
2009 Federal and State Income Tax Institute

2009 Nebraska Tax Changes

In cooperation
with the University of Nebraska-Lincoln
and the
Internal Revenue Service

Compiled by the
Nebraska Department of Revenue



Lincoln • Norfolk • Grand Island
Omaha • North Platte • Kearney • Scottsbluff

FEDERAL AND STATE INCOME TAX INSTITUTE PRESENTATION

I. 2009 LEGISLATIVE CHANGES – Legislative Bills are referred to by their LB number.

Several bills passed by the 2009 Legislature, or enacted in prior legislative sessions, directly affect Nebraska's 2009 tax programs. Administrative updates are also included.

A. INDIVIDUAL INCOME TAX

1. Standard Deductions.

The Nebraska standard deductions for tax year 2009 are increased to equal the federal standard deductions for 2009 as follows:

- Single taxpayers - \$5,700
- Head of household - \$8,350
- Married, filing jointly - \$11,400
- Married, filing separately - \$5,700
- Qualifying Widow(er) - \$11,400

An additional standard deduction amount equal to the federal amount is allowed for elderly and blind taxpayers. The amount is \$1,100 for married individuals (for each status) and \$1,400 for single and head of household taxpayers. (LB 367-2007)

NOTE: Do not include in the Nebraska standard deduction any amount added to the federal standard deduction for real estate taxes paid, sales tax paid on new motor vehicle purchases in 2009, or any disaster loss claimed.

2. Personal Exemption Credit.

The personal exemption credit for 2009 is increased to \$118. See Line 19, Form 1040N. For tax year 2010, the personal exemption credit will remain \$118.

3. Underpayment of Estimated Tax.

Individuals must make estimated tax payments if their tax liability is \$500 more than allowable offsets such as the amount of tax withheld from wages. You may owe an underpayment of estimated tax 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 [110% if adjusted gross income (AGI) on that return was more than \$150,000, or if married, filing separately, more than \$75,000].

As part of the American Recovery and Reinvestment Act (ARRA), 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 either the 2009 or 2008 Nebraska tax.

Exception: 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. You may owe the penalty even if you are entitled to a refund when you file your individual income tax return. The underpayment penalty is calculated separately for each installment due date (four equal and timely payments). Therefore, you may owe a penalty for an earlier payment, even if you paid enough estimated tax later to make up the underpayment. For additional information about estimated payments and underpayment of estimated penalty see the [instructions for Form 1040N](#) and [Form 2210N](#).

4. Bonus Depreciation Subtraction.

Claim the fifth 20 percent for amounts previously added back in 2000, 2001 and/or 2002; and the fourth 20 percent for amounts added back in 2003, 2004, and/or 2005.

5. Section 179 Expense Subtraction.

Claim the fourth 20 percent of the total amount previously added back for 2003, 2004, and/or 2005.

6. Amended Income Tax Returns.

Effective January 1, 2009, the deadline for filing amended income tax returns to report changes or corrections made by federal or state agencies is 60 days after the final determination. This applies to individuals, corporations, LLCs, partnerships, estates, and trusts. (LB 914-2009)

7. Federally Taxable Build America Bonds Issued by Nebraska Governmental Units.

The ARRA 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, Form 1040N, Schedule I.

Example: NPPD fixed-rate, taxable general revenue bonds issued June, 2009 are tax exempt. Interest on bonds in this category issued by non Nebraska governmental units are taxable.

8. International ACH Transactions (IATs).

A checkbox has been added to Forms 1040N and 1040NS in the area where banking information is collected. To comply with new banking rules regarding 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.

9. Nebraska Endowment Credit.

The [Nebraska Endowment Credit](#) sunsets January 1, 2010. The 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, do not qualify for this credit. When claiming this credit, documentation from the qualified Nebraska endowment must be provided to the Nebraska Department of Revenue (Department).

For more details regarding this credit and to determine if you qualify, see our Web site.

10. High School District Changes.

High School District changes are reflected in the [2009 High School District listing](#).

11. E-File Requirements.

Beginning January 1, 2010 the Tax Commissioner may require certain tax preparers to file returns electronically. E-filing may be required of any tax preparer who files more than 25 returns annually. For 2010, the Tax Commissioner will mandate e-filing for tax preparers who file more than 250 individual income tax returns. Penalties may apply to tax preparers who do not file returns electronically. Additional tax programs may also be integrated into the e-file mandate in later tax years. The Department developed procedures for implementing this mandate, such as a [taxpayer opt-out](#) and a waiver of the penalty provisions for good cause. (LB 165)

12. Beginning Farmer Tax Credit.

For tax years beginning on and after January 1, 2009, the eligibility to claim the tax credit under the Beginning Farmer Tax Credit Act has been expanded to now include nonresident individuals. The net worth threshold for those qualifying as beginning farmers is adjusted annually using the average U.S. Department of Labor's Producer Price Index for all commodities. Operative August 30, 2009. (LB 165)

13. Extension of Time.

The Department will follow the federal extension of six months. The Form 4868N for a Nebraska extension, will also allow only a six month extension from the original due date once filed with the Department.

B. INTEREST RATE

The interest rate for 2010 remains five percent of any unpaid tax. See [Revenue Ruling 99-08-4](#).

C. WITHHOLDING FOR CONSTRUCTION CONTRACTORS

Effective January 1, 2010, the Department of Labor will collect registration fees and maintain the contractor database used to determine whether the five percent withholding is required on payments made to subcontractors.

D. NEBRASKA ADVANTAGE TAX INCENTIVES

1. E-Verify Employee Eligibility.

To be eligible for benefits, new applicants for the:

- Nebraska Advantage Act;
- Nebraska Advantage Rural Development Act;
- Nebraska Advantage Research and Development Act; and
- Nebraska Microenterprise Tax Credit Act

must provide the Department with satisfactory evidence that they have electronically verified the work eligibility status of all newly hired employees in Nebraska. Any hours worked and compensation paid to an employee who is not eligible to work in Nebraska will be excluded from benefit calculations. Operative October 1, 2009. [See our Web site](#). (LB 403)

2. Nebraska Advantage Act.

Effective August 30, 2009:

- Sunset dates were extended to December 31, 2015 for filing applications for Tier 1 and Tier 3 projects;
- Employees who work for applicants at military installations in Nebraska, whose tasks are interdependent with the work performed at the project, will be considered employed at the project;
- Qualified businesses include those selling tangible personal property if at least 75 percent of the applicant's sales are made to unrelated consumers located outside Nebraska;
- Project agreements may be amended to a lower tier (other than Tier 1) if the amendment is consistent with the purposes of the Act and does not require a change in the description of the project; and
- The recapture provisions for all incentive programs were changed to a percentage equal to the number of years the taxpayer failed to maintain the requisite levels of investment and employment divided by the number of years of the project's entitlement period, multiplied by the refunds allowed, reduction in personal property taxes, credits used, and remaining carryovers. (LB 164)

Effective January 1, 2009:

- Tier 1, Tier 2, Tier 4, and Tier 5 investment thresholds will be indexed annually based on changes in the U.S. Department of Labor's Producer Price Index, averaged for the most recent 12-month period compared with a base period in 2006;
- Tier 6 investment threshold will be indexed annually based on changes in the U.S. Department of Labor's Producer Price Index, averaged for the most recent 12-month period compared with a base period in 2008; and
- Tier 6 credits may be used to reduce the applicant's income tax withholding attributable to all employees (excludes base-year employees) employed at the project, instead of just the eligible number of new employees, excluding any compensation in excess of \$1 million paid to any one employee during the year. (LB 164)

3. Nebraska Advantage Rural Development Act.

Rural Development Act credits will be available on a calendar year basis rather than a fiscal year basis. Operative January 1, 2010. (LB 164)

4. Nebraska Advantage Research and Development Act.

- The sunset date for this Act was extended to December 31, 2015. (LB 164)
- For tax years beginning on and after January 1, 2009, businesses with expenditures in research and experimental activities on the campus of a college or university in this state, or at a facility owned by a college or university in this state, are allowed a tax credit equal to 35% of the federal credit instead of the usual 15%. The credit may be used:
 - ✓ To obtain a refund of sales and use taxes paid; or
 - ✓ As a refundable income tax credit for the first year claimed and for the following four tax years. (LB 555)
- Effective August 30, 2009, interest is not allowed on any taxes refunded under this Act. (LB 164)

5. Nebraska Advantage Microenterprise Tax Credit Act.

Effective August 30, 2009:

- The net worth thresholds for eligible farm or livestock operations was changed from no more than \$200,000 to no more than \$350,000 (LB 531);
- Interest is not allowed on any taxes refunded (LB 164); and
- Sunset date was extended to December 31, 2015. (LB 164)

E. SALES AND USE TAX

1. Installation Charges.

The responsibility for remitting tax on installation charges provided free to the customer and paid by a third party service provider to the installer has been changed from the installer to the third party service provider. Operative October 1, 2009. (LB 165)

Example: A satellite TV service provider pays another person to install satellite TV equipment for a subscriber. The subscriber receives the installation free. The satellite TV service provider must remit use tax on the amount paid to the installer of the satellite TV equipment.

2. Community-Based Energy Development (C-BED) Projects.

The qualification requirements for C-BED projects were changed. Through December 31, 2011, if the qualified owners have at least 33% ownership in the project, the gross power purchase agreement payments may be reduced by the debt financing payments. The exemption for purchases of property used in qualified C-BED projects is unchanged. Operative August 30, 2009. (LB 561)

3. Occasional Sales.

Individuals may sell household goods, personal effects, and services tax-free from their residence utilizing an online auction site. In order to sell property or services tax-free, the rules for occasional sales apply:

- The items must be offered for sale for no more than three days in a year;
- The individual must not be engaged in the business of selling similar items; and
- The property must have been originally acquired and used by the individual for personal use. Operative October 1, 2009. (LB 165)

4. Mobility Enhancing Equipment.

Purchases of mobility enhancing equipment are now exempt from tax when purchased with only a physician’s prescription. It is no longer required that the equipment be eligible for coverage under the Nebraska medical assistance program (Medicaid). Operative October 1, 2009. (LB 165)

5. Animal Grooming.

Grooming services performed by a licensed veterinarian, or licensed veterinary technician, are exempt from tax when performed in conjunction with the medical treatment of an animal. Operative October 1, 2009. (LB 587)

6. Energy Source Exemption.

The purchase of wood and corn for use as an energy source is exempt from tax when more than 50% of the amount purchased is used directly in irrigation, farming, or manufacturing, or when used by a hospital. Operative April 1, 2009. (LB 9)

7. Mineral Oil as Dust Suppressant.

The purchase of mineral oil to be applied to grain as a dust suppressant is exempt from tax. Operative October 1, 2009. (LB 9)

8. Telephone Service Terms.

Updated Telecommunications Definitions: Telecommunications definitions were updated to conform to the Streamlined Sales and Use Tax Agreement. Intrastate telecommunications, (except for value-added, nonvoice data service), and ancillary services (except for conference bridging service), replace “local exchange telephone service” and “intrastate message toll telephone service.” See below for updated terms:

Original Term:	Replaced By:
Local Exchange Telephone Service	Intrastate telecommunications services
Intrastate Message Telephone Service	Ancillary Services
Prepaid Telephone Calling Arrangements	Prepaid Calling Service and Prepaid Wireless Calling Service

NOTE: All of these services remain taxable.

Operative October 1, 2009. (LB165)

F. MISCELLANEOUS

1. Cigarette Ignition Testing.

Cigarette manufacturers must test, certify, and stamp cigarettes that meet certain standards of flammability. Cigarettes that do not meet these standards may not be sold in the state and are subject to confiscation. Administrated by the State Fire Marshall. Operative January 1, 2010. (LB 198)

2. Snuff Tax.

Beginning October 1, 2009, snuff will be taxed at the rate of \$0.44 per ounce and a proportionate amount on all fractions of an ounce. “Snuff” is defined as any finely cut, ground, or powdered tobacco that is not intended to be smoked. The tax on other tobacco products remains at 20% of the purchase price paid by the first owner of these products. (LB 89)

3. Homestead Exemption.

- Homeowners may file a late application for a homestead exemption or homestead certification when a medical condition impairs their ability to file the application by the deadline.

The documentation regarding the medical condition must accompany the application or certification. The late application or certification must be filed with the county assessor on or before the date that the first half of the real property taxes levied on the property become delinquent. Operative May 26, 2009. (LB 94)

Medical conditions include:

- ✓ A disease;
 - ✓ Physical ailment;
 - ✓ Injury requiring hospitalization; or
 - ✓ Injury involving any period of incapacity.
- Owners of homesteads which have been granted an exemption may transfer the exemption to another qualifying property purchased by the owner on or before August 15. Operative May 26, 2009. (LB 302)
 - The definition of a “veteran” has been updated to include servicemembers who served on active duty in the Global War on Terror beginning on September 14, 2001. Operative August 30, 2009 (LB 422)

4. Inheritance Tax.

The filing of a petition or application for probate proceedings, and the payment of the tentative tax within 12 months of the decedent’s death, will be sufficient to avoid a penalty. In addition, expenses related to the possession, control, or sale of estate assets may be deducted from the property value subject to inheritance tax. Expenses related to the day-to-day operation and continuation of the business interests of the decedent are not allowable deductions. Operative August 30, 2009. (LB 120)

5. Decisions on Protested Assessments.

A decision of the Tax Commissioner becomes final 30 days after the mailing of the notice of the final determination (instead of the current 60 days), unless the taxpayer seeks a judicial review of the decision. Operative October 1, 2009. (LB 165)

6. Corporate Officer Liability.

A person with responsibility to pay the taxes of a corporation or limited liability company may be personally issued a notice or demand for payment of taxes no more than three years after the time the entity’s taxes become final. Operative October 1, 2009. (LB165)

II. PRINTING AND MAILING CHANGES

Due to budget constraints and the move toward “paperless” transactions, the Department is discontinuing the printing and mailing of certain postcards and booklets. All relevant information, instructions, and forms will be posted on the Department’s Web site when finalized.

A. E-FILE POSTCARDS

Postcards will not be sent to Fed/State e-filers. They will only be mailed to last year’s NebFile users. Postcards will also be mailed to taxpayers who filed paper returns prepared on a computer (approx. 185,000+ taxpayers). This postcard contains a NebFile PIN.

B. INDIVIDUAL INCOME TAX BOOKLETS

Individual Income Tax booklets will no longer contain self adhesive name and address labels. NebFile PINs will be printed in these booklets for taxpayers who choose to NebFile. This mailing is limited to a very small group of people who claim certain credits or who will not be e-filing.

C. INDIVIDUAL ESTIMATED INCOME TAX VOUCHERS

Individual Estimated Income Tax Vouchers will not be mailed. Instead, an informational postcard will be sent in January, 2010 notifying taxpayers of this change.

D. OTHER BOOKLETS AND POSTCARDS

Corporate, Partnership, S Corporation, and Financial Institution booklets and postcards will not be mailed.

III. NEBRASKA ELECTRONIC FILING INITIATIVES

A. NEBRASKA INCOME TAX FEDERAL/STATE E-FILE 2009

Approximately 635,000 (or 70 percent of) Nebraska returns were e-filed in the Federal/State and other e-file programs last year. Tax preparers are encouraged to e-file all client returns to avoid potential delays in refund processing.

1. 2009 Returns.

The Federal/State E-file program will begin accepting tax year 2009 individual income tax returns on January 15, 2010. This program provides a means to electronically file both federal and state tax returns through a qualified tax preparer using IRS and state-approved software. These returns are electronically transmitted to the appropriate IRS Service Center. The Department retrieves state returns from the IRS and provides acknowledgments to the electronic return originators (EROs).

2. Modernized e-File.

This year, the IRS is introducing a new e-filing initiative that in future years will replace the current Federal/State E-file program. This new program is called Modernized e-File (MeF). MeF is being phased in by the IRS and the states over a period of three years. It will work in a similar manner to the current Federal/State E-file program. For the Department, this means that many of the state's forms that could not be e-filed in the past, will be allowed in MeF system. Look for more information to be provided by the IRS, software companies, and the Department about this important new development.

3. Most returns can be e-Filed.

All calendar year 2009 returns can be e-filed. Refund, zero balance, and balance due returns are all accepted for both residents and non-residents returns. A small percentage of returns require low volume forms/documents that need to be mailed to the Department. These include:

- Form CDN, Nebraska Community Development Assistance Act Credit Computation
- Form NFC, Statement of Nebraska Financial Institution Tax Credit
- Form 14N, Statement of Nebraska Income Tax Withheld for Nonresidents (Do not send Forms W-2)
- Form 1099-MISC, (only if Nebraska withholding is shown)
- Form 1099BFC, Certificate for Beginning Farmer Credit
- Form 1099NTC
- Form 1310N, Nebraska Refund for Deceased Taxpayers
 - ✓ If filing as personal representative, attach proof of appointment.
 - ✓ If filing as claimant, attach proof of death.
- Form 3800N, Nebraska Employment and Investment Credit Computation
- Form 4797N, Special Capital Gains/Extraordinary Dividend Election and Computation
- Statement for Nebraska Endowment Credit

4. Documentation.

Electronically-filed returns that require one or more of these documents must be mailed using [Form 8453N](#) as a cover sheet. The Form 8453N does not need to be signed by the taxpayer. These mailed documents and forms will be given priority processing, and in most cases, can be processed much faster than if the entire return had been filed via paper. It is the responsibility of the tax preparer or taxpayer to mail the required documentation. No notice will be sent. Nebraska still restricts e-filed returns to current tax year, calendar-year filers, and does not accept amended returns by e-file.

5. Software.

In addition to preparer Federal/State e-filing, taxpayers can also purchase Federal/State tax preparation software with an e-file option from the Internet, by direct mail, or at retail outlets. Federal/State tax preparation software can also be accessed online via the Internet. A fee is normally charged for using this software. Details are provided on the [Department's Web site](#).

6. State-only returns.

The Federal/State e-filing program also supports a state-only feature that allows a state return to be transmitted without being attached to a federal return. This allows rejected state returns to be re-sent to the state. A state return may also be sent by itself when the taxpayer files returns in more than one state. Tax preparers should check with their software providers to confirm this capability.

7. Refunds.

Direct deposit is a refund option for all income tax e-file programs. Refunds by direct deposit on e-filed returns are deposited within approximately seven to 10 days of receipt for returns without errors or that do not need documentation mailed to the Department. The Department encourages the use of direct deposit for refunds when filing electronic or paper tax returns.

Note: International ACH Transactions (IAT) cannot be processed as direct deposit.

8. Payments.

Tax payments for returns filed through the Federal/State e-file program can be made through the Department's [e-pay](#) program or by electronic funds withdrawal (EFW). To use e-pay, a taxpayer or their preparers can arrange the payment online via the Department's Web site. Payments for a balance due associated with a Form 1040N or 1040NS can be made electronically. Also, individual estimated payments may be made using e-pay. Payments made by EFW require payment details to be provided on an electronically filed tax return. Both methods require information to be provided to specify the amount and date the funds are to be debited from the taxpayer's bank account. Taxpayers who file electronically can still remit their tax by check or money order using the Nebraska Payment Voucher, Form 1040N-V.

The Department also accepts income tax payments by credit card through [Official Payments Corporation \(OPC\)](#), an IRS provider as well. This option is available for all electronic and paper filers. A convenience fee of 2.49 percent is charged to all taxpayers using this service. This fee is paid to OPC and will appear on the taxpayer's credit card statement separately from the tax payment. Secure credit card payments can be initiated over the Internet at www.officialpayments.com, or via telephone at (800) 2PAY-TAX.

[Publication 1345N Nebraska Handbook for Electronic Filers](#), Form 1040N-V, [Form 8453N](#), and other files and documents used in this program can be downloaded from our Web site. For additional information about this program, what is new for this year, and to download forms and other related documents, visit the e-filing section of our Web site at www.revenue.ne.gov. No application is required. Contact the Department's Electronic Commerce Help Line at (800) 433-8631 for further information.

B. NebFile

This filing option is offered at no cost to the taxpayer. The [NebFile](#) program allows taxpayers to file Forms 1040NS and 1040N via the Internet. This option is available for residents only, including first time filers. Other filing restrictions apply.

C. ELECTRONIC PAYMENTS FOR BUSINESS TAX

EFT (Electronic Funds Transfer) allows payments of business taxes through the Federal Reserve's Automated Clearing House (ACH) system. Tax payments can be made through the Department's [e-pay](#) program, by initiating a credit ACH payment, or by credit card. To use e-pay, taxpayers or their preparers can arrange the payment online via the Department's Web site. Funds are directly transferred from taxpayer accounts into the state's account. Taxes that can be paid by this option include withholding, sales and use, corporate, and motor fuels taxes. Payments can be initiated by telephone or via the Internet. Taxpayers opting to make a credit ACH payment should arrange to do so through a financial institution. Secure credit card payments can be initiated over the Internet at www.officialpayments.com, or via telephone at (800) 2PAY-TAX. Certain taxpayers whose prior year payments exceed the specified threshold are mandated to make remittance by EFT. The threshold at which taxpayers may be required to remit taxes or fees using electronic funds transfer is \$20,000. A \$100 penalty for non-compliance can be applied to each payment not made electronically. The Tax Commissioner will notify affected taxpayers at least three months prior to the date the electronic payments will be required.

D. INTERNET SALES AND USE TAX FILING

The Department allows businesses and tax preparers to file Nebraska Form 10, Sales and Use Tax Return, on the Department's Web site. This program is being redesigned to improve functionality and ease of use. The new program, will be available to monthly, quarterly, and annual filers. Filers who need to file Form 6 or Form 6MB will be able to e-file their sales and use tax returns, but will still be required to mail their Forms 6 and 6MB to the Department. No pre-registration is required. Associated tax payments can be made by EFT, credit card, or check.

E. INTERNET WITHHOLDING TAX FILING

The Department allows businesses and tax preparers to file Nebraska Form 941N on the Department's Web site. This option is available to monthly, quarterly, and annual filers. Monthly and quarterly filers who pay by EFT are not required to file Form 501N. The Department offers electronic filing for Forms W-2 and W-3N. No pre-registration is required. Tax payments associated with Form W-3N can be made by EFT or by check.

IV. CORPORATION, PARTNERSHIP, S CORPORATION, FINANCIAL INSTITUTION, AND FIDUCIARY INCOME TAX

All associated forms have been updated to reflect any changes in tax provisions.

A. BONUS DEPRECIATION SUBTRACTION

The fifth 20 percent of any previous add-back for tax years 2000, 2001, and/or 2002, and the fourth 20 percent of any previous add-back for tax years 2003 through 2005 may be subtracted from income during tax year 2009. (LB 1085-2001) See Line 6, Schedule A, form 1120N.

B. SECTION 179 EXPENSE SUBTRACTION

The fourth 20 percent of the previous add-back from tax years 2003 through 2005 may be subtracted from income during tax year 2009. (LB 596-2003) See Line 7, Schedule A, Form 1120N.

V. INCOME TAX WITHHOLDING

Continue to use the [2008 Circular EN](#) for wages paid on or after January 1, 2010.

VI. INDIVIDUAL INCOME TAX

RETURNS AND SCHEDULES :

The following forms comprise the Nebraska individual income tax reporting program:

- A. [Nebraska Resident Income Tax Return for Single and Joint Filers with No Dependents, Form 1040NS](#)
- B. [Nebraska Individual Income Tax Return, Form 1040N](#)
- C. [Nebraska Schedule I, Nebraska Adjustments to Income](#)
- D. [Nebraska Schedule II, Credit for Tax Paid to Another State](#)
- E. [Nebraska Schedule III, Computation of the Nebraska Tax for Nonresidents and Partial-Year Residents](#)
- F. [Nebraska Individual Income Tax Booklet, including Instructions, Additional Tax Rate Schedule, Listing of Public High School District Codes, and the Nebraska 2009 Tax Table](#)
- G. [2009 NEBRASKA TAX RATES – Individual, Fiduciary, and Corporation](#)

VII. OTHER INCOME TAX FORMS FOR 2009

The following forms supplement the Nebraska individual income tax program and are used in conjunction with the 2009 Form 1040N and Form 1040NS:

- A. [Individual Underpayment of Estimated Tax, Form 2210N](#)
- B. 2010 Nebraska Individual Estimated Booklet, Form 1040N-ES
- C. [Nebraska Child and Dependent Care Expenses, Form 2441N](#)

VIII. INDIVIDUAL INCOME TAX FILING TIPS

A. HIGH SCHOOL DISTRICT IDENTIFICATION CODE

A seven digit code that must be reported by taxpayers who reside in Nebraska as of December 31, 2009.

B. AMENDED RETURNS.

Use Amended Nebraska Individual Income Tax Return, Form 1040XN-2009, to amend 2009 tax year returns previously filed.

C. WHO CAN FILE THE 2009 FORM 1040NS?

Generally, all Nebraska residents who filed the 2009 Federal Form 1040EZ can file Nebraska Form 1040NS. However, there are some taxpayer situations that would keep them from filing the Form 1040NS. These are listed on the back of the Form 1040NS. These conditions should be reviewed so that the proper form is filed with the state.

D. PERSONAL EXEMPTION CREDIT

The 2009 personal exemption credit increases to \$118.

E. OTHER INDEXED THRESHOLDS FOR 2009

The phase-out of marginal tax rates begins at AGI above \$166,800 (\$83,400 married, filing separately).

F. WHERE TO MAIL INCOME TAX FORMS

P.O. BOX ADDRESSES. The Department has post office box numbers for individual tax refunds and remittances. The box numbers are as follows:

- INDIVIDUAL INCOME TAX – FORMS 1040N AND 1040NS only
 - ✓ REFUNDS – P.O. BOX 98912, LINCOLN, NE 68509-8912
 - ✓ REMITTANCES – P.O. BOX 98934, LINCOLN, NE 68509-8934
- P.O. Box 98911 continues to be used for 1040N-ES, balances due, correspondence, etc. Please address tax returns to the appropriate box number.

G. CHANGES IN A FEDERAL INCOME TAX RETURN

All changes made by the IRS must be reported to the Department within 60 days of the change, effective January 1, 2009. Report the change by filing the correct Form 1040XN for the tax year(s) involved.

H. INTEREST RATE

The interest rate on delinquent taxes or refunds effective January 1, 2009 is 5 percent and will continue at this rate through 2010.

I. COMPUTER-PREPARED RETURNS

If you are using a software package to prepare Nebraska tax forms, you should test the accuracy of the program for input, output, and printing errors. The Department is occasionally finding calculation and/or printing errors with computer-prepared returns. Types of errors you should watch for include:

1. Misplacement or misalignment of entries on line numbers;
2. Inadequate or missing explanations for schedule entries;
3. Incorrect math calculations; and
4. Illegible returns due to incompatible printer of preparer.

The Department sends any revised drafts of forms to all approved software developers. Please begin using any updates as soon as they are received.

When using third party forms or software, contact the Department to see if they have been approved for use. Call (402) 471-5642.

J. COMMON ERRORS NOTED DURING PROCESSING LAST YEAR

1. Social Security Number was not included or written illegibly.
2. The incorrect state standard deduction reported.
3. Forms W-2 and other schedules were not attached.
4. Forms W-2, or the State copy, were not legible.
5. Forms W-2 were issued by employers with wrong tax year printed.
6. Forms W-2 did not have state identification numbers.
7. Returns were not signed; or signature(s) were not original.
8. School district code information was missing.
9. Errors were made in completing Line 8, State and Local Income Taxes.
10. Taxpayers claimed the incorrect amount of estimated tax.
11. Taxpayers did not provide a description of adjustments increasing or decreasing AGI on Schedule I.
12. Amounts were not calculated to four decimal places on Schedules II or III.

13. A complete copy of the other state's return was not attached in order to claim a Schedule II credit.
14. Adjustments were not explained on Schedule III, or the "Income derived from Nebraska sources" line on Schedule III was not completed.
15. Federal Form 4868 was not attached when filing Form 1040N under extension.
16. Form 1310N or a personal representative certificate was not attached to a deceased taxpayer's return.

K. COMMON ERRORS NOTED ON AMENDED RETURNS

1. An explanation of changes was not included.
2. The wrong year's amended return was used.
3. Forms to use:
 - Form 1040XN-2009 for tax year 2009
 - Form 1040XN-2008 for tax year 2008
 - Form 1040XN-2007 for tax year 2007
 - Form 1040XN-2006 for tax year 2006
 - Form 1040XN-2005 for tax year 2005
 - Form 1040XN-2004 for tax year 2004
 - Form 1040XN-2003 for tax year 2003
 - Form 1040XN-2002 for tax year 2002
 - Form 1040XN-2001 for tax year 2001
 - Form 1040XN-5 for tax years 1998, 1999, and 2000
 - Form 1040XN-4 for tax years 1993-1997
 - Form 1040XN-3 for tax years 1991 and 1992
 - Form 1040XN-2 for tax years 1988, 1989, and 1990
 - Form 1040XN-1 for tax year 1987 only
 - Form 1040XN for tax years before 1987
4. All Federal or state backup documentation was not attached.
5. Form NOL Worksheet was not completed, was incorrect, or was not attached.
6. Schedule II was not recomputed because of S Corporation income adjustment from Schedule I.
7. Federal Form 6251 not recomputed for Nebraska purposes.
8. Special Capital Gains, Form 4797N.
 - a. Members of the Board of Directors who are NOT employees of the company tried to take this adjustment.
 - b. The Federal Schedule D or Form 6252 was not attached.

IV. REVENUE RULINGS — These reference all new revenue rulings.

The following revenue rulings have been issued or are currently in draft stage:

- A. [Revenue Ruling 01-09-2: Net Metering of Electricity](#) (10/29/2009)
- B. [Revenue Ruling 01-09-1: Industrial Machinery and Equipment; Reciprocal Exemption with the State of Iowa](#) (9/1/2009)
- C. [Revenue Ruling 99-09-1: All Nebraska Taxes – Contesting a Notice of Deficiency Determination](#) (1/7/2009)
- D. [Revenue Ruling 99-09-2: All Nebraska Taxes – Internal Revenue Service \(IRS\) Disaster Relief Designation](#) (4/15/2009)
- E. [Revenue Ruling 99-09-4: Individual, Fiduciary, and Corporate Income Tax – Nebraska Follows Federal Net Operating Loss \(NOL\) Carryback Periods for Individual or Fiduciary, but Not for Corporate Taxpayers](#) (7/14/2009)
- F. [Revenue Ruling 99-09-3: All Nebraska Taxes – Adjustments to Municipal Equalization Fund State Aid Calculations](#) (6/30/2009)
- G. DRAFT - Revenue Ruling 22-09-1 Individual Income Tax – Computation of 2009 Alternative Minimum Tax to Determine Nebraska Minimum Tax for the 2009 Return
- H. DRAFT - Revenue Ruling 22-09-2 Individual Income Tax – Computation of 2009 Credit for Prior Year Minimum Tax to Determine Nebraska Minimum Tax Credit for 2009
- I. DRAFT - Revenue Ruling 23-09-1 Fiduciary Income Tax – Computation of 2009 Alternative Minimum Tax to Determine Nebraska Minimum Tax for the 2009 Return
- J. DRAFT - Revenue Ruling 23-09-2 Fiduciary Income Tax – Computation of 2009 Credit for Prior Year Minimum Tax to Determine Nebraska Minimum Tax Credit for 2009

X. INFORMATION GUIDES — These are regularly updated at www.revenue.ne.gov.

- A. [Construction Contractor Fact Sheet](#) (9/2009) - use legal-size paper when printing.
- B. [Nebraska Consumer's Use Tax](#) (3/2009)
- C. [Nebraska Homestead Exemption](#) (1/2009)
- D. [Nebraska Income Tax Military Servicemembers and Civilians Working with U.S. Forces in Combat Zones](#) (1/2009)
- E. [Nebraska Litter Fee](#) (5/2009)
- F. Nebraska Sales and Use Tax Guides:
 - 1. [Auction Sales](#) (8/2009)
 - 2. [Dentists, Orthodontists, and Oral Surgeons](#) (7/2009)
 - 3. [Golf Courses](#) (6/2009)
 - 4. [Landscapers](#) (6/2009)
 - 5. [Photographers and Photofinishers](#) (9/2009)
 - 6. [Veterinarians](#) (8/2009)
- G. [Statutory Responsibilities for Collecting, Reporting, and Remitting Nebraska Taxes](#) (4/2009)