



Individual Income Tax--Income from Installment Sales. THE AMOUNT DETERMINED AS THE PROPORTIONATE DISALLOWANCE OF INCOME DEFERRED UNDER THE INSTALLMENT SALES METHOD OF ACCOUNTING IS DEEMED A PAYMENT RECEIVED AND INCLUDED IN FEDERAL ADJUSTED GROSS INCOME UNDER THE INTERNAL REVENUE CODE, AND IS FULLY TAXABLE IN NEBRASKA IN THE YEAR IT IS DISALLOWED.

Advice has been requested as to whether a taxpayer who has been using the installment method of accounting may defer a portion of the tax due to Nebraska on the income from the proportionate disallowance that is deemed a payment under section 453C of the Internal Revenue Code of 1986.

The IRC deems that a portion of the income deferred under the installment method of accounting is a payment received at the end of the taxable year under the proportionate disallowance rule. The income on the deemed payment is recognized and is properly included in federal adjusted gross income, which is the base for the Nebraska individual income tax.

The federal transition rules allow the increase in the federal tax due to the proportionate disallowance to be paid in more than one year. There is no similar provision in Nebraska law allowing a delay in the payment of the tax. The entire amount of the Nebraska individual income tax on the amount of the proportionate disallowance is due with the return for the year for which the disallowance was computed.

APPROVED:

A handwritten signature in cursive script that reads 'John M. Boehm'.

John M. Boehm
State Tax Commissioner

May 24th, 1988