
2009 Nebraska Individual Income Tax Booklet

GO PAPERLESS

File and pay
your Nebraska taxes electronically.



The easy way to file both federal and state tax returns together.

See page 2 for details.



The easy way to file your Nebraska tax return for free.

See page 2 for details.



Now you can pay Nebraska individual income taxes and 2010 estimated tax using the Nebraska e-pay system.

See pages 16 and 17 for details.

Advantages of E-filing

Electronic filing was the choice for more than 2 out of 3 (70%) Nebraska individual taxpayers last year. Some chose to use a tax preparer, while others filed their own return using the Internet. Faster refunds, fewer errors, and a confirmation that your return was received are just a few of the advantages of e-filing your return.

Your E-file Options

- ◆ **NebFile:** Nebraska residents can e-file their returns FREE using the Department of Revenue's (Department) **NebFile** system. To use NebFile, you must first complete your federal return, be a full year resident, and cannot claim certain credits. NebFile is available for first time filers. You will be instructed on how to get your PIN when accessing the **NebFile** system.
- ◆ **Preparer e-file:** See your local electronic tax preparer displaying the e-file logo.
- ◆ **Commercially offered Internet e-file:** A list of all Nebraska approved e-file software is available at www.revenue.ne.gov/electron/homefile.htm. Each e-file software product offers different capabilities. Be sure to select software that supports the forms necessary to complete your return.

NOTE: If you have problems with this software, you must report it to the software company, not to the Department.

- ◆ **Commercial software:** If you are purchasing software to prepare and file your Nebraska return, check our Web site to be sure that the software you select supports e-file for Nebraska returns. Before filing your return, make sure to download any updates provided by the software company.

Before You Start

- ◆ Gather all your tax records together. This includes wage statements, and interest and dividend statements (Forms W-2 and 1099).
- ◆ Check our Web site to make sure you are eligible to use NebFile. Also, make sure your completed federal return is available for reference. Remember, NebFile is totally FREE to use!
- ◆ When requesting a refund by Direct Deposit or paying your taxes electronically, verify that your bank routing and account numbers are correct.

After You E-file Your Return

- ◆ Save a copy of your return and keep it with your records.
- ◆ Regardless of how you e-file, make sure you receive verification that your Nebraska return was accepted.
- ◆ Unless otherwise instructed, do not mail anything to the Department.

IMPORTANT INFORMATION FOR ALL NEBRASKA FILERS: Read Before Beginning

Complete Your Federal Return. Your federal return must be completed before starting your Nebraska return. This information is needed to complete your Nebraska return.

Complete Only the Lines on Forms 1040N or 1040NS That Apply to You. If a line does not apply to your tax calculation, please leave the line blank.

Enter All Amounts as Whole Dollars. Do not include cents. Do not change the pre-printed zeros in the cents column of the Forms 1040N or 1040NS. 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.

Federal Forms W-2, W-2G, 1099-R, and 1099-MISC. These forms should be sent to you by your employer or payer by February 15. **If you have not received the form by that date, you should immediately contact your employer or payer.** If the information on these forms is incorrect, get a corrected form from your employer or payer. The forms should be clearly marked "Corrected by Employer/Payer." If a wage and tax statement is lost or destroyed, request a substitute copy clearly marked "Reissued by Employer."

Balance Due. Any balance due must be paid in full with your return. All taxpayers are encouraged to use the Department's e-pay system. It's fast, secure, and easy. See our Web site.

Consumer's Use Tax. You may owe consumer's use tax if you have not paid the Nebraska sales tax or any applicable local sales tax on purchases delivered into Nebraska from **out-of-state, mail order, or Internet sellers.** See page 9.

Amended Return, Form 1040XN. If information on a previously filed Nebraska income tax return is incorrect, you must file an Amended Nebraska Individual Income Tax Return, Form 1040XN. When filing Form 1040XN remember:

1. Changes made by the IRS or another state must be reported to the Department within 60 days;
2. Form 1040XN is year-specific. Please be sure to use the correct form for the tax year you are amending. The proper forms can be found on our Web site;
3. If you are also amending with the IRS, you must attach a copy of Federal Form 1040X and all forms or documentation to explain the changes shown on Form 1040XN; and
4. In Column A of the 1040XN, copy ALL figures from the return last filed for the tax year being corrected.

Penalty and Interest. Either or both may be imposed under the following conditions:

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

The amounts reported on your Nebraska return, even if taken from your federal return, will not relieve you from the penalty for an inaccurate return or for filing a false or fraudulent return. The interest rate for any unpaid tax is five percent, and it is calculated from the due date of the original 1040N until the tax is paid. See Revenue Ruling 99-08-4 for applicable interest rates. www.revenue.ne.gov/legal/rulings/list.htm

A Nebraska Extension of Time. A six month extension to file Forms 1040N or 1040NS may only be obtained by:

1. Attaching a copy of a timely-filed Application for Automatic Extension of Time to File U.S. Individual Income Tax Return, Federal Form 4868, to the Nebraska return when filed;
2. Attaching a schedule to your Nebraska return listing your federal confirmation number and providing an explanation that you received an automatic federal extension by making a payment of your federal estimate of tax due using a credit card;
3. Filing a Nebraska Application for Extension of Time, Form 4868N, 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;



Form 1040XN cannot be e-filed.

4. Attaching a copy of the statement or letter submitted with your federal return requesting the automatic extension of time to file for a U.S. citizen residing outside the U.S. or Puerto Rico, to the Nebraska return when filed; or
5. Having an authorized IRS preparer use the Fed/State Filing program to electronically file your Nebraska return by the extended due date of October 15, 2010. E-filing using this method grants you an automatic extension.

NOTE: If you have a combat zone-related or contingency operation-related extension, see our Military Information Guide.

If the extension documentation is not attached, a late filing penalty may be imposed. An extension of time only extends the date to file the return, it does not extend the date to pay the tax (except for combat zone-related extensions). Any tax not paid by April 15 is subject to interest. An extension of time cannot exceed a total of six months after the original due date of the return.

Estimating Your 2010 Income Tax. If you need to estimate your 2010 taxes, you can find the estimated tax booklet on our Web site or contact the Department. If you made estimated payments in 2009, you are encouraged to make your estimated payments electronically using the Department's e-pay system.

Estimated Payments and Penalty for Underpayment of Estimated Tax. You may owe a penalty if your estimated payments did not total at least 90% of the tax shown on your 2009 Nebraska return, or 100% of the tax shown on your 2008 return (or 110% if your adjusted gross income [AGI] on that return was more than \$150,000, or if filing married separately, more than \$75,000). **Exception:** Some qualified individuals with a small business are eligible to make smaller federal estimated tax payments. They will not owe this penalty if they made the required payment. This amount is the smaller of 90% of the Nebraska 2009 or 2008 tax.

An individual who did not pay enough estimated tax by any of the applicable due dates, April 15, June 15, September 15, and January 15, or who did not have enough state income tax withheld, may be assessed a penalty. This is true even if you are due a refund when you file your tax return. The underpayment penalty is calculated separately for each installment due date (4 equal and timely payments). You may owe a penalty for an earlier payment that was due, even if you paid enough estimated tax later to make up the underpayment.

Individual Underpayment of Estimated Tax, Form 2210N. If you are underwithheld, have underpaid your estimated tax for any period during the year, or did not make timely payments, complete Form 2210N to calculate any possible penalty. Enter the penalty on Form 1040N line 36, include it in the line 37 total, and attach Form 2210N to your return. The form is available on our Web site or you may call our Taxpayer Assistance phone line at (800) 742-7474 (toll free in NE and IA), or (402) 471-5729.

Exceptions to the Penalty. You will not have to pay the penalty if:

1. You had no tax liability for 2008, you were a U.S. citizen or resident for the entire year, and your 2008 Nebraska tax return was for a full 12 months (or would have been had you been required to file);
2. The total tax shown on your 2009 return minus the amount of tax you paid through withholding is less than \$500;
3. Gross income from farming, ranching, or fishing is at least two-thirds of your annual gross income from all sources for 2008 or 2009, you filed Form 1040N, and the Nebraska income tax is paid on or before March 1, 2010. If you are engaged in farming, ranching, or fishing and meet these conditions you are exempt from penalties for underpayment of estimated tax and are not required to file a Form 2210N. Mark the Farmer/Rancher Box on the Form 1040N. If the gross income test was met, but the date for filing and/or payment of tax was not, file Form 2210N to calculate the penalty and attach it to your Form 1040N;
4. You are a qualified individual with a small business and are eligible to make smaller federal estimated tax payments. You will not owe this penalty if you made the required payments. This required payment amount is the smaller of 90% of the 2009 or 2008 Nebraska tax. (See Underpayment of Estimated Tax by Individuals, Estates and Trusts, Federal Form 2210, Part II Box F.)
5. The payments made equal or exceed 90% of the Nebraska tax liability based on annualized income earned through the end of the month preceding the installment date. Check the



Important Notice:
The Department is discontinuing the printing and mailing of the 2010 Individual Estimated Tax booklet due to budget constraints and the move toward "paperless" transactions.

box on line 36 of Form 1040N, complete and attach Form 2210N, and attach a separate schedule showing your computation similar to the Federal Annualized Income Installment Method Schedule.

Other Circumstances. Attach a statement to the Form 2210N indicating why the penalty should not be imposed. The penalty may be waived due to casualty, disaster, or other circumstances where it would be inequitable to impose the penalty. The penalty may also be waived if in 2008 or 2009, you retired after age 62 or became disabled, and your underpayment was due to reasonable cause.

See our Web site for an Information Guide titled, "Nebraska Income Tax for Military Servicemembers."

Active Duty Military Servicemembers. Your active duty military pay is taxed only by the state where you are a legal resident. Your place of legal residence at the time of entry into the service is presumed to be your state of legal residence. Your state of legal residence stays the same until it is established in another state. Moving to a new location for a limited period of time, including a permanent change of station, does not change your legal residence. Nebraska income tax is imposed on the total federal AGI of a Nebraska resident who is a member of the armed forces, regardless of where the income is received.

Be sure to check the box for active military on Forms 1040N or 1040NS if you or your spouse are active military at any time during the tax year (including National Guard or Reserve personnel called to active duty). Taxpayers receiving "Combat Pay" have the same extended due date for filing their Nebraska return as for their federal return.

Military pay received by a nonresident servicemember stationed in Nebraska is not subject to Nebraska income tax. Other income derived from Nebraska sources by a servicemember, such as income earned from a separate job not connected with the member's military service, is subject to Nebraska income tax. See special instructions for line 59 on page 21.

Due to passage of the Federal Military Spouses Residency Act, Nebraska cannot tax the income of a servicemember's spouse when the spouse is in this state only in support of the servicemember. Also, a Nebraska resident servicemember's spouse who works and resides in another state will now be required to file a Nebraska tax return. More information for the servicemember is contained in the line 59 instructions on page 21, for the military spouse in the line 66 instructions, and the Information Guide titled, "Nebraska Income Tax for Military Servicemembers." Visit our Web site or contact the Department for more information.

Foreign Income. Income earned while living in another country is taxable in Nebraska when the taxpayer maintains Nebraska residency (domicile). An individual is considered to be a Nebraska resident until a new domicile is established. Most taxpayers remain Nebraska residents and are required to file Nebraska returns, even while living overseas.

Death of Taxpayer. A deceased taxpayer's spouse or personal representative may file and sign a return if a taxpayer died before filing a return for 2009. A personal representative is an executor, administrator, or anyone else who is in charge of the deceased taxpayer's property.

"DECEASED" must be written across the top of a paper return and the taxpayer's name and the date of death are to be shown in the space provided.

Claiming a Refund for a Deceased Taxpayer. If the deceased taxpayer was entitled to a refund, or did not have to file a return but had tax withheld, a return must be filed to receive the refund.

- ◆ If you are a surviving spouse who would have filed married, filing jointly, file the tax return to claim the refund. Be sure to sign your name and write "FILING AS SURVIVING SPOUSE" in the signature block on a paper return.
- ◆ If you are a court-appointed personal representative, file the return and attach a copy of the certificate that shows your appointment. If someone else is also the personal representative, he or she must also sign the return.
- ◆ All other filers requesting a deceased taxpayer's refund must file the return and attach Statement of Person Claiming Refund Due a Deceased Taxpayer, Form 1310N, and proof of death.
- ◆ If filing electronically through the Fed/State e-file program, the software will bring forward the deceased individual's information from the federal return. Any documentation that is required to be provided must be mailed to the Department attached to Form 8453N. See page 6 for Form 8453N mailing instructions.

Fiscal Year Returns. The taxable year used for Nebraska must be the same as the taxable year used for federal income tax purposes. For fiscal years beginning after January 1, 2009, the 2009 Nebraska Tax Table and Nebraska Additional Tax Rate Schedule are to be used without adjustment.

The due date for a fiscal year return is the 15th day of the fourth month following the end of the taxable year. If the due date falls on a Saturday, Sunday, or legal holiday, you must file your return by the first business day after the 15th day of the fourth month.

Refer to page 15, line 29 instructions, for additional information on claiming the withholding credit by a fiscal year taxpayer with calendar year withholding.

Taxpayers filing fiscal year returns may not e-file their Nebraska return.

Special Instructions for E-Fileers. Almost all Nebraska returns can be e-filed. However, when claiming certain credits or claiming a refund for a deceased taxpayer who is not your spouse, additional documentation may be required. The software should prompt you to print the Nebraska Individual Income Tax Transmittal for E-filed Returns, Form 8453N. Attach the required documentation to Form 8453N and mail to the address shown on the bottom of Form 8453N. See the chart below for applicable credits and the required attachments.



DOCUMENTS REQUIRED FOR CERTAIN E-FILED RETURNS

Line Number	Description	Required Documentation
	Deceased Taxpayer	Statement of Person Claiming Refund Due a Deceased Taxpayer, Form 1310N, and proof of death
22	CDAAs Credit	Form CDN and Form 1099NTC (provided by Nebraska Department of Economic Development)
23	Nonrefundable Form 3800N Credit	Form 3800N
25	Nebraska Endowment Credit	Copy of the Planned Gift Agreement and statement from the charity
26	Financial Institution Tax Credit	Statement of Financial Institution Tax Credit, Form NFC
29	Nebraska Withholding	Forms 1099-MISC and/or Forms 14N, if applicable
31	Refundable Form 3800N Credit	Form 3800N
33	Beginning Farmer Credit	Statement of Nebraska Tax Credit, Form 1099 BFC, (provided by Nebraska Department of Agriculture)

Who Must File?

A Nebraska resident who:

- ◆ Is required to file a federal return reporting a federal liability; or
- ◆ Has \$5,000 or more of Nebraska adjustments to federal AGI including non-Nebraska state and local bond interest exempt from federal tax (see Nebraska Schedule I instructions).

A nonresident who:

- ◆ Has income derived from or connected with Nebraska sources.

DEFINITIONS:

Domicile. The place a person considers his or her permanent home. A domicile, once established, continues until a new, fixed and permanent home is established. There is no change in domicile when moving to a new location if the person's intention is to remain for a limited time, even if it is several years.

Resident. A person who is domiciled in Nebraska or who maintained a permanent place of abode and resided in Nebraska for six months or more during 2009.

Nonresident. A person who is domiciled for the entire year in a state(s) other than Nebraska, and did not reside in Nebraska for more than six months during 2009.

Partial-Year Resident. A person who either begins or ends his or her domicile in Nebraska during the tax year or who resides in Nebraska for more than six months during the year.

For additional information, refer to the Determining Residency Status for Nebraska Individual Income Tax Filing Information Guide on our Web site.

What Return Do I File?

File Form 1040NS ONLY if ALL of the following apply:

- ◆ Filed Federal Form 1040EZ;
- ◆ Full-year resident of Nebraska;
- ◆ All income is derived from or connected with Nebraska sources;
- ◆ Single, or married, filing jointly status;
- ◆ Under 65 and not blind;
- ◆ No dependents;
- ◆ Claiming only Nebraska withholding from your Form(s) W-2, personal exemption and/or earned income credit; and
- ◆ Not required to file a Nebraska Schedule I, II, or III.

File Form 1040N, if ANY of the following apply:

- ◆ Filed Federal Form 1040 or 1040A;
- ◆ Nonresident or partial-year resident of Nebraska;
- ◆ Income derived from or connected with sources in another state;
- ◆ Received interest from a tax-exempt bond or obligation issued by another state (or political subdivision of another state);
- ◆ You or your spouse were 65 or older and/or blind;
- ◆ Fiscal year filer;
- ◆ Claiming estimated payments and/or subject to Form 2210N (underpayment of estimated tax) penalty;
- ◆ Claiming additional credits (tax paid to another state, child/dependent care credit, earned income credit if you have qualifying children, Form 3800N, etc.);
- ◆ Claiming adjustments decreasing federal AGI (Tier I or Tier II railroad retirement benefits, college savings plan contribution, interest/dividends from U.S. government savings bonds or other obligations, nonresident active duty military pay, bonus depreciation subtraction, enhanced Section 179 subtraction, etc.); or
- ◆ You cannot file a Form 1040NS.

The Privacy Act of 1974 provides that when we ask you for your social security number (SSN), we must first tell you our legal right to ask for this information, why we are asking for it, and how it will be used. We must also tell you what would happen if we do not receive it and whether your response is voluntary, required to obtain a benefit, or mandatory under the law. Our legal right to ask for the information is Neb. Rev. Stat. § 77-27,119. This law says that you must include your SSN on your return. Your response is mandatory under this section. We need the SSN so that we can properly identify you and process your return and other documents.

Want a speedy refund?



*The fastest way to
get your refund is to e-file.*



**However, if you file
a paper return, remember to:**

- Wait until you receive **ALL** your **W-2s, 14Ns, and 1099s** showing **Nebraska withholding**, and attach them to your return.
- List first the name and social security number of the spouse whose number was used to make your 2009 **estimated payments**.
- Attach **ALL** required federal and state schedules: **Earned Income Credit, Child Care Credit, Form 3800N, Schedule II and the other state's return**, etc.
- Calculate a **Form 2210N, Individual Underpayment of Estimated Tax** if applicable.
- Sign your return.** If you file a married, filing jointly return, both you and your spouse must sign.
- Attach any special documentation required if claiming a refund for a **deceased taxpayer**.
- Write the required **Public High School District Code** for resident taxpayers in the box provided.
- Write your **social security number** and that of your spouse in the boxes provided.
- Identify **ALL adjustments decreasing income** claimed on line 60, Schedule I.
- Check the appropriate box(es) on line 2b if someone, such as your parent, can claim you or your spouse as a **dependent**.
- Use the proper year's Form 1040XN if you file an **amended return**. Do not use a Form 1040N.
- Please print clearly and sign legibly.

Did you purchase items over the Internet or by mail order?

If you did, you may owe consumer's use tax. Nebraska law requires that if sales tax is not collected by the seller on any taxable sale, the purchaser must remit the tax directly to the state. When remitted by the purchaser, the tax is called consumer's use tax. The same items and services that are subject to Nebraska and local sales tax are subject to Nebraska and local consumer's use tax. If the item purchased is delivered to a Nebraska address, it is subject to sales or consumer's use tax, including any shipping, handling, and delivery charges.

Situations when use tax is due:

- ◆ If you buy taxable items over the Internet and do not pay Nebraska sales tax;
- ◆ If you buy taxable digital goods such as music, movies, music videos, TV shows, books, and ring tones and do not pay Nebraska sales tax;
- ◆ If you buy taxable items through a home shopping channel and do not pay Nebraska sales tax; and
- ◆ If you buy taxable items by mail order and do not pay Nebraska sales tax.

The consumer's use tax rate is exactly the same as the state and local sales tax rate where you reside in Nebraska. State and local consumer's use tax must be reported and paid using the Nebraska and Local Individual Consumer's Use Tax Return, Form 3. This form may be found at www.revenue.ne.gov. The Nebraska **state** sales and consumer's use tax rate is 5.5%. A complete list of **local** rates can also be found on our Web site.

EXAMPLES:

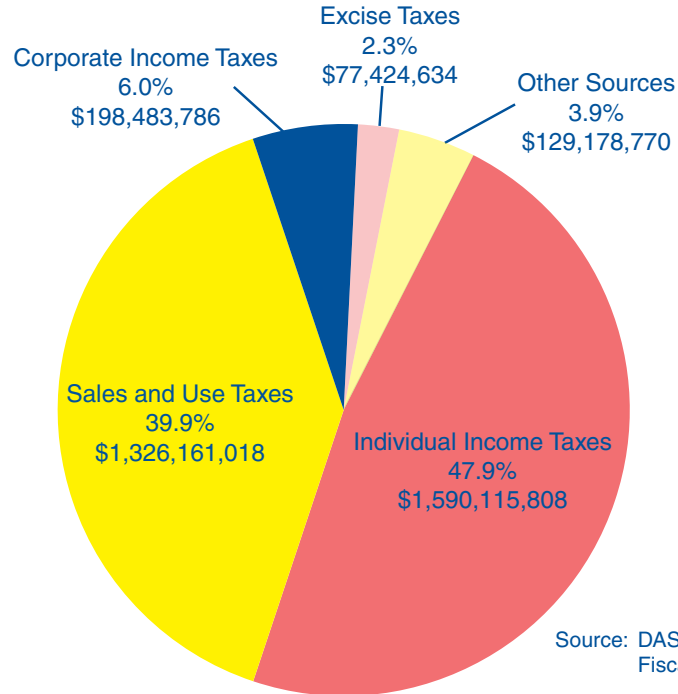
I purchase a computer from a seller in South Dakota over the Internet for \$1,470 plus \$30 shipping and handling charges. The computer is shipped to me in Omaha, Nebraska and no tax is charged or collected by the seller. My total state (5.5%) and local (1.5%) use tax owed is \$105 ($\$1,500 \times .07 = \105).

I order gifts over the Internet to be delivered to each of my two sisters. One sister's gift is delivered to her home in Scottsbluff, Nebraska. The other sister's gift is delivered to her home in Kansas. The seller does not charge sales tax on either gift. I owe state (5.5%) and local (1.5%) consumer's use tax on the cost of the gift and any delivery charge for the gift sent to Scottsbluff. I do not owe any Nebraska use tax on the gift delivered to Kansas.

Businesses should refer to the Nebraska Consumer's Use Tax Information Guide for more details on business consumer's use tax.

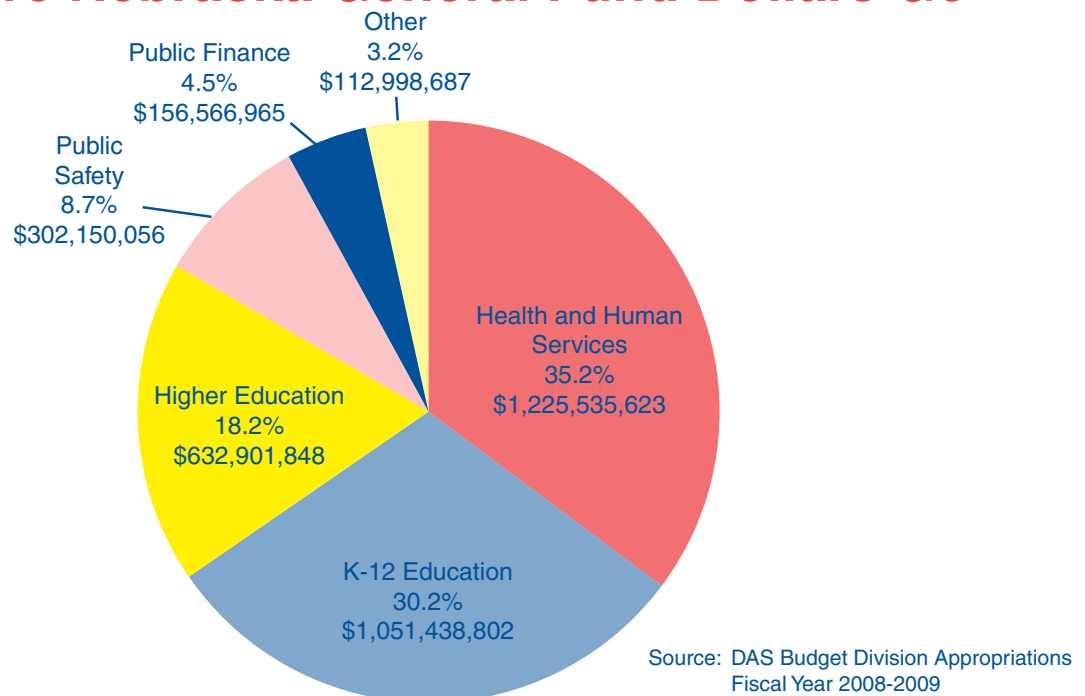
***For additional information,
see the Nebraska Consumer's Use Tax Information Guide on our Web site.***

Where Nebraska General Fund Dollars Come From



The State General Fund is financed primarily by sales and income taxes. It also consists of excise taxes (including cigarette, alcoholic beverage, and pari-mutuel taxes), and other miscellaneous sources (including financial institutions tax, insurance premiums tax, and organization and qualification fees). Property taxes are administered at the local level and are not included in State General Fund revenue.

Where Nebraska General Fund Dollars Go



The largest share of State General Fund dollars goes to Aid to Education and Health and Human Services. Also, funds are appropriated for Public Safety (including Department of Corrections, State Patrol, and Supreme Court operations), Public Finance (including Homestead Exemption, Aid to Cities, Counties, and Natural Resource Districts, and Teachers, Patrol, and Judges retirement) and other areas (including Economic Development, Game and Parks, Agriculture, and Natural Resources).

How to Complete your Form 1040N

(for Form 1040NS instructions, see back of Form 1040NS)

Name and Address. When filing electronically, enter your correct mailing address when prompted. When filing a paper return, enter or clearly print your name and correct mailing address information in the spaces provided. Include your spouse's name if filing a joint return. Note: The Department is no longer providing name and address labels.

Social Security Numbers. Social security numbers are no longer printed for your security. You must enter your social security number (SSN) or Individual Tax Identification Number (ITIN), on the form in the boxes indicated. Include your spouse's SSN if filing a joint return.

Public High School District Data. All residents and partial-year residents domiciled in Nebraska on December 31, 2009, must enter the code for the high school district where you are domiciled (permanent resident). This information is also required if you reside outside Nebraska but are still domiciled in Nebraska. Nonresidents or partial-year residents not residing in Nebraska on December 31, 2009, should not enter a high school district code. This information is required by law to assist the Nebraska Department of Education when it determines the amount of state aid to be given to Nebraska's K-12 school systems.

Farmer/Rancher. Farmers or ranchers deriving at least two-thirds of their yearly gross income from farming or ranching must check the box below the SSN block. A farmer or rancher who files the 2009 Form 1040N and pays the Nebraska income tax due on or before March 1, 2010, is not required to make estimated tax payments during 2009; otherwise, the entire amount of estimated tax must be paid by January 15, 2010. If you file after March 1, 2010, you may be assessed a penalty for failure to properly pay estimated tax.

Active Military. Check the box for active military only if you or your spouse were on active military duty status at any time during 2009. This includes National Guard/Reservists called to active duty during 2009.

Deceased. If the taxpayer or spouse is deceased, enter the first name of the decedent and the date of death.

- ◆ **Surviving Spouse** filing for a deceased taxpayer's refund must:
Write "filing as surviving spouse" in the signature block on a paper filed Form 1040N, for the deceased. No further documentation is required.
- ◆ **Personal Representatives** filing for a deceased taxpayer's refund must provide:
A copy of the court order or the deceased taxpayer's will showing proof of appointment (a completed and signed Federal Form 1310 or Nebraska Form 1310N is also required if appointed through a will).
- ◆ **Other persons** filing for a deceased taxpayer's refund must provide:
Proof of death and a completed and signed Federal Form 1310 or Nebraska Form 1310N.

LINE 1

Federal Filing Status. Your Nebraska filing status MUST be the same as your federal filing status. The only exception is for married, filing jointly filers where one spouse is a Nebraska resident and the other spouse is a nonresident or partial-year resident of Nebraska. In this case, you may elect to file either a joint return (both spouses are taxed as residents) or married, filing separately returns with Nebraska.

If you file a married, filing separately return for Nebraska, it must be calculated as if a married, filing separately federal return had been filed. The married, filing separately income, deductions, and exemptions must be used. The spouse's SSN and name must be entered on the married, filing separately line.

Military taxpayers should review the line 59 instructions on page 21.

LINE 2a

Check the appropriate box(es) if, during 2009:

Box 1. You were 65 or older;

Box 2. You were blind;

Box 3. Your spouse was 65 or older; or

Box 4. Your spouse was blind.

LINE 2b Check the appropriate box(es) if someone, such as a parent, can claim you or your spouse as a dependent on their return.

LINE 3 **Type of Return.** Check the appropriate box if, during 2009:
Box 1. You were a resident;
Box 2. You were a partial-year resident; or
Box 3. You were a nonresident.
See page 7 for information on determining your residency status. Nonresident and partial-year resident taxpayers must complete and attach Nebraska Schedule III, even if all income is earned in Nebraska. If one spouse is a full-year resident and the other is a nonresident or partial-year resident and they elect to file a joint return, a resident return must be filed and Schedule III cannot be used.

LINE 4 **Federal Exemptions.** Enter the same number of exemptions claimed on your federal return, unless a different filing status is used for Nebraska.

How to find your federal exemptions:

Federal Form

1040 Line 6d

1040A Line 6d

1040EZ If Line 5 = \$9,350, enter 1.

If Line 5 = \$18,700, enter 2.

If single and claimed by someone else, enter -0-.

If married and one spouse can be claimed as a dependent on someone else's return, enter 1.

If married and both spouses can be claimed as a dependent on someone else's return, enter -0-.

If you filed a married, filing jointly federal return and elect to file married, filing separately for Nebraska, enter the number of federal exemptions allowable when computing the separate federal return for Nebraska purposes. Also see line 19 instructions on page 14.

LINE 5 **Federal Adjusted Gross Income (AGI).** This is the amount reported on your federal return as AGI. Enter the amount from the following forms:

Form 1040EZ Line 4

Form 1040A Line 21

Form 1040 Line 37

Special Circumstances:

If you were **not required to file a federal return**, but must file a Nebraska return to report **state and local bond interest greater than \$5,000**, you must enter all income which would have been included in federal AGI. This includes both earned income, such as wages, and passive income such as pensions, savings account interest, etc.

Nonresidents and partial-year residents must include their total federal AGI on line 5, not just their Nebraska source income.

If you have a **Nebraska net operating loss**, include any negative federal AGI on line 5, and complete the rest of the form. Use the Nebraska Net Operating Loss Worksheet (Form NOL) to compute the loss carryback. A net operating loss carryback to an earlier tax year from a 2009 loss is not allowed unless the loss has been reported on a 2009 Form 1040N.

Taxpayers who include their **children's interest and dividends** as income on Federal Form 1040 (elected on Federal Form 8814) must include that income on line 5, Form 1040N.

LINE 6

Nebraska Standard Deduction. Enter your Nebraska standard deduction. Do not enter the amount of your federal itemized deductions. **Do not include any amount added to the federal standard deduction for real estate taxes paid, disaster loss claimed, or sales tax paid on a new vehicle purchase.**

IF YOU OR YOUR SPOUSE CAN BE CLAIMED AS A DEPENDENT	
and filed Federal Form —	Enter —
1040EZ	Amount from line E from worksheet on the back of the Form 1040EZ.
1040A	The amount from line 6 of the Form 1040A Standard Deduction Worksheet.
1040	The amount from line 6 of the Form 1040 Standard Deduction Worksheet.

IF YOU OR YOUR SPOUSE CANNOT BE CLAIMED AS A DEPENDENT	
and filed Federal Form —	Enter —
1040EZ	Single: \$ 5,700 Married: \$11,400
1040A	See chart below
1040	See chart below

Filing Status	Number of Boxes Checked on Line 2a	Standard Deduction
Single	0	\$5,700
	1	\$7,100
	2	\$8,500
Married, Filing Jointly or Qualifying Widower With Dependent Children	0	\$11,400
	1	\$12,500
	2	\$13,600
	3	\$14,700
	4	\$15,800
Married, Filing Separately	0	\$5,700
	1	\$6,800
	2	\$7,900
	3	\$9,000
	4	\$10,100
If married, filing separately, the additional amounts for over 65 and blind apply only if the primary taxpayer can claim an exemption for his or her spouse.		
Head of Household	0	\$8,350
	1	\$9,750
	2	\$11,150

LINE 7

Total Itemized Deductions. If you itemized deductions on your federal return, enter the amount from line 29 of Schedule A, Federal Form 1040. If you did not itemize deductions on your federal return, skip lines 7 through 9 and enter the line 6 amount on line 10.

LINE 8

State and Local Income Taxes. If you itemized deductions on your federal return, enter your state and local income taxes included on line 5 of Schedule A, Federal Form 1040. If you elected to deduct general sales taxes instead of state and local income taxes, enter -0- on line 8.

LINE 9

Nebraska Itemized Deductions. Line 7 minus line 8.

LINE 10

Nebraska Deductions. Enter line 6 or line 9, whichever is greater.

LINE 11

Nebraska Income Before Adjustments. Line 5 minus line 10.

LINE 12

Adjustments Increasing Federal AGI. Enter amount from line 50 of Nebraska Schedule I. See Schedule I instructions on pages 18 and 19 for additional information.

LINE 13	Adjustments Decreasing Federal AGI. Enter the amount from line 60 of Nebraska Schedule I. See Schedule I instructions for additional information. <i>Note: If line 12 is -0-, and your only adjustment decreasing is a state income tax refund, enter the amount of the refund on line 13 and check the box below line 13. You do not need to complete Schedule I.</i>
LINE 14	Tax Table Income. If you do not have adjustments to federal AGI, enter the line 11 amount on line 14. If you have adjustments, line 14 equals line 11 plus line 12 minus line 13.
LINE 15	Nebraska Income Tax. Resident taxpayers use the Nebraska Tax Table on pages 29 to 34. If federal AGI is more than \$166,800 (\$83,400 if married, filing separately), you must use both the Tax Table and the Additional Tax Rate Schedule to calculate your Nebraska tax. Enter the amount from line 3 of the Additional Tax Rate Schedule on page 35. Nonresidents and partial-year residents, enter the amount from line 74, Nebraska Schedule III.
LINE 16	Nebraska Minimum or Other Tax. If you were required to pay: <ol style="list-style-type: none"> 1. Federal alternative minimum tax; or 2. Federal tax on lump-sum distributions of qualified retirement plans; and/or 3. Federal tax on early distributions of qualified retirement plans; <p>The Nebraska minimum or other tax is 29.6% of the federal minimum or other tax.</p> <p><i>The alternative minimum tax from Federal Form 6251 is to be recalculated using Nebraska Revenue Ruling 22-09-1 to compute the Nebraska minimum tax.</i></p> <p>Residents use the formula on Form 1040N, Line 16 to calculate the amount of total minimum or other taxes.</p> <p>Partial-year residents and nonresidents will use Nebraska Schedule III to calculate the amount of minimum or other tax due. The minimum or other tax is 29.6% of the federal minimum or other tax multiplied by the ratio, shown on Line 69, Nebraska Schedule III.</p> <p>A credit for prior year minimum tax must be calculated and entered on line 20 by residents. Nonresidents and partial-year residents claim this credit on line 71, Nebraska Schedule III.</p>
LINE 17	Total Nebraska Tax. Enter the total of lines 15 and 16.
LINE 18	Total Nebraska Tax. Enter the amount from line 17.
LINE 19	Nebraska Personal Exemption Credit for Residents Only. Residents claim a \$118 credit for each federal exemption reported on line 4, Form 1040N. EXAMPLE: Mr. and Mrs. Bourg, who are Nebraska residents, have AGI of \$25,000 and claim three exemptions on line 4. Their personal exemption credit on line 19 is: $\$118 \times 3 = \354 . They enter \$354 on line 19 and include it in the line 27 total.
LINE 20	Credit for Tax Paid to Another State. Enter the amount from line 65 of Nebraska Schedule II . Attach a complete copy of the other state's return, including schedules. (For instructions on what lines to use from the other state's return, refer to the Conversion Chart on our Web site. A separate Schedule II must be completed for each state. Nebraska law does not allow credit for taxes paid to a foreign country or its political subdivisions. Dual state residents must refer to the Conversion Chart instructions to properly calculate tax paid to another state. A credit for prior year minimum tax must be calculated according to Revenue Ruling 22-09-2 . Residents claim the credit on line 20. Nonresidents and partial-year residents claim this credit on line 71, Nebraska Schedule II.
LINE 21	Credit for the Elderly or the Disabled. Enter the amount shown on line 30 of Federal Form 1040A or line 53 of Federal Form 1040. If the federal credit has been limited by your federal tax liability, use the lesser amount. Attach a copy of Federal Schedule R, pages 1 and 2 to your Form 1040N.
LINE 22	Community Development Assistance Act (CDA) Credit. Enter the amount of credit allowable for contributions to approved projects of community betterment organizations recognized by the Nebraska Department of Economic Development. Form CDN and a copy of Form 1099NTC (issued by the Department of Economic Development) must be attached to the Form 1040N .

LINE 23 **Form 3800N Nonrefundable Credit.** Enter the amount from line 28 of Form 3800N. This is a nonrefundable credit which includes credits allowed to qualified businesses that expand their investment or employment in Nebraska. Attach Form 3800N.

LINE 24 **Nebraska Child/Dependent Care Nonrefundable Credit.** Resident taxpayers with AGI greater than \$29,000 can claim this credit. (If AGI is \$29,000 or less, see line 32). Multiply the amount on line 29 of Federal Form 1040A, or line 48 of Federal Form 1040, by 25 percent (.25). **Exception:** Taxpayers filing a married, filing separately return cannot claim this credit.

LINE 25 **Nebraska Endowment Credit.** This credit is 15 percent of a planned gift to a qualified Nebraska endowment for Nebraska charitable purposes (other requirements also apply), up to a maximum \$5,000 credit (\$10,000 for married, filing jointly taxpayers). Most taxpayer donations, even those allowed on Federal Schedule A, will not qualify for this credit. When claiming this credit, documentation from the qualified Nebraska endowment must be provided to the Department. See Nebraska Endowment Credit on our Web site for details and to determine if you qualify.

LINE 26 **Financial Institution Tax Credit.** Enter the amount of the tax credit available to you from the 2009 Statement of Nebraska Financial Institution Tax Credit, Form NFC, supplied by the financial institution in which you are a shareholder. You must attach a copy of the 2009 Form NFC to this return to claim the credit. This credit amount must also be added back to your income on line 46 of Nebraska Schedule I and on Line 66 of Nebraska Schedule III if applicable.

LINE 27 **Total Nonrefundable Credits.** Add lines 19 through 26.

LINE 28 **Nebraska Tax After Nonrefundable Credits.** Do not complete the worksheet below if the amount on line 12 (line 50, Nebraska Schedule I) is \$5,000 or more. If your federal tax liability is -0- or is less than your Nebraska tax, complete the Federal Tax Liability Worksheet below. On line 28, enter the smaller of the amounts from line 1 or line 2 of the worksheet. If entering federal tax liability, attach a copy of your federal return.

FEDERAL TAX LIABILITY WORKSHEET

1. Enter federal tax before credits:

a. Form 1040EZ, line 11	1a. \$	_____
b. Form 1040A, line 28	1b.	_____
c. Form 1040, line 44		_____
Form 1040, line 45		_____
Form 1040, line 58		_____
Total tax—Form 1040	1c.	_____
Total federal tax (enter tax from 1a, 1b, or 1c)	1.	_____

2. Nebraska Form 1040N, line 18 minus line 27. 2. \$ _____

On line 28, enter the smaller of the amounts from line 1 or line 2 of the worksheet and check the federal tax box if line 1 is used.

LINE 29 **Nebraska Income Tax Withheld.** Enter your total Nebraska income tax withheld from Federal Forms W-2, W-2G, 1099-R, or 1099-MISC. Do not use state wages. **Your withholding credit will not be allowed if you do not attach the proper forms to a paper filed return. E-filers, be sure to enter all withholding amounts when completing the return.**

*You **MUST** attach all Forms W-2, W-2G, 1099-R, and 1099-MISC*

A fiscal year taxpayer who has W-2s issued on a calendar-year basis must attach the 2009 W-2s to the 2009 Form 1040N for the fiscal year beginning in 2009. If you receive your 2010 W-2 before filing your 2009 Form 1040N, save it to attach to the 2010 Form 1040N.

Nonresidents claiming credit for Nebraska tax withheld by a partnership, limited liability company, S corporation, estate, or trust must attach a copy of the Statement of Nebraska Income Tax Withheld for Nonresident Individual, Form 14N. The tax year ending date on the Form 14N must be the same as the tax year of the individual's return being filed.

LINE 30 **2009 Estimated Tax Payments.** Report your 2009 estimated payments and any tax year 2008 carryover on this line.

If you are married, filing jointly, the name and SSN of the spouse whose number was used to make the 2009 estimated payments should be listed first in the name and SSN area on the Form 1040N.



You are encouraged to make your estimated payments using e-pay which allows you to schedule all four of your estimated payments at one time. The Form 1040N-ES is not required to be sent in when you use e-pay.

LINE 31

Form 3800N Refundable Credit. Enter any refundable credit calculated on Form 3800N. Attach Form 3800N.

LINE 32

Nebraska Child/Dependent Care Refundable Credit. (AGI \$29,000 or Less and Full-Year or Partial-Year Resident). If you filed a married, filing jointly federal return but a married, filing separately Nebraska return, do not claim this credit. Attach Schedule 2 (Form 1040A), Federal Form 2441 (Form 1040) or Nebraska Form 2441N to your Nebraska return. Use the following chart and enter on line 3 of the worksheet below the applicable percentage for your AGI level:

AGI Over	But not over	Percent	AGI Over	But not over	Percent
\$0 or less	– 22,000	100%	\$25,000	– 26,000	60%
22,000	– 23,000	90%	26,000	– 27,000	50%
23,000	– 24,000	80%	27,000	– 28,000	40%
24,000	– 25,000	70%	28,000	– 29,000	30%

REFUNDABLE CHILD/DEPENDENT CARE CREDIT WORKSHEET

(Use only when filing Federal Form 2441.
If using Form 2441N, the worksheet is not needed.)

- Enter line 9 amount (prior to the federal credit limitation) from:
2009 Federal Form 2441 (Form 1040 or 1040A) 1. \$ _____
- Enter federal AGI (line 5, Form 1040N)..... 2. _____
- Enter percentage from chart if AGI is \$29,000 or less..... 3. _____ %
(Note: If AGI is more than \$29,000, STOP; you cannot claim a credit on line 32; refer to line 24 instructions instead)
- Multiply line 1 by line 3 percentage and enter result (residents, also enter result on line 32) (partial-year residents, complete lines 5 and 6 below)..... 4. _____
- Enter line 69 ratio from Schedule III..... 5. _____
- Multiply line 4 by line 5, enter result here and on line 32 6. _____

LINE 33

Beginning Farmer Credit. Enter the credit granted to eligible claimants who receive a Statement of Nebraska Tax Credit, Form 1099 BFC, from the Nebraska Department of Agriculture. For further information on this credit, contact the Department of Agriculture at (402) 471-6890 or (800) 753-9396, www.agr.ne.gov.

LINE 34

Nebraska Earned Income Credit. Paper filers must attach a copy of pages 1 and 2 of Federal Form 1040 or 1040A or page 1 of Form 1040EZ to your Nebraska return. Nebraska residents and partial-year residents who have a federal earned income credit are allowed a state credit equal to 10% of the federal credit. Complete the federal credit information from line 9a (Form 1040EZ), line 41a (Form 1040A), or line 64a (Form 1040). Enter the number of qualifying children using information from Federal Schedule EIC (Form 1040 or 1040A). **If you are married, filing separately, you cannot claim this credit.**

Partial-year residents enter amount calculated on Nebraska Schedule III, line 76.

LINE 36

Penalty for Underpayment of Estimated Tax. Use Nebraska Form 2210N to determine if you owe this penalty. Also see page 4 of the instructions. If you are required to calculate a Form 2210N penalty, report it on line 36, check the box, and attach Form 2210N to your return. See our Web site for this form or call the Department (800) 742-7474 (toll free in NE and IA), or (402) 471-5729. Do not include any late filing penalty on this line.

LINE 37

Total Tax and Penalty. Add lines 28 and 36.

LINE 38

Total Amount Due. Enter the amount owed, including the applicable underpayment of estimated tax penalty. A balance due of less than \$2 need not be paid.

E-Pay. You may pay your Nebraska income tax electronically. It's secure, easy, and fast. See our Web site at www.revenue.ne.gov.

Credit Card. Secure credit card payments can be initiated through Official Payments Corporation (OPC) at www.officialpayments.com, or via telephone at (800) 2PAY-TAX. Eligible credit cards include American Express, Discover, MasterCard, and VISA. A convenience fee (2.49% of the tax payment, \$1 minimum) is charged to the card you use. This fee is paid to the credit card vendor, not the state, and will appear on your credit card statement separately from the tax payment.

Check or Money Order. Include your check or money order payable to the Nebraska Department of Revenue with your return or Form 1040N-V, Individual Income Tax Payment Voucher. Checks written to the Nebraska Department of Revenue may be presented for payment electronically.

Electronic Funds Withdrawal. This payment option is available only if you file your tax return electronically through the Federal/State e-file program, and if the preparer or software you use supports this option. Your payment can be automatically withdrawn from your bank account on the date you specify.

LINE 39

Overpayment. If line 35 is more than line 37, subtract line 37 from line 35 and enter your overpayment.

LINE 40

2010 Estimated Tax. Enter the amount of overpayment from line 39 you want applied to your 2010 estimated tax.

LINE 41

Wildlife Conservation Fund. You may contribute \$1 or more of your refund to this fund. Your contributions are used by the Nebraska Game and Parks Commission to protect and manage Nebraska's nongame and at-risk birds, mammals, amphibians, fish, reptiles, plants, and invertebrates. The fund will help prevent species from becoming endangered by managing, restoring, and protecting their habitat.

If you are not entitled to a refund, you may still send your tax-deductible contribution directly to the Wildlife Conservation Fund. For more information, contact the Nebraska Game and Parks Commission, Wildlife Division, 2200 North 33rd Street, Lincoln, NE 68503-0370, call (402) 471-0641, or visit www.outdoornebraska.org

LINE 42

Nebraska Campaign Finance Contribution. You may contribute \$1 or more of your refund to this fund. The contributions are used under the Campaign Finance Limitation Act to lessen the reliance of candidates on contributions from special interest organizations by providing contributed funds to assist in financing election campaigns of candidates seeking statewide offices. For more information, contact the Nebraska Accountability and Disclosure Commission, 11th Floor, State Capitol, P.O. Box 95086, Lincoln, NE 68509-5086, call (402) 471-2522, or visit www.nadc.state.ne.us.

LINE 43

Amount You Want Refunded to You. Enter the amount of overpayment to be refunded after subtracting lines 40, 41, and 42 from line 39. Amounts less than \$2 will not be refunded.

If a taxpayer has any existing tax liabilities with the Department, an overpayment shown on this return will be applied to the amount owed. You will receive a letter explaining any amounts retained. Your refund may also be applied to amounts owed to the federal government or other state agencies as provided by Nebraska law.

You can check on the status of your refund by calling the Department or visiting www.revenue.ne.gov. Please allow at least two months to process your paper return before contacting us.

LINE 44

To have your refund directly deposited into your checking or savings account, enter the routing number and account number found on the bottom of the checks used with the account. The routing number is listed first and must be nine digits. The account number is listed to the right of the routing number and can be up to 17 digits. Also complete line 44b, Type of Account. Box 44d is used to comply with new banking rules regarding International ACH Transactions (IATs). The box must be checked whenever a refund will go to a bank account outside the United States. These refunds cannot be processed as direct deposits and instead will be mailed.



Sign and Date your Tax Return. Include your daytime phone number and e-mail address in case the Department needs to contact you about your account. A joint return must be signed by both spouses.

If another person signs the return for the taxpayer, a copy of a power of attorney or court order authorizing the person to sign the return must be on file with the Department or attached to the return.

Any person who is paid for preparing a taxpayer's return must also sign the return as preparer. Additionally, the preparer must enter his or her SSN or Preparer Tax Identification Number (PTIN) and Federal Employer Identification Number.

An unsigned return will delay processing. E-file does not require a signature.

Nebraska Schedule I Instructions

PART A — Adjustments Increasing Federal AGI

LINE 45a **Interest Income from all State and Local Obligations Exempt from Federal Tax.** Enter the amount of tax exempt interest and dividends from line 8b of Federal Form 1040 or Form 1040A. This includes state and local bond (municipal bonds) income from all states. Although this income is exempt from federal tax, it is taxable income in Nebraska. Expenses related to this income which have not been previously deducted can be deducted from line 45 only if you itemized deductions on your federal return. Interest income from a regulated investment company (including certain mutual funds) attributable to state and local obligations must also be included in line 45a.

LINE 45b **Exempt Interest Income from Nebraska Obligations.** Enter interest and dividend income included on line 45a from bonds issued by Nebraska state and local government subdivisions. Income from regulated investment companies attributable to Nebraska source bonds is included on line 45b.

Note: Any federally taxable interest on a Build America Bond issued by a Nebraska governmental jurisdiction may be deducted on line 59, Other Adjustments Decreasing Federal AGI.

LINE 45 **Interest Income Received from State and Local Bonds.** Enter the result of line 45a minus line 45b.

LINE 46 **Financial Institution Tax Credit.** Only shareholders receiving a Statement of Nebraska Financial Institution Tax Credit, Form NFC, from a qualified Nebraska financial institution may claim this deduction. Enter the amount of the tax credit available to you as stated on the 2009 Form NFC. The same amount must be entered on both lines 26 and 46. A copy of Form NFC must be attached to your return.

LINE 47 **Long-Term Care Savings Plan Recapture.** If you terminate a Nebraska Long-Term Care Savings Plan for any reason other than the death of the participant, or if you make any unqualified withdrawal, the amounts previously claimed as deductions are subject to recapture. Enter the recapture of any previous deductions for long-term care savings plan contributions. There is a ten percent penalty for unqualified withdrawals. The Department will bill your account for the penalty. The amount of penalty will reduce your refund or increase your balance due. You may pay this penalty now by including the penalty amount with your payment.

LINE 48 **College Savings Program Recapture.** If you withdraw funds or close your Nebraska College Savings Program account for a non-qualified purpose, the amounts previously claimed as deductions are subject to recapture. **A qualified rollover to a Section 529 plan sponsored by a state (or entity) other than Nebraska is considered to be a cancellation subject to recapture.** The total maximum recapture is the amount previously deducted on all Nebraska returns prior to the cancellation of the college savings plan account. Enter the portion of the cancellation amount that was deducted on previous years' Nebraska returns on this line.

(Instructions continued on page 19 after forms.)

LINE 49

Other Adjustments Increasing Federal AGI. Report any adjustments increasing federal AGI including, but not limited to:

Federal net operating loss deduction. Enter the amount deducted as a federal net operating loss carryforward from your federal AGI. You must include this loss as an increase to AGI. A previously established Nebraska net operating loss may be deducted on line 59, Schedule I.

S Corporation and Limited Liability Company (LLC) Non-Nebraska Loss. Enter the amount of loss from an S Corporation or LLC that is not from Nebraska sources. You must include this loss as an increase to AGI.

LINE 50

Total Adjustments Increasing Income. Add lines 45 thru 49, enter here and on line 12 of Form 1040N.

PART B — Adjustments Decreasing Federal AGI

LINE 51

State Income Tax Refund Deduction. Enter the amount shown on line 10 of your Federal Form 1040.

If this is your *only* adjustment decreasing or increasing income, do not file Schedule I. Instead, check the box on line 13 of Form 1040N and enter the state income tax refund amount on line 13.

LINE 52a

U.S. Government Obligations Exempt For State Purposes. Enter the amount of interest or dividend income included in federal AGI from U.S. government obligations exempt from Nebraska tax. List the type of obligation and the amount received from each on line 52a of Schedule I. Attach a schedule, if necessary, listing all the obligations for which a deduction is claimed. Capital gains from the sale of U.S. obligations are not deductible. Some exempt U.S. government obligations include:

1. U.S. government bonds, such as series EE and HH savings bonds,
2. U.S. Treasury bills,
3. U.S. government notes, and
4. U.S. government certificates.

Some obligations which cannot be deducted include those from:

1. Federal or state banks, savings and loans, or building and loan associations,
2. Federal National Mortgage Association (FNMA) or Government National Mortgage Association (GNMA),
3. Certificates of deposit, and
4. Federal or state credit unions.

For a complete list of U.S. government obligations exempt from Nebraska tax, and a list of U.S. government obligations which are not exempt, see our Web site.

LINE 52b

Regulated Investment Company Dividends from U.S. Obligations. Enter the amount of government money market or mutual fund dividends issued by regulated investment companies that are obligations of the U.S. government.

Nebraska and U.S. law provide that dividends from a regulated investment company investing directly in exempt U.S. government obligations are deductible to the extent they represent exempt U.S. government obligations. The fund must issue you a statement showing the percent of the dividend which represents exempt U.S. government obligations. You must list the name of the fund and the portion of the dividend representing exempt U.S. government obligations on line 52b.

Repurchase agreements. Interest income from repurchase agreements involving U.S. government obligations is not deductible as U.S. government interest, and cannot be taken as an adjustment decreasing federal AGI on line 52. Capital gains from the sale of U.S. government obligations are not deductible.

LINE 53

Railroad Retirement Board Pension Payments. Enter any federally taxed Tier I and/or II retirement benefits paid by the Railroad Retirement Board (RRB). These include any dual vested benefits or supplemental annuities. Also report any unemployment or sickness insurance payments made by the RRB. Paper filers must attach a copy of Forms RRB-1099 and RRB-1099-R.

LINE 54

Special Capital Gains/Extraordinary Dividend Deduction. This deduction is available only to Nebraska residents. Enter the amount of the special capital gain or extraordinary dividend. Refer to the Special Capital Gains Election and Computation, Form 4797N, for additional information. The Form 4797N and a copy of Federal Schedule D must be attached to your Form 1040N to document your deduction. **Note:** When claiming the Extraordinary Dividend Deduction, a copy of Federal Schedule B is required.

LINE 55

Nebraska College Savings Program. If during 2009 you, as an account owner, made contributions to one or more college savings accounts established under Nebraska’s College Savings Program (i.e., Nebraska Educational Savings Plan Trust), then enter the amount of your contributions, up to a maximum of \$5,000 (\$2,500 if married, filing separately) on line 55.

The Nebraska College Savings Program includes the following Plans:

- ◆ College Savings Plan of Nebraska;
- ◆ TD Ameritrade 529 College Savings Plan;
- ◆ The AIM College Savings Plan; and
- ◆ The State Farm College Savings Plan.

Only the account owner may claim this deduction. You cannot deduct contributions made to other states’ 529 college savings plans on line 55.

Endowment Fund. Taxpayers may also make donations, gifts, and grants directly to the Nebraska Educational Savings Plan Trust Endowment Fund. These donations, gifts, and grants, to the extent not deducted for federal income tax purposes, are allowed as a deduction from the donor’s federal AGI on line 55. You must enclose a copy of the letter of receipt from the State Treasurer’s office acknowledging the gift was received.

For questions about the Nebraska College Savings Program go to www.treasurer.org, or contact the State Treasurer’s Office at (402) 471-2455.

LINE 56

Bonus Depreciation Subtraction. Use the worksheet below to compute the amount to report on line 56 of Nebraska Schedule I. For tax years 2000 through 2005 a portion of the bonus depreciation allowed on the federal income tax return was required to be added back to the Nebraska income tax return. This add-back can be deducted at the rate of 20 percent per year. For more information see our Web site.

LINE 56 WORKSHEET		
PREVIOUS BONUS DEPRECIATION ADD-BACK		
Tax Year	Column A Fifth Year Subtraction	Column B Fourth Year Subtraction
2000	\$ _____	
2001	\$ _____	
2002	\$ _____	
2003		\$ _____
2004		\$ _____
2005		\$ _____
Col. A and B Totals . . .	\$ _____	\$ _____
Multiply by 20%		x .20
Col. A and B Results . .	\$ _____	\$ _____
Add Columns A and B Results. Enter here and on line 56.....		\$ _____

LINE 57

Enhanced Section 179 Subtraction. Use the worksheet below to compute the amount to report on line 57 of Nebraska Schedule I. Tax year 2009 is the fourth year you can deduct 20 percent of the total amount previously added back in tax years 2003, 2004, and/or 2005. Shareholders and partners must attach Schedule K-1 or equivalent.

LINE 57 WORKSHEET	
Tax Year	Previous Enhanced Section 179 Add-Back
2003	\$ _____
2004	\$ _____
2005	\$ _____
Total	\$ _____
Multiply by (20%)	x .20
Amount to report on line 57.....	\$ _____

LINE 58

Nebraska Long-Term Care Savings Plan Contribution. Enter the amount contributed in 2009 to the account owner’s Nebraska Long-Term Care Savings Plan account, not to exceed the maximum contribution amount of \$1,000 (or \$2,000 if married, filing jointly). The Nebraska Long-Term Care Savings Plan is administered by the Nebraska State Treasurer. Only the plan participant may claim this deduction. For more information, go to www.treasurer.org or call the State Treasurer's Office at (402) 471-2455.

Earnings generated from this savings program are also exempt and may be deducted to the extent included in federal AGI for 2009.

LINE 59

Other Adjustments Decreasing Federal AGI. Report any other adjustments decreasing federal AGI. E-filers are limited to claiming only those deductions listed below. Allowable deductions for paper filers may include, but are not limited to:

S Corporation and Limited Liability Company (LLC) Non-Nebraska Income. Enter the amount of income from an S corporation or LLC that is not from Nebraska sources. Attach Schedule K-1 received from the S corporation or LLC together with a copy of the Nebraska apportionment factor of the S corporation or LLC where appropriate. Income from partnerships, limited liability partnerships, and other entities cannot be deducted.

Nonresident Military Servicemember Active Duty Pay. Enter the amount of nonresident military service compensation included in the servicemember’s federal AGI. Write “Nonresident military service compensation” together with the amount being deducted on line 59. The 2009 Form W-2 issued by the armed forces to the servicemember must be attached to Form 1040N. The Form W-2 must identify the income as attributable to a state other than Nebraska in box 15. If NE is shown on the W-2, the adjustment will not be allowed. **Only active duty military service compensation can be deducted on line 59.**

Native American Indian Reservation Income. Native American Indians residing on a Nebraska Native American Indian reservation with income derived from sources within the boundaries of the reservation may deduct this income on line 59.

Claim of Right Repayment. Enter the amount required to be included on your federal return for a claim of right repayment.

Nebraska Net Operating Loss Carryforward. A Nebraska net operating loss from an earlier year which is available for carryforward to 2009 is deducted on line 59.

Nebraska Agricultural Revenue and Federally Taxable NIFA Bonds. Income from bonds which are subject to federal income tax but exempt from Nebraska tax by Nebraska law is deducted on line 59. List the name of the bonds.

Federally Taxable BuildAmerica Bonds Issued by Nebraska Governmental Units. The America Recovery and Revitalization Act of 2009 established a category of federally taxable bonds that are exempt under Nebraska law. Income from these bonds may be deducted on Line 59. **Example:** NPPD fixed-rate, taxable general revenue bonds issued June, 2009.

Note: Nonresident military spouse income should not be deducted on line 59. Instead, see line 66 instructions.

Nebraska Schedule II Instructions

Full-year Nebraska residents claiming a credit for income tax paid to another state, political subdivision, or the District of Columbia must complete [Nebraska Schedule II](#). Partial-year residents must use [Nebraska Schedule III](#).

A separate Schedule II must be completed for each state where income tax was paid. The total credits cannot exceed the Nebraska tax liability. If some income is subject to an income tax of both another state and a city in that state, complete only one Nebraska Schedule II and combine the city and state taxes paid.

For paper filers, a credit will not be allowed unless you attach a complete copy of the other state's or political subdivision's return, including all schedules. If the tax is not reported on an income tax return, attach a copy of a letter or statement from the other state or political subdivision showing the income and the tax paid. For political subdivisions not requiring a return, attach the Form W-2 showing the subdivision's tax withheld.

Nebraska law does not allow credit for taxes paid to a foreign country or its political subdivisions.

NOTE: When completing lines 62 and 64, refer to the Conversion Chart on our Web site.

LINE 62 **Adjusted Gross Income From Another State.** Refer to the Conversion Chart and enter the amount shown on the return filed with the other state as AGI, or gross income derived from sources within that state. Do not include any income from S corporations or LLCs reported on line 59 or income which is not included in federal AGI after Nebraska adjustments from lines 12 and 13, Form 1040N.

LINE 63 **Calculated Tax Credit.** Calculate the ratio to at least five decimal places, and then round to four decimals. For example, if your division result is .12346, round to .1235 (12.35%). Then multiply this ratio by Nebraska tax, line 61, on Schedule II.

LINE 64 **Tax Due and Paid to Another State.** Refer to the Conversion Chart and enter the amount shown on the return filed with the other state as tax paid to that state. Do not enter the total of the other state's tax withheld, except for a political subdivision of another state that does not require the filing of an annual income tax return.

If a husband and wife file separately in Nebraska, but jointly in another state, attach a calculation of each spouse's share of the total tax paid to the other state. Use the net income of each spouse that is taxed by the other state in the calculation.

LINE 65 **Maximum Tax Credit.** Enter the amount from line 61, 63, or 64 whichever is **least**. Also, enter this amount on line 20 of Form 1040N.

Nebraska Schedule III Instructions

Taxpayers filing a nonresident or partial-year resident return must complete Nebraska Schedule III to calculate the tax on their income derived from or connected with Nebraska sources.

LINE 66 **Income Derived from Nebraska Sources.** Add all Nebraska income sources and enter the total on line 66. Be sure the list includes all sources and amounts of income and deductions, as they were stated on the federal return. If more space is needed, please attach to Schedule III a listing of all income sources. Partial-year residents must include all items of Nebraska income for a nonresident, plus all income earned while a Nebraska resident that is not taxed by another state. This includes dividends, interest, pension income, the sale of intangibles, and wages earned outside Nebraska.

Detailed information on the types of income that must be listed and included on line 66 is shown below and on page 23:

Wages, Salaries, Tips, and Commissions. List the amounts included on your federal income tax return derived from or connected with Nebraska sources. If the Forms W-2, Forms 1099, or other books and records do not clearly show specific Nebraska income for each item, you may apportion the income to Nebraska. The apportionment may be based either on the number of days worked in Nebraska to total days worked, or on the volume of business transacted. When income is apportioned, a detailed explanation must be attached to the return.

Dividends, Interest, and Other Passive Income. List amounts of gains or losses from the sale of stock or securities for a nonresident only if they were earned in a business carried on in Nebraska. Do not include amounts of income from U.S. obligations you listed on line 52.

Business Income. List the amount of net income or loss from a business, trade, or profession carried on in Nebraska. Multi-state businesses with taxable income in more than one state must apportion income using the same method as a corporation (corporations use a sales-only factor in Nebraska).

- ◆ Calculate the apportionment factor to a least five decimal places and round to four decimal places.
- ◆ Multiply the total business income by the calculated apportionment factor to determine the amount of income you must include on line 66.

(Refer to the Nebraska Corporation Income Tax instructions for additional information.)

Farming and Ranching Income. List the amount of net income or loss from farming and ranching operations carried on within Nebraska.

Partnership, S Corporation, LLC, Estate or Trust. List the individual’s share of the entity’s income and deductions derived from Nebraska.

Gain or Loss. List the net amount of all capital gains and losses derived in Nebraska from the sale, exchange, or involuntary conversion of real property, tangible personal property, or intangible property.

Rent and Royalty Income. List the net amount of rent and royalty income derived from or connected with Nebraska sources.

Lottery Prizes. List all prizes awarded in a lottery game conducted pursuant to the Nebraska Lottery Act.

Net Operating Loss Carryforward. List the loss only if it resulted from Nebraska sources. Also, attach Nebraska Form NOL to your return to claim the loss.

Financial Institution Tax Credit Claimed. List this amount if the credit is claimed and reported on line 46.

Income of Military Spouses. Due to passage of the Federal Military Spouses Residency Act, Nebraska cannot tax the income of a servicemember’s spouse when the spouse is in this state only in support of the servicemember. The spouse’s income should not be included as Nebraska source income on line 66. For more information, see the Information Guide titled, “Nebraska Income Tax for Military Servicemembers.”

LINE 67

Adjustments as applied to Nebraska Income. Refer to the charts below.

If you filed Federal Form 1040A you may claim the following adjustments on line 67:

Line 16	Educator expenses	Only as it relates to educational wages reported on line 66.
Line 17	IRA deduction	As a ratio of Nebraska self-employed income and wages to total self-employed income and wages.
Line 18	Student loan interest deduction	As a ratio of Nebraska AGI to federal AGI after Nebraska adjustments.
Line 19	Tuition and fees deduction	Based on a ratio of line 66 income to total income of the taxpayer.

If you filed Federal Form 1040 you may claim the following adjustments on line 67:

Line 23	Educator expenses	Only as it relates to educational wages reported on line 66.
Line 24	Certain business expenses of military reservists, performing artists, and fee-basis government officials	Only if directly related to Nebraska income reported on line 66.
Line 25	Health savings account deduction	Based on a ratio of Nebraska AGI to federal AGI after Nebraska adjustments.
Line 26	Moving expenses	Only by partial-year residents who moved into Nebraska.
Line 27	One-half of self-employment tax	Only as it relates to Nebraska source income.

Line 28	Self-employed SEP, SIMPLE, and qualified plans	Calculated on a ratio of the payments based on Nebraska wages or self-employment income to the total wages or income for which the payments were made.
Line 29	Self-employed health insurance deduction	Calculated on a ratio of the payments based on Nebraska wages or self-employment income to the total wages or income for which the payments were made.
Line 30	Penalty on early withdrawal of savings	Only if directly related to Nebraska income reported on line 66.
Line 31a	Alimony paid	Based on a ratio of line 66 income to total income of the taxpayer.
Line 32	IRA deduction	As a ratio of Nebraska self-employed income and wages to total self-employed income and wages.
Line 33	Student loan interest deduction	As a ratio of Nebraska AGI to federal AGI after Nebraska adjustments.
Line 34	Tuition and fees deduction	Based on a ratio of line 66 income to total income of the taxpayer.
Line 35	Domestic production activities deduction	Only if directly related to Nebraska income reported on line 66.

If you claimed a bonus depreciation subtraction on line 56, or an enhanced Section 179 subtraction on line 57, Nebraska Schedule I, include these amounts on line 67, Nebraska Schedule III.

LINE 69 **Ratio, Nebraska's Share of the Total Income.** Use the equation to calculate a factor that represents Nebraska's share of income to total income. Calculate the factor to at least five decimal places and then round to four decimals. For example, if the line 69 result is .12346, round to .1235 (12.35%) before computing line 74. Even if lines 5 and 66 are negative numbers, the ratio computed in line 69 cannot exceed 100 percent.

LINE 70 **Tax Table Income.** Enter the amount from line 14, Form 1040N.

LINE 71 **Tax from Nebraska Tax Table.** Using the Nebraska Tax Table and the income shown on line 70, enter the tax amount on line 71. Also enter any tax from the Additional Tax Rate Schedule if your federal AGI is more than \$166,800 (\$83,400 if married filing, separately).
Partial-year residents enter your Nebraska credit for the elderly or disabled, credit for child/dependent care expenses, Nebraska Endowment Credit, or credit for prior year minimum tax. See applicable instructions for lines 16, 21, 24, 25, and 32. Partial-year residents with federal AGI of \$29,000 or less do not claim child care credit here. Instead, complete the line 32 worksheet on page 16 and enter the result on line 32.
Calculate the Nebraska earned income credit on lines 76 and 77.
Nonresidents are not allowed a Nebraska earned income credit, a credit for the elderly or disabled, a credit for child/dependent care expenses, or a Nebraska Endowment Credit. Nonresidents may enter credit for prior year minimum tax. See line 16 instructions on page 14 of this booklet. If the result is less than zero, enter -0- on line 71.

LINE 72 **Personal Exemption Credit.** Enter your credit for personal exemption(s). (\$118 multiplied by the number of exemptions shown on line 4, Form 1040N). Do not enter on line 19.

LINE 73 **Difference.** Line 71 minus line 72.

LINE 74 **Multiply by Ratio.** Multiply line 73 by the ratio you computed on line 69.

LINE 75 **Minimum and Other Tax.** Minimum or other tax, see line 16 instruction.

LINES 76 AND 77 **Earned Income Credit.** Partial-year residents may claim this credit by entering the number of qualifying children and the federal earned income credit information on line 76. The allowable credit is 10% of the federal credit multiplied by the ratio calculated on line 69. Enter result on line 77 and on line 34. To receive this credit, paper filers **must attach** a copy of pages 1 and 2 of your federal return. Nonresidents may not claim the Nebraska earned income credit.