



2010

Nebraska

Return of Partnership Income Booklet

Included in this Booklet are:

Form 1065N;

Schedules I and ELP, II, and III; and

Use Tax information.

Questions?

www.revenue.ne.gov

(800) 742-7474 (NE or IA) or (402) 471-5729

2010 Nebraska Return of Partnership Income

INSTRUCTIONS

Important Information for All Filers

Purpose. The [Nebraska Return of Partnership Income, Form 1065N](#), is not simply an informational return. The Form 1065N and schedules are necessary to calculate taxable income and credits that will be passed through to the partners. The partners will use these amounts to complete their income tax filing. The form and schedules are also necessary to calculate and pay tax on behalf of nonresident individual partners. The Form 1065N may also be filed to report and pay any recapture of incentive credits.

Use Tax. A partnership may also be subject to use tax. See the additional information on page 4 of these instructions.

Terms

Partner. For purposes of these instructions, “partner” includes a partner of a partnership, or a member of an LLC.

Partnership. The term “partnership” includes:

- ◆ Limited partnership;
- ◆ Electing large partnership (ELP);
- ◆ Limited liability company (LLC);
- ◆ Syndicate;
- ◆ Group;
- ◆ Pool;
- ◆ Joint venture; or
- ◆ Other unincorporated organization, that is not filing with the IRS as a corporation, trust, estate, or sole proprietorship.

General Filing Information

Nebraska Nonresident Income Tax Agreement, Form 12N. If [Form 12N](#) is used, it must be filed for the nonresident partner **each year**.

Enter All Amounts as Whole Dollars. Do not include cents on the return or schedules. Do not change the pre-printed zeros in the cents column of the [Form 1065N](#) or [schedules](#). Round any amount from 50 cents to 99 cents to the next higher dollar. Round any amount less than 50 cents to the next lower dollar.

Penalties and Interest. Either or both may be imposed in the following circumstances:

- ◆ Failure to file a return and pay the tax due on or before the due date;
- ◆ Failure to pay the tax due on or before the due date;
- ◆ Failure to file an amended Nebraska return of income to report changes made to your federal return;
- ◆ Preparing or filing a fraudulent return of income; or
- ◆ Understatement of income on an income tax return.

Filing a false or fraudulent Nebraska return is subject to penalty, even if the amounts reported are taken from your federal return. Unpaid tax is subject to interest at the statutory rate of five percent from the original due date to the date the tax is paid. See [Revenue Ruling 99-10-1](#) for applicable interest rates.

Reporting Changes or Corrections. If information on a Nebraska partnership return previously filed is incorrect, a Form 1065N with the “Amended Return” box checked must be filed. When filing an Amended Return, remember:

- ◆ Changes made by the Internal Revenue Service (IRS) or another state must be reported to the Nebraska Department of Revenue (Department) within 60 days;
- ◆ Form 1065N is year-specific. Please be sure to use the correct form for the tax year you are amending. The appropriate forms can be found on the Department’s website;
- ◆ You must attach a copy of the related federal or other state amended return and all related schedules or other documentation to explain the changes shown on the amended Nebraska return; and
- ◆ Show only the corrected figures on the Amended Return.

When an amended return reflects a reduction in tax due because Nebraska source income for its nonresident individual partners is reduced, the partnership will not receive a refund. Individual partners may file a claim for refund resulting from the reduced Nebraska source income.

Nebraska Extension of Time. An extension to file may only be obtained by:

- ◆ Attaching a copy of a timely-filed Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns, Federal Form 7004, to the Nebraska return when filed;
- ◆ Attaching a schedule to the Nebraska return listing the federal confirmation number and providing an explanation that the electronic request for automatic federal extension was not denied; or
- ◆ Filing a [Nebraska Application for Extension of Time to File Corporation, Fiduciary or Partnership Return, Form 7004N](#), on or before the due date of the return, when you need to make a tentative Nebraska payment or when a federal extension is not being requested.

Failure to attach the applicable extension document may result in a late filing penalty. An extension of time only extends the date to file the return. It does not extend the due date to pay the tax. Any tax not paid by the original due date is subject to interest.

NOTE: The IRS provides automatic extensions to partnerships for either a five- or six-month period dependent upon the type of federal return to be filed (Form 1065 – five months; Form 1065-B – six months). Nebraska follows the IRS regarding the number of months an automatic extension will be granted. **No additional extension of time to file the Nebraska Return of Partnership Income will be provided.**

Accounting Methods. The accounting method used for federal income tax purposes must be used for Nebraska income tax purposes. A taxpayer may not change the accounting method used to report income in prior years unless the change is approved by the IRS. A copy of this approval must accompany the first return which shows the change in the method of accounting.

Federal Return. A copy of the federal return and supporting schedules, as filed with the IRS, must be attached to this return. If there are more than ten federal K-1s, please submit them and any supporting schedules on CD-R media rather than on paper.

Tax Period. A 2010 [Form 1065N](#) must be used to file for the calendar year 2010, or a fiscal year beginning in 2010. Space is provided at the top of the return to enter the beginning and ending dates for short-period or fiscal year filers. The taxable year for Nebraska must be the same as the taxable year used for the federal income tax return.

If the partnership changes its federal taxable year, it must also change its Nebraska taxable year. A copy of the approval from the IRS to change accounting periods must accompany the first return that shows the change.

Final Return. Check the “Final Return” box at the top of the return if the partnership ceased to exist during the 2010 tax year.

USE TAX

A partnership owes use tax when the proper sales tax has not been paid on purchases delivered into Nebraska. This often occurs when purchases are made from out-of-state, mail order, or Internet sellers. Use tax is also due when items purchased for resale are withdrawn from inventory for business or personal use.

EXAMPLE 1:

The partnership purchased a computer from a seller in South Dakota over the Internet for \$1,570 plus \$30 shipping and handling charges. Both charges are taxable. The computer is shipped to the partnership in Scottsbluff, Nebraska and no tax is charged or collected by the seller. The total state tax is \$88 ($\$1,600 \times 5.5\%$) and the local tax is \$24 ($\$1,600 \times 1.5\%$). The total use tax owed is \$112 ($\$88 + \$24 = \112).

EXAMPLE 2:

A motor vehicle repair shop in Scottsbluff, Nebraska provides motor vehicle repair service. The repair shop also owns a tow truck used for towing customer motor vehicles needing repair. The shop purchases oil and oil filters, tax exempt, for resale using the [Nebraska Resale or Exempt Sale Certificate, Form 13](#). When oil and oil filters are removed from tax exempt inventory and used to change the oil in the business-owned tow truck, state and local use tax is due on the cost of the oil and oil filters.

For additional information, see the [Nebraska Consumer's Use Tax Information Guide](#) on the Department's website.

NONRESIDENT PARTNERS

Partnerships, except those that are publicly traded, must withhold and remit Nebraska income tax for each nonresident individual partner who does not complete a [Nebraska Nonresident Income Tax Agreement, Form 12N](#). For the purposes of Form 12N and the withholding requirements, an individual includes a nonresident grantor of a grantor trust.

Nonresident partners who sign the Form 12N agree to file a Nebraska income tax return and pay all taxes due directly to the Department. This relieves the partnership from withholding and remitting the tax on the partner's behalf. All completed Forms 12N must be attached to the [Form 1065N](#).

If a [Form 12N](#) is not completed for a nonresident individual partner, the amount to be paid is 6.84% of the nonresident partner's share of partnership income from Nebraska sources. When calculating the payment for each nonresident individual partner, the partnership cannot subtract any bonus depreciation or enhanced Section 179 expense deduction previously added back for the partner in prior tax years. Only the nonresident partner may recover these amounts by filing a [Nebraska Individual Income Tax Return, Form 1040N](#).

The partnership reports the amount withheld from each nonresident partner on the [Statement of Nebraska Income Tax Withheld for Nonresident Individual, Form 14N](#). Attach each Form 14N to the partnership return. Do not file Forms 14N for corporations, estates, or trusts (except grantor trusts) that are partners. Nebraska law does not allow payment of tax by a partnership on behalf of these entities. Instead, these entities are required to file a Nebraska return.

The nonresident individual partner may claim the amount withheld and remitted by the partnership as a credit against his or her Nebraska income tax liability by attaching a copy of the Form 14N to the [Form 1040N](#).

Nonresident individual partners do not have to file a Nebraska individual income tax return if:

- ◆ Their only connection with the state is the conduct of business activities of the partnership; and
- ◆ The partnership has withheld and remitted tax from all the Nebraska income attributable to the nonresident's share of the partnership's income.

The full amount of the withholding, at the nonresident partner's option, is retained in lieu of filing an individual income tax return. Any nonresident may still file a Form 1040N, however, and claim a refund if one is due.

No Composite Filing. The Department does not provide for the filing of "composite" income tax returns. Partnerships with nonresident partners must either:

- ◆ Obtain a Form 12N from the nonresident individual partner; or
- ◆ Withhold and remit Nebraska income tax on the nonresident partner's share of Nebraska income with [Form 1065N](#).

A publicly traded partnership is not required to withhold from its nonresident individual partners who do not submit a Form 12N, provided the partnership identifies each partner with Nebraska income in excess of \$500. For additional information, see the Nebraska Schedule III, Form 1065N, instructions.

Nonresident Partner – No Withholding Requirement. The partnership is not required to withhold and remit tax for any nonresident individual partner who completes and submits a Form 12N to the partnership, **before the original filing** of the Form 1065N. For purposes of the Form 12N, an individual includes a nonresident grantor of a grantor trust. A complete Form 12N must:

- ◆ Include all the requested information; and
- ◆ Be signed and dated by the partner or the partner’s authorized representative (attach copy of [Power of Attorney, Form 33](#)).

Any nonresident partner who files Form 12N to avoid withholding, or who receives Nebraska income from a publicly traded partnership, must file Form 1040N. Failure to file the required Form 1040N may result in:

- ◆ The issuance of an assessment to the nonresident individual partner based on the information available to the Department; or
- ◆ The loss of use, by the nonresident individual partner, of the current year Nebraska net operating or capital loss distributed from the partnership. A Nebraska net operating or capital loss carryforward will not be allowed to offset Nebraska income until the Nebraska return for the loss year has been filed.

Partner’s Return. A resident partner (except for a resident member of a limited liability company) must include his or her entire share of the partnership income in adjusted gross income. Income should be computed under the applicable provisions of the Internal Revenue Code (IRC). Nonresident or corporate partners, or members of a limited liability company, are subject to the Nebraska income tax on their share of the partnership income derived from sources within Nebraska.

Reporting Nebraska Source Income to Partners. A partnership must provide all partners with a schedule listing the types and amounts of income and deductions to be included in each partner’s Nebraska tax return.

A Federal Schedule K-1 may be used for each partner, provided it is modified to include the partner’s share of U.S. government interest and state and local obligations. The amounts reported on the K-1 must be calculated in the same manner as income is distributed.

For partnerships apportioning income, the amount of Nebraska income must also be provided to each partner with a copy of the [Form 1065N, Nebraska Schedule I – Apportionment of Income](#).

Each partnership will determine the Nebraska portion of income subject to tax by using either the standard apportionment formula, or an approved alternative method. Corporate partners should refer to [Corporate Income Tax Regulation 24-056, Corporation as Partner in a Partnership or Joint Venture](#) for information on calculating their apportionment factors.

Nebraska does not recognize any agreement that allocates the Nebraska portion of income or expenses to a particular partner to determine the income tax due from the partners. The amount of income or deductions reportable to the partners is the amount on each line of the Federal Schedule K-1 multiplied by the apportionment factor determined on [Nebraska Schedule I – Apportionment of Income](#).

For partnerships using an approved alternative method to determine income attributable to Nebraska, the amount reportable to the partners is determined in accordance with the method previously approved by the Tax Commissioner.

NOTE: Approval of an alternative method of apportionment is rare.

CREDITS DISTRIBUTABLE TO PARTNERS

Withholding on Contractors. Construction contractors are required to withhold five percent of any payment or payments exceeding \$600 from their construction subcontractors that are not registered on the [Nebraska Department of Labor's Contractor Registration Database](#). A partnership against whom the contractor withholding was applied, must distribute the amount withheld to its partners. The total amount withheld from the partnership must be distributed in the same manner as income. No credit will be allowed on the [Form 1065N](#) for contractor withholding. For additional information, see the "[Construction Contractors](#)" section of the Department's website.

Nebraska Community Development Assistance Act (CDAA) Credit. This credit is allowable for contributions to approved projects of community betterment organizations recognized by the Nebraska Department of Economic Development. Attach the [2010 Nebraska Community Development Assistance Act Credit Computation, Form CDN](#), and a copy of Form 1099NTC to the [Form 1065N](#) and also provide each partner a copy of the Form 1099NTC. Each partner is allowed a share of the credit calculated by using the same method used to report income received from the partnership.

For more details regarding this credit, see the [Nebraska Department of Economic Development's website](#) or contact the Nebraska Department of Economic Development, Community and Rural Development Division, PO Box 94666, Lincoln, Nebraska 68509-4666; (402) 471-3775; or (800) 426-6505, extension 6587.

Beginning Farmer Credit. This credit is available to owners of agricultural assets which are rented to qualifying beginning farmers or livestock producers. Each partner eligible for the credit will receive a copy of the [Statement of Nebraska Tax Credit, Form 1099BFC](#), from the Nebraska Department of Agriculture. Each partner is allowed a share of the credit calculated by using the same method used to report income received from the partnership. The Form 1099BFC must be filed with the partner's individual income tax return. Form 1099BFC is not filed with Form 1065N. For more details regarding this credit, see the [Nebraska Department of Agriculture's website](#), or contact the Nebraska Department of Agriculture, PO Box 94947, Lincoln, NE 68509-4947; (402) 471-6890; or (800) 446-4071.

Form 3800N Credits. Nebraska provides several tax incentive credits that may be earned by entities conducting business in this state. For additional information on each of the tax credits available, go to www.revenue.ne.gov and click on "Economic Tax Incentives" on the left side of the webpage.

Who Must File?

The [Form 1065N](#), must be completed by:

- ◆ Every partnership listed below, unless all partners are residents of Nebraska and all income is derived from Nebraska sources;
- ◆ A limited liability company (LLC) which has elected to be treated as a partnership for federal income tax purposes and which derives income from Nebraska sources. Form 1065N must be completed by every LLC, unless all of the LLC's members are residents of Nebraska and all of its income is derived from Nebraska sources; and
- ◆ Every partnership and LLC treated as a partnership that will distribute Nebraska incentive credits to their partners or members. The Form 1065N must be filed regardless of where the partnership income is earned or the residence of the partners or members.

A limited partnership conducting business entirely outside this state which has Nebraska resident partners, none of whom are general partners charged with the management responsibility of the partnership, is not required to file Form 1065N.

Only one return is required to be filed for each partnership. If copies of the form are furnished to each partner, they should be clearly identified as "Duplicate" or "Copy."

When and Where to File

This return must be filed on or before the 15th day of the fourth month following the close of the taxable year. The return must be filed with the:

Nebraska Department of Revenue
PO Box 94818
Lincoln, Nebraska 68509-4818

How to Complete Form 1065N

Business Classification Code. Enter the six-digit code that best describes your principal business activity in Nebraska. The [business classification codes](#) may be found on the Department’s website. Please review your code carefully.

Principle Business Activity in Nebraska. Enter the principle business activity of the partnership from the Business Classification Code listing.

Nebraska ID Number. Enter your Nebraska ID number. If you have not been assigned a Nebraska ID number, leave this field blank. A Nebraska ID number will be assigned when the return is received. The Department will send notification of the assigned Nebraska ID number to the address shown on the return.

Federal ID Number. Enter the federal ID number assigned to the partnership or LLC by the IRS.

LINE 1	Ordinary Business Income. Enter the ordinary business income or loss as shown on line 22 of Federal Form 1065. ELPs will enter zero on lines 1 through 3, and complete Nebraska Schedule ELP.
LINE 2	Nebraska Adjustments Increasing Ordinary Business Income. Enter the amount from line 8 of Nebraska Schedule II . See the Schedule II instructions for additional information.
LINE 3	Nebraska Adjustments Decreasing Ordinary Business Income. Enter the amount from line 18 of Nebraska Schedule II. See the Schedule II instructions for additional information.
LINE 4	Nebraska Adjusted Income. If the partnership does not have adjustments to ordinary business income, enter the line 1 amount on line 4. If the partnership has adjustments to ordinary business income, line 4 equals line 1 plus line 2 minus line 3. Electing large partnerships must enter line 11 of Nebraska Schedule ELP .
LINE 5	Income Reported to Nebraska. If all of the income earned by the partnership is derived from Nebraska sources, enter the line 4 amount on line 5. If the partnership earned income from both within and without Nebraska, enter the amount from line 3 of Nebraska Schedule I . See the Nebraska Schedule I instructions for additional information.
LINE 6	Percent of Ownership by Nonresident Individual Partners. Enter the “TOTAL” percentage from column (B) of Nebraska Schedule III . See the Schedule III instructions for additional information. Lines 6 through 10 do not need to be completed by publicly traded partnerships, provided Nebraska Schedule III [columns (A) through (C) and column (E)] is completed for those partners who received more than \$500 of Nebraska income.
LINE 7	Percent of Ownership By Nonresident Individual Partners For Whom Nebraska Nonresident Income Tax Agreements, Forms 12N, are Attached. Enter the total ownership percentage for those individuals for whom a properly completed Form 12N is attached. See the Form 12N instructions for completion requirements.
LINE 8	Percent of Income Subject to Withholding. If the partnership does not have nonresident individual partners, enter zero. Otherwise, line 8 equals line 6 minus line 7.
LINE 9	Income Reported to Nebraska Subject to Withholding. Multiply line 5 by the line 8 percentage and enter the result on line 9.
LINE 10	Nebraska Income Tax Withholding for Nonresident Individual Partners. Line 10 equals line 9 multiplied by .0684 (Nebraska’s highest individual income tax rate).
LINE 11	Form 3800N Credit and Recapture. Enter the net amount of any refundable Form 3800N credits and any recapture of credits. If the credits are larger than the recapture, enter as a negative number.
LINE 12	Tax Deposited with Form 7004N and 2010 Estimated Tax Payments. Add the total amount paid as estimated payments and any amount paid with the Nebraska extension request, Form 7004N . Enter the total on line 12.

LINE 13

Tax Due. If line 10 plus line 11 minus line 12 is greater than zero, enter the result on line 13.

Check or Money Order. Include a check or money order payable to the Nebraska Department of Revenue with your return. Checks written to the Department may be presented for payment electronically.

At this time, the Department does not offer credit card or electronic payment options for partnership returns.

LINE 14

Overpayment to be Refunded. If line 10 plus line 11 minus line 12 is less than zero, enter the result on line 14.

NOTE: A partnership filing an amended return will not receive a refund of any tax due with its original return when the Nebraska source income for its nonresident individual partners is reduced. Instead, the partners may file a claim for refund resulting from the reduced Nebraska source income.

Sign and Date the Tax Return. This return must be signed by a partner. Include your daytime phone number and e-mail address in case the Department needs to contact you about your account. By including your e-mail address, you are agreeing that the Department may use it to transmit confidential information through a secure website.

If a partner authorizes another person to sign the return, there must be a [Power of Attorney, Form 33](#), on file with the Department or attached to the return.

Paid Preparer's Use Only. Any person who is paid for preparing a taxpayer's return must also sign the return as preparer. Additionally, the preparer must enter their Preparer Tax Identification Number (PTIN), their firm's name, and Federal Employer Identification Number (EIN).

Nebraska Schedule I Instructions

Apportionment of Income

Purpose. The Nebraska Schedule I is used to determine the amount of Nebraska source income ([Form 1065N](#), line 5, Income Reported to Nebraska) received by a partnership or LLC that derives income from both within and without Nebraska. This schedule must be completed by:

- ◆ Partnerships that have at least one nonresident individual or corporate partner; and
- ◆ All LLCs electing to file as a partnership, regardless of the residence of their members.

Nebraska source income is determined by apportioning the partnership or LLC income using a single, sales only (gross receipts) factor. "Apportionment" refers to the division of business income between states by the use of a formula containing one or more apportionment factors.

Sales Factor. The "sales factor" is a fraction. The numerator is the total sales of the partnership in Nebraska during the taxable year. The denominator is the total sales of the partnership everywhere during the taxable year. Total sales includes gross sales of real and tangible personal property less returns and allowances, and all other items of gross receipts. The sales factor on this schedule must be calculated to five decimal places and rounded to four decimal places.

Trucking partnerships with income from both within and without this state, must compute their sales factor in accordance with [Corporate Income Tax Regulation 24-059, Special Rules: Trucking Companies](#).

The method of computing the sales factor must be consistent with prior tax years and with the partnership's filings in other states. If the partnership modifies the basis for including or excluding gross receipts in the sales factor used in returns for prior years, the 2010 return must disclose the nature of and extent of the modification.

If the returns filed with all states to which the partnership reports are not uniform in the inclusion or exclusion of gross receipts, the Form 1065N filed with the Department must disclose the nature and extent of the variance.

Computation of Nebraska Source Income

LINE 1	Nebraska Adjusted Income. Enter the amount from line 4 of Form 1065N.
LINE 2	Nebraska Apportionment Factor. Enter the amount from line 15, Nebraska Schedule I, Form 1065N .
LINE 3	Income Apportioned To Nebraska. Line 3 equals line 1 multiplied by line 2.

Nebraska Apportionment Factor – Sales or Gross Receipts

Nebraska sales include all items of income received by the partnership from Nebraska sources. The following types of sales are from Nebraska sources:

- ◆ Sales of tangible personal property delivered in this state;
- ◆ Sales of tangible personal property shipped from this state to the U.S. government;
- ◆ Sales of other than tangible personal property if —
 - ✓ The income-producing activity is performed in Nebraska; or
 - ✓ The income-producing activity is performed both within and without Nebraska and a greater proportion of the income-producing activity is performed in Nebraska than in any other state, based on cost of performance;
- ◆ Gross receipts from the sale, rental, or lease of real property if the real property is located in Nebraska;
- ◆ Gross receipts from the rental, lease, or licensing of tangible personal property if the property is in Nebraska. If the property was both within and without Nebraska during the taxable year, then the gross receipts attributable to the period, or the percentage of time the property was used in Nebraska, are considered in Nebraska;
- ◆ Gross receipts from the performance of personal services if the personal services are performed in Nebraska. When the personal services are performed partly within and partly without Nebraska, a portion of the gross receipts from performance of the personal services must be attributed to Nebraska. This is based on the ratio of time spent in performing personal services in this state to the total time spent in performing personal services everywhere; and
- ◆ Gross receipts from interest or service charges arising from the sale of tangible personal property if the sale is attributed to Nebraska.

LINE 4	Sales or Gross Receipts Less Returns and Allowances. Enter the gross receipts, less any returns and allowances reported on the Federal Form 1065.
LINE 5	Sales Delivered or Shipped to Purchasers in Nebraska: Shipped From Outside Nebraska. Delivery in Nebraska is determined without regard to the F.O.B. point or other conditions of the sale. The amount entered on this line should not include sales to the U.S. government.
LINE 6	Sales Delivered or Shipped to Purchasers in Nebraska: Shipped From Within Nebraska. Delivery in Nebraska is determined without regard to the F.O.B. point or other conditions of the sale. The amount entered on this line should not include sales to the U.S. government.
LINE 7	Sales Shipped From Nebraska to the U.S. Government. The U.S. government is the purchaser when it makes direct payment to the seller. The amount entered on this line includes all sales of tangible personal property to the U.S. government that are shipped from an office, store, warehouse, factory, or other place of business in this state. For other sales made to the U.S. government, use the rules for sales other than tangible personal property. For additional information see Nebraska Corporate Income Tax Regulation 24-040, Sales Factor: Sales Other Than Sales of Tangible Personal Property in This State .
LINE 8	Interest on Sales of Tangible Personal Property. In the TOTAL column, enter all interest or service charges received from the sale of tangible personal property.

In the NEBRASKA column, enter all the interest or service charges related to the sale of tangible personal property delivered in Nebraska and from sales to the U.S government shipped from Nebraska.

LINE 9 **Interest, Dividends, and Royalties From Intangible Property.** In the TOTAL column, enter all of the interest, dividend, and royalty income from intangible property received by the partnership.

In the NEBRASKA column, the amount entered is based on cost of performance. In general, partnerships organized and operating primarily in Nebraska will enter all of the interest, dividend, and royalty income received on intangible property because the greatest cost of performance is in this state. In general, partnerships organized and operating primarily outside Nebraska will not include any interest, dividend, or royalty income on intangible property. Their greatest cost of performance is outside this state. For additional information, see [Nebraska Corporation Income Tax Regulation 24-040, Sales Factor: Sales Other Than Sales of Tangible Personal Property in This State](#).

LINE 10 **Gross Rents.** In the TOTAL column, enter all receipts from the rental or lease of real or tangible personal property.

In the NEBRASKA column, enter all receipts for the rental or lease of real or tangible personal property located in Nebraska. If the tangible personal property rented or leased is located or used both inside and outside this state, the Nebraska receipts are determined based on the ratio of time the tangible personal property was physically present or used in Nebraska over the total time or use of the tangible personal property everywhere.

LINE 11 **Net Gain on Sales of Intangible Property.** In the TOTAL column, enter the net gain on the sale of all intangible property made during the tax year.

In the NEBRASKA column, the amount entered is based on the cost of performance. See the instructions for line 9, Nebraska column, above.

NOTE: A net loss on the sale of intangible property is not included in the calculation of the Nebraska sales factor.

LINE 12 **Gross Receipts From Sales of Tangible Personal Property and Real Property Not Included Above.** In the TOTAL column, enter all receipts from sales of tangible personal property and real property not included above.

In the NEBRASKA column, enter the gross receipts from the sale of real property located in Nebraska. Also enter the gross receipts from tangible personal property delivered in this state or delivered to the U.S. government from a location in this state.

LINE 13 **Other Income.** In the TOTAL column, enter any other income not reported above that was received by the partnership and is included in the amount reported on line 4, Form 1065N.

In the NEBRASKA column, enter any other income not reported above that was derived from Nebraska sources.

The amounts entered on this line include, but are not limited to, net farm income (loss) and the ordinary business income (loss) from other partnerships. For partnerships that would be considered unitary if they were corporations, enter the distributive share of the partnership's gross receipts. For partnerships that would not be considered unitary if they were corporations, enter the distributive share of the income received from the other partnerships. See [Nebraska Corporate Income Tax Regulation 24-056, Corporation as Partner in a Partnership or Joint Venture](#) for additional information regarding the apportionment of income received from another partnership.

LINE 14 **Total Sales or Gross Receipts.** In the TOTAL column, add lines 4 and 8 through 13. Enter the total on line 14.

In the NEBRASKA column, add lines 5 through 13 and enter the total on line 14.

LINE 15 **Nebraska Apportionment Factor.** Compute the Nebraska apportionment factor by dividing line 14, NEBRASKA column, by line 14, TOTAL column; calculate to five decimal places and round to four decimal places.

Nebraska Schedule ELP Instructions

Income Reported to Partners by Electing Large Partnership

Purpose. The [Nebraska Schedule ELP](#) is used by electing large partnerships to compute the amount reported on line 4, Form 1065N, Nebraska Adjusted Income.

LINES 1-7	The amounts placed on these lines come directly from Schedule K of the U.S. Return for Electing Large Partnerships, Form 1065-B.
LINE 8	ADD: Tax Exempt State and Local Bond Interest From Non-Nebraska Sources. Enter all state and local bond interest which is exempt from federal tax and is not issued by Nebraska sources.
LINE 9	SUBTRACT: Income From U.S. Government Obligations. Enter income from obligations of the U.S. government exempt from state taxation. See line 9, Nebraska Schedule II instructions, for more information.
LINE 10	Other. Enter any other income or deduction distributed by the partnership, not included above. Attach a schedule listing the type and amount of each adjustment included on this line.
LINE 11	Total. Enter the total of lines 1 through 10 here and on line 4 of Form 1065N.

Nebraska Schedule II Instructions

Adjustments to Ordinary Business Income

Purpose. The Nebraska Schedule II is used to adjust the partnership's ordinary business income for items of income and deduction that are required under the IRC to be reported to the partners separately. The ordinary business income, plus or minus these adjustments, will estimate the income that was distributed to the partners, and become part of the partners' federal adjusted gross income. These adjustments to ordinary business income are necessary to calculate any required tax withholding on [Nebraska Schedule III – Nonresident or Corporate Partner's Share of Nebraska Income and Deductions](#).

LINES 1-5	The amounts on each of these lines come directly from Federal Form 1065, Schedule K.
LINE 6	Non-Nebraska State and Local Bond Interest Income. Enter all state and local bond interest which is exempt from federal tax and is not issued by Nebraska sources.
LINE 7	Other Income. Enter any other additions to income for the partnership that are includible in the partners' federal income but are not reflected in lines 1 through 6 above (attach schedule).
LINE 8	Total Adjustments Increasing Ordinary Business Income. Enter the total of lines 1 through 7 here and on line 2 of Form 1065N .
LINE 9	Income From U.S. Government Obligations. Enter all income from obligations of the U.S. government exempt from state taxation. A listing of the U.S. government securities that are exempt may be obtained by reviewing Individual Income Tax Regulation 22-002, Computing the Nebraska Individual Income Tax . Interest income from repurchase agreements involving U.S. government obligations is not considered U.S. government interest.
LINES 10-16	The amounts on each of these lines come directly from Federal Form 1065, Schedule K.
LINE 17	Other Deductions. Enter any other deductions to income for the partnership that are deductible in the partners' federal income, but are not reflected in lines 9 through 16 above (attach schedule). Do not include bonus depreciation.
LINE 18	Total Adjustments Decreasing Ordinary Business Income. Enter the total of lines 9 through 17 here and on line 3 of Form 1065N.

Nebraska Schedule III Instructions

Nonresident or Corporate Partner's Share of Nebraska Income and Deductions

Purpose. The [Schedule III](#) is completed to identify the nonresident individual and corporate partners and to calculate withholding tax for the nonresident individual partners. No tax is withheld when the nonresident individual partner has completed a [Form 12N](#). Tax is never withheld for a **corporate** partner.

Part A. Enter the name and address of each nonresident or corporate partner. If additional space is needed, attach a schedule using the same format as Nebraska Schedule III.

Part B. Complete for nonresident individual partners only. Publicly traded partnerships should only complete columns (A) through (C) and (E) for nonresident individual partners who received more than \$500 of Nebraska income. Partnerships should not complete Part B for nonresident partners when all income is portfolio income; instead check the box. Generally, portfolio income includes all gross income (other than income derived in the ordinary course of a trade or business) that is attributable to:

- ◆ Interest;
- ◆ Dividends; and
- ◆ Royalties.

For additional items considered to be portfolio income, see the instructions for Federal Form 1065, Schedule K.

Column (A). Enter the Social Security number for each nonresident individual partner or nonresident grantor of a grantor trust in the same order they are identified in Part A.

Column (B). Determine the individual partner's share of income by adding any guaranteed payments received by the partner to the partner's share of other income. Divide the result by the amount on line 5 of Form 1065N, and enter as a percent in column (B).

Column (C). Enter the amount from line 5, Form 1065N.

Column (D). Place a check mark in this column if a properly completed and signed Nebraska Nonresident Income Tax Agreement, Form 12N, is attached. Do not complete columns (E) and (G) when this box is checked.

Column (E). Enter the nonresident individual partner's share of Nebraska income reported by the partnership. This amount is determined by multiplying the column (C) amount by the column (B) percentage.

Column (G). Multiply the amount in column (E) by .0684 and enter the result in column (G). This is the amount of Nebraska income tax to be withheld for each nonresident individual partner who did not complete a [Form 12N](#). Report the amount withheld from each nonresident individual partner on a [Statement of Nebraska Income Tax Withheld for Nonresident Individual, Form 14N](#). The total of column (G) must equal the amount entered on line 10, [Form 1065N](#).