Special Conversion Chart Instructions for Tax Year 2019
for Nebraska Form 1040N – Schedule II, Lines 2 and 5,
and Nebraska Form 1041N – 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. If the
   income is not separately stated, the account will be reviewed by the Department.

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
   Schedule I, line 21, line 2 should be more than that indicated using the conversion chart.

3. **Dual State Residents (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, the Department may further review the returns.