Nebraska Income Tax Withholding on Wages, Pensions and Annuities, and Gambling Winnings Paid on or after January 1, 2027

2027 Nebraska Circular EN

This Circular EN replaces the 2026 Circular EN

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DEPARTMENT OF REVENUE

8-429-1998 Rev. 8-2026
Supersedes 8-429-1998 Rev. 11-2025

Notice to Employers

Important Information for Nebraska Income Tax Withholding

Electronic Filing and Payment Mandates. Payments for income tax withholding must be made electronically if the total payments made in any prior year exceeded $5,000. Employers with more than 50 wage and tax statements (W-2, W-2G, 1099-R, 1099-MISC and 1099-NEC) must file those statements electronically. All other employers are encouraged to electronically pay the income tax withholding; and e-file the Forms W-3N and the wage and tax statements.

Example. An employer makes income tax withholding payments exceeding $5,000 in 2026. Beginning July 1, 2027 and subsequent years, the employer must make all income tax withholding tax payments electronically.

All employers, even those who have not made payments that exceed the threshold of $5,000, are strongly encouraged to e-file and make income tax withholding payments electronically.

Special Income Tax Withholding Procedures. Every employer with more than 24 employees must withhold at least 1.5% of each employee's taxable wages. A lesser amount may be withheld if the employee provides documentation justifying a lesser amount. Documentation may include:

- Verification of children/dependents;
- Marital status; and/or
- The amount of itemized deductions.

See additional information on page 9.

Changes to the Income Taxation of Nonresident Individuals Earning Compensation from a Business, Trade or Profession. For taxable years beginning on or after January 1, 2025, compensation paid to a nonresident by a business, trade, or profession is Nebraska sourced income of the nonresident if:

- The nonresident performs services in Nebraska for more than seven days during the taxable year for which the compensation is paid; and
- The nonresident is paid compensation for performing services outside Nebraska that are directly related to a business, trade, or profession carried on within Nebraska for the nonresident's convenience, and except for the nonresident's convenience, the services could have been performed within Nebraska.

If the nonresident works more than 7 days in Nebraska, only the compensation paid for services performed within Nebraska constitutes Nebraska sourced income of the nonresident under this provision.

For taxable years beginning on or after January 1, 2025, any compensation paid to a nonresident employee by a business, trade, or profession is not Nebraska sourced income if all of the following conditions are met:

- The wages are paid to the nonresident employee while present in Nebraska for a conference or training;
- The nonresident employee is present and earning wages in Nebraska for seven days or less during the taxable year;
- The nonresident employee earned wages for work performed in more than one state during the taxable year; and
- The total wages earned while in Nebraska is $5,000 or less during the taxable year.

For taxable years beginning on or after January 1, 2025, Nebraska sourced income does not include compensation paid to nonresident board of directors or nonresidents holding similar positions on the governing body of a business, if the compensation relates to the activities of the board or governing body that take place in Nebraska.

See additional information for nonresidents on page 6.

Table of Contents