Special Conversion Chart Instructions for Tax Year 2022

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

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 line 2 entry excludes **non-Nebraska S corporation** or **limited liability company** income from non-Nebraska sources, lines 2 and 5 should be less than that indicated using the conversion chart. If you indicate that the credit has been adjusted because of non-Nebraska S corporation or limited liability company income, lines 2 and 5 will generally be accepted as reported. If line 2 includes a non-Nebraska S corporation or limited liability company loss from Nebraska Schedule I, line 19, line 2 should be more than that indicated using the conversion chart.

3. **Dual State Residents (Nebraska 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.

   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.

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.