

Do not complete columns (E), (F), and (G) when either of the following applies:

1. A loss is reported on line 5, [Form 1120-SN](#); or
2. The box at the top of the [Nebraska Schedule II](#) is checked indicating that the S corporation only received portfolio income.

Generally, portfolio income includes all gross income (other than income derived in the ordinary course of a trade or business) that is attributable to interest, dividends, or royalties.

For additional items considered to be portfolio income, see the instructions for Federal Form 1120S.

Column (E). Place a check mark in this column if a properly completed and signed Form 12N is attached. Do not complete columns (F) and (G) if this box is checked.

Column (F). Enter the nonresident individual shareholder's share of Nebraska income reported by the S corporation. This amount is determined by multiplying the line 5, Form 1120-SN amount, by the column (C), Nebraska Schedule II percentage. Enter the column (F) total on line 6, Form 1120-SN.

Column (G). Multiply the amount in column (F) by .0684 and enter the result in column (G). This is the amount of Nebraska income tax to be withheld for each nonresident individual shareholder who did not complete a Form 12N. Report the amount of income tax withheld from each nonresident individual shareholder on a [Shareholder's Share of Nebraska Income, Deductions, Modifications, and Credits - Nebraska Schedule K-1N](#). Enter the total of column (G) on line 7, Form 1120-SN. Do not enter a negative amount in column (G).

Nebraska Schedule III Instructions

Subsidiary or Affiliated Corporations

Purpose. The [Nebraska Schedule III](#) is used to identify the members of a unitary group and summarize the Nebraska sales or receipts for those members of the unitary group that have nexus in this state.

This schedule must be completed if the S corporation is a member of a unitary group and should include any Qualified Subchapter S Subsidiary (QSSS) and all C corporations which are part of the unitary group.

The total Amount of Nebraska Sales or Receipts reported on this schedule must agree with the Total Sales or Gross Receipts from line 14 of the Nebraska column of Nebraska Schedule I.

NOTE: For Nebraska income tax purposes, including the determination of nexus, the parent S corporation and all QSSSs will be treated as one entity.

Nebraska Schedule K-1N Instructions

Shareholder's Share of Income, Deductions, Modifications, and Credits

Purpose. The Nebraska [Schedule K-1N](#) is used by the S corporation to report each shareholder's share of the entity's Nebraska income, deductions, modifications, and credits. The Nebraska Schedule K-1N is also used by each shareholder to complete their Nebraska tax return.

The S corporation must provide a Nebraska Schedule K-1N to each shareholder. A copy of every Nebraska Schedule K-1N must be submitted with the [Form 1120-SN](#).

Enter the shareholder's share of the distributed Form 3800N credits. When S corporations issue Nebraska Schedules K-1N to shareholders, they must also: complete distribution schedules such as Forms 775N and 312N; and report the distributed credit amount to the shareholders on line 18 of the Schedule K-1N.

S Corporation and Shareholder Information

Nebraska ID Number. Enter the Nebraska ID number assigned to the S corporation by the Department. If the S corporation has not been assigned a Nebraska ID number, it must apply for one using a [Nebraska Tax Application, Form 20](#).

Federal ID Number. Enter the Federal ID numbers assigned by the IRS to both the S corporation and the shareholder. If the shareholder is an individual, enter the individual's Social Security number.

Taxable Year of Organization. S corporations filing on a fiscal-year basis or filing a short period return must enter the date the tax year began and the date the tax year ended. Calendar-year filers may leave this blank.

S Corporation's Nebraska Apportionment Factor. Enter the S corporation's Nebraska apportionment factor from line 15 of [Schedule I, Form 1120-SN](#).

Shareholder's Ownership Percentage. Enter the shareholder's percentage of stock ownership for the tax year from the Federal Schedule K-1. Convert the decimal shown on the Schedule II to a percentage before entering on the K-1N.

Part A – Shareholder's Share of Income and Deductions

Complete Part A to report the shareholder's share of the S corporation's income (loss) and deductions from Nebraska sources.

Lines 1-13

For S corporations that are only subject to income tax in Nebraska, the amounts entered on lines 1-13 will come directly from the shareholder's Federal Schedule K-1.

For S corporations that are subject to income tax in another state, the amounts entered on lines 1-13 will be the result of the Federal Schedule K-1 amounts multiplied by the S corporation's Nebraska apportionment factor.

Part B – Shareholder's Share of Modifications

Complete Part B to report the shareholder's share of the income distributed by the S corporation that modifies the federal adjusted gross income or federal taxable income of the shareholder. For S corporations that are only subject to income tax in Nebraska, the amounts entered on lines 14 and 15 will be the same as the amounts reported to the IRS.

For S corporations that are subject to income tax in another state, the amounts entered on lines 14 and 15 will be the result of the federal amounts multiplied by the S corporation's Nebraska apportionment factor.

Line 14

Qualified U.S. Government Interest Deduction. Enter the shareholder's share of all interest and dividend income from U.S. government obligations exempt from state taxation. The [Taxability of Interest and Dividend Income From State, Local, and U.S. Government Obligations Information Guide](#) lists U.S. interest and dividend income that can be included on line 14, Nebraska Schedule K-1N. Interest income from repurchase agreements involving U.S. government obligations **is not** exempt U.S. government interest. Gains or losses from the sale or other disposition of federal securities are taxable for state income tax purposes and should not be included on line 14.

Line 15 **State and Local Government Interest and Dividend Income.** Enter the shareholder’s share of all state and local bond interest or dividends that are exempt from federal income tax and not issued by Nebraska state and local government subdivisions.

Line 16 **Income (Loss) from Non-Nebraska Sources.** The shareholder’s share of the non-Nebraska income or (loss) is equal to the shareholder’s share of line 4, [Form 1120-SN](#) minus the shareholder’s share of line 5, Form 1120-SN.

Part C – Shareholder’s Share of Credits

Complete Part C to report the credits that were earned by the S corporation and distributed to the shareholders.

LINE 17 **Community Development Assistance Act (CDAA) Credit.** Enter the shareholder’s share of the distributed CDAA credit reported on the Nebraska Community Development Assistance Act Credit Computation, [Form CDN](#), Part C.

Line 18 **Form 3800N Credit.** Enter the shareholders share of the distributed [Form 3800N](#) credits. When S corporations issue Nebraska Schedule K-1N to shareholders, they must also: complete distribution schedules such as Forms [775N](#) and [312N](#); and report the distributed credit amount to the shareholders on line 18 of the Schedule K-1N. An amount entered for the Nebraska Historic Tax Credit on line 18f does not entitle the shareholder to claim the credit. Rather, the shareholder must be issued a NHTC certificate by the Department before any credit will be allowed. For additional information, see our [website](#).

Line 19 **Contractor Income Tax Withholding.** An S corporation that was subjected to the mandatory 5% contractor income tax withholding must distribute the amount withheld to its shareholders. The amount entered on line 19 is the total amount of Nebraska withholding reported on the Form 1099-MISC issued to the S corporation, multiplied by the shareholder’s ownership percentage. For additional information, see “Income Tax Withholding on Contractors” found on [page 5](#) of the Form 1120-SN instructions.

Line 20 **Nebraska Income Tax Withheld.** Enter the amount from column (G), [Schedule II, Form 1120-SN](#), that reflects the income tax withheld and remitted by the entity on behalf of the shareholder. For an amended Schedule K-1N, enter the larger of the amount calculated on either the original or the amended column (G), Schedule II, Form 1120-SN.
