



Revenue Ruling 24-87-1
Tax Policy Division
March 17, 1987

Corporate Income Tax- S Corporation(s) in a Unitary Group. THE S CORPORATION(S) AND THE OTHER CORPORATIONS IN A UNITARY GROUP WILL USE THE SAME APPORTIONMENT FORMULA. EACH S CORPORATION WILL FILE A RETURN AND THE OTHER UNITARY CORPORATIONS WILL FILE ONE COMBINED RETURN.

Advice has been requested about how income tax is to be computed when a portion of the unitary group is an S corporation.

If a unitary group includes an S corporation, the apportionment factors for the entire unitary group will be determined. The apportionment factor will be applied against the taxable income of the corporate taxpayer, the combined federal taxable income of the regular corporations. The same apportionment factor will be applied to the income of the S corporation to determine the income that is attributable to operations of the S corporation that are conducted within the state.

Procedure and Implementation. This procedure is to be done for both tax years before and after 1984. This will provide for a consistent application for all open tax years.

Resident shareholders are subject to tax on their entire federal taxable income, even if some of it may have been earned for activities outside Nebraska. A credit is allowed for the taxes properly paid to another state under the provisions of section 77-2730 of the Nebraska Revised Statutes.

Nonresident shareholders are subject to Nebraska income tax on all income included in federal gross income which is derived from or connected with Nebraska sources, including the distributive share of income and deductions from S corporations. Only that income and deductions which are related to income derived from sources within Nebraska are allowed. For a nonresident shareholder this will be their pro rata share of the Nebraska income of the S corporation. The Nebraska income of the S corporation will be computed as determined above.

APPROVED:

A handwritten signature in cursive script that reads 'Donald S. Leuenberger'.

Donald S. Leuenberger
State Tax Commissioner

March 17, 1987