



Individual Income Tax - Tax Treatment of Lump Sum Railroad Distributions as Incentives for Early Retirement. INDIVIDUALS WHO RECEIVE LUMP SUM RAILROAD PAYMENTS AS INCENTIVES FOR EARLY RETIREMENT MUST INCLUDE THESE DISTRIBUTIONS AS INCOME FOR NEBRASKA INDIVIDUAL INCOME TAX PURPOSES.

Advice has been requested whether lump sum railroad distributions made as incentives for early retirement are taxable as income for Nebraska purposes in the year of payment.

Payments received under a lump sum railroad distribution as an incentive for early retirement must be included in federal gross income for Nebraska tax purposes for the following reasons:

Pursuant to Internal Revenue Service policy determination regarding lump sum railroad distributions in issue, such lump sum distributions are considered "severance or termination pay" and are subject to taxation as compensation included within federal gross income amounts. Since the starting point for computing Nebraska individual taxable income is the federal adjusted gross income, the lump sum distributions in issue are to be used for Nebraska purposes. Further, these payments are not considered distributions as part of the Railroad Retirement Act. Accordingly, they cannot be claimed as a Nebraska adjustment.

Since the lump sum railroad distributions are compensation for federal income determinations, these amounts are reflected in Nebraska individual income tax calculations.

APPROVED:

A handwritten signature in cursive script that reads 'John M. Boehm'.

John M. Boehm
State Tax Commissioner

September 19th, 1988