		00
6 Nebraska taxable income (line 2 plus line 4) minus (lines 3 plus 5)	6		00
• **Nonresident ESBTs should not make entries on lines 7, 8, or 9 of this worksheet. Nonresident ESBTs must complete the Computation of Nebraska Tax for Nonresident ESBT section (below) to determine their Nebraska tax.**			
7 Nebraska income tax (use the tax rate schedule on page 11 of the Form 1041N instructions to calculate the amount of tax)	7		00
8 Nebraska other tax	8		00
9 Total Nebraska tax (line 7 plus line 8). Enter here and on line 10, Form 1041N	9		00
Computation of Nebraska Tax For Nonresident ESBT			
10 Nebraska taxable income (from line 6 above)	10		00
11 Nebraska income tax (use the tax rate schedule on page 11 of the Form 1041N instructions to calculate the amount of tax)	11		00
12 Nebraska other tax	12		00
13 Total Nebraska tax (line 11 plus line 12)	13		00
14 Income derived from Nebraska sources, except capital and ordinary gain (loss)	14		00
15 Nebraska capital and ordinary gain (loss)	15		00
16 Adjustments as applied to Nebraska income, if any (includes Nebraska and local income, sales and use taxes deducted under section 164 of the IRC). List: ______	16		00
17 Nebraska adjusted gross income (line 14 plus or minus lines 15 and 16)	17		00
18 Nebraska share of line 13. Compute below, and enter result here and on line 14, Schedule I, Form 1041N. Calculate the ratio to five decimal places and round to four. $\frac{\text{Line 17}}{(\text{Line 1 + Line 4}) - (\text{Line 3 + Line 5})}$ = . ☐☐☐☐ (Ratio) x ______ (Line 13) = ______	18		00

Instructions

Who Must File. This worksheet must be filed by an Electing Small Business Trust (ESBT) which receives income from an S corporation doing business in Nebraska and which is taxed under Internal Revenue Code (IRC) § 641(c).

When and Where to File. This worksheet must be completed and attached to the Nebraska Fiduciary Income Tax Return, Form 1041N.

Specific Instructions. Under IRC § 641(c), an ESBT receiving income from an S corporation is required to calculate its tax liability as a separate trust. Nebraska also requires an ESBT to calculate its Nebraska tax on the S corporation income as a separate trust. All amounts entered on this Worksheet must be related to the amounts **received from the S corporation** and used to calculate the separate federal tax. If the separate federal tax was based on distributions received from more than one S corporation, this worksheet should include the aggregate amounts received.

Reminder: ESBTs receiving income or losses from S corporations doing business in more than one state must adjust their federal taxable income as indicated in the instructions for line 4 and line 5 of this worksheet.

Line 1. Enter the ESBT's total federal income received from the S corporation.

Line 2. Enter the ESBT's federal taxable income. This amount should be included in the supplemental information of the ESBT's federal income tax return.

Line 3. 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 which can be included on line 3. 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 3.

Line 4. Enter the total adjustments increasing federal taxable income. This income includes, but is not limited to:

- Non-Nebraska state or local obligations exempt from federal taxation;
- Any loss from an S corporation or limited liability company (LLC) which was not from Nebraska sources;
- Federal net operating or capital losses deducted in computing federal taxable income;
- Nebraska and local income, sales and use taxes deducted under section 164 of the IRC (from Schedules K-1N);
- Federal deduction for qualified property/qualified improvement property. Enter the ESBT's amount deducted on the federal return for the qualified property/qualified improvement property (property) for which the ESBT claimed the Nebraska deduction to fully expense (60%) the costs or elected to depreciate the property over a five-year irrevocable term. For taxable years beginning on or after January 1, 2026, if the ESBT claimed the Nebraska deduction for any property, the federal amount must continue to be added back as an increasing adjustment on the Nebraska return in future tax years until no longer deducted on the federal return for any property subject to the Nebraska deduction. See Nebraska Qualified Property/Qualified Improvement Property and Research or Experimental Expenditures Depreciation Deduction Worksheet, Form 27242 for additional information; and
- Federal deduction for research or experimental expenditures. Enter the ESBT's amount deducted on the federal return for the research or experimental expenditures (R&E expenditures) for which the ESBT claimed the Nebraska deduction to treat the expenses as fully chargeable to the capital account or elected to amortize the R&E expenditures over a five-year irrevocable term on the Nebraska return. For taxable years beginning on or after January 1, 2026, if the Nebraska deduction was claimed for R&E expenditures incurred during a tax year, the federal amount must continue to be added back as an increasing adjustment on the Nebraska return in future tax years until no longer deducted on the federal return for the R&E expenditures subject to the Nebraska deduction. See Nebraska Qualified Property/Qualified Improvement Property and Research or Experimental Expenditures Depreciation Deduction Worksheet, Form 27242 for additional information.

Line 5. Enter the total adjustments decreasing federal taxable income. This includes, but not limited to:

- Any income from an S corporation or limited liability company (LLC) which was not from Nebraska sources. This deduction is limited to the amount included in federal taxable income. An estate or trust cannot include business income deduction claimed on its federal return;
- Nebraska net operating loss;
- Nebraska deduction for qualified property/qualified improvement property. Enter the ESBT's amount of the Nebraska deduction for qualified property/qualified improvement property (property) for which the ESBT fully expensed (60%) the costs or elected to depreciate the property over a five-year irrevocable term. For taxable years beginning on or after January 1, 2026, if the ESBT claimed the Nebraska deduction, the federal amount must

continue to be added back as an increasing adjustment on the Nebraska return in future tax years until no longer deducted on the federal return for property subject to the Nebraska deduction. See Nebraska Qualified Property/Qualified Improvement Property and Research or Experimental Expenditures Depreciation Deduction Worksheet, Form 27242 for additional information; and

- Nebraska deduction for research or experimental expenditures. Enter the ESBT's amount of the Nebraska deduction for research or experimental expenditures (R&E expenditures) for which the ESBT claimed the Nebraska deduction to treat the expenses as fully chargeable to the capital account or elected to amortize the expenditures over a five-year irrevocable term on the Nebraska return. For taxable years beginning on or after January 1, 2026, if the Nebraska deduction was claimed for R&E expenditures incurred during a taxable year, the federal amount must continue to be added back as an increasing adjustment on the Nebraska return in future tax years until no longer deducted on the federal return for the R&E expenditures subject to the Nebraska deduction. See Nebraska Qualified Property/Qualified Improvement Property and Research or Experimental Expenditures Depreciation Deduction Worksheet, Form 27242 for additional information.

For information on other deductions, see Nebraska Fiduciary Income Tax Regulation 23-004, Taxation of Resident and Nonresident Estates and Trusts.

Line 7. A resident ESBT will compute and report its tax liability on lines 7 and 8 of the Worksheet and enter the total on line 9 of the Worksheet. This total will also be carried to line 10 of Form 1041N.

A nonresident ESBT will not use lines 7, 8, and 9 of the Worksheet. A nonresident ESBT must complete lines 10 through 18 of the Worksheet to determine its Nebraska tax liability.

Line 8. Use the Nebraska Other Tax Worksheet to calculate the amount to enter on line 8. The worksheet may be found in the instructions for line 9 of the Form 1041N.

Line 12. Use the Nebraska Other Tax Worksheet to calculate the amount to enter on line 12. The worksheet may be found in the instructions for line 9 of the Form 1041N.

Line 14. Enter the entire net income or loss distributed from the S corporation to the ESBT.

If the S corporation has business activity in more than one state, only a portion of the income is included on line 14. The portion included will be based on the S corporation's Nebraska apportionment factor.

Line 15. Enter the taxable amount of Nebraska capital and ordinary gain and loss distributed from the S corporation.

Line 16. The adjustments must relate to Nebraska income amounts reported on lines 14 and 15. Include a schedule specifically identifying the adjustments claimed. Add an increasing adjustment for the Nebraska and local income, sales and use taxes deducted under section 164 of the IRC from Schedules K-1N.

Line 18. The ratio used in the division calculation of this line must be computed to five decimal places and rounded to four. Enter the amount from line 18 on line 14, Schedule I, Form 1041N.