

Net Operating Loss Carryback or Carryforward

(Enter year to which loss is being carried)

Name(s) as shown on Form 40, 40NR, or 40X

Your Social Security Number

PURPOSE OF SCHEDULE. Form NOL-85A is designed to apply a net operating loss to the tax year to which the loss is being carried. Before Form NOL-85A can be completed, you **must** first complete Form NOL-85 to determine the amount of net operating loss that may be carried back or forward. See instructions on the reverse side for further information.

- 1(a) Enter the tax year during which the net operating loss was incurred. Beginning _____, _____ Ending _____, _____
- (b) Did you elect on Form NOL-85 to forfeit the election to carry this loss back? Yes No
- (c) Did you timely file the subsequent year's return and claim the net operating loss thereon? Yes No

PART I – Computation

2	Enter the net operating loss as shown on line 7, Part II, Form NOL-85, or as shown on line 7, Form NOL-85A. (See instructions) ▶	2		
3	Enter the taxable income as shown on Form 40, Form 40NR, or Form 40X for the tax year to which the loss is being carried	3		
MODIFICATIONS				
4(a)	Personal Exemption. Enter the amount of personal exemption claimed on the return to which the loss is being carried	4a		
4(b)	Dependent Exemption. Enter the amount of dependent exemption claimed on the return to which the loss is being carried	4b		
5	TOTAL MODIFICATIONS. Add lines 4(a) and 4(b)	5		
6	MODIFIED TAXABLE INCOME. Add lines 3 and 5	6		
7	UNUSED NET OPERATING LOSS. If line 2 exceeds line 6, subtract line 6 from line 2. Enter difference here and enter zero (0) on the tax due line of Form 40 or Form 40NR. DO NOT complete Part II below. The amount on line 7 may be carried forward to the next applicable year (Form NOL-85A, line 2). If line 6 exceeds line 2, enter zero here and complete Part II below. ▶	7		

If the Net Operating Loss Deduction on line 2 above is:

- a. **Less** than the taxable income reported on line 3 above, complete lines 8 through 14 below.
- b. **Equal to or greater** than the taxable income reported on line 3 above, check here and **SKIP** lines 8 through 13, and enter zero on line 14.

PART II – Application

8	Enter the Adjusted Gross Income as shown on the return (or prior adjustment or prior NOL-85A) for the year to which the loss is being carried	8		
9	Net Operating Loss to be Applied. Enter the amount from line 2, Part I above	9		
10	MODIFIED ADJUSTED GROSS INCOME. Subtract line 9 from line 8 and enter the result here. (If you filed Form 40NR, complete Part III before completing lines 11 through 14.) ▶	10		
DEDUCTIONS				
11(a)	Standard Deduction. If you claimed the Standard Deduction on the return to which the loss is being carried, recompute the Standard Deduction based on the Modified Adjusted Gross Income shown on line 10	11a		
11(b)	Itemized Deductions. If you claimed Itemized Deductions on the return to which the loss is being carried, recompute the itemized deductions based on the Modified Adjusted Gross Income shown on line 10	11b		
11(c)	Federal Income Tax. Enter the federal income tax as last determined and claimed as a deduction on the return to which the loss is being carried	11c		
11(d)	Personal Exemption. Enter the personal exemption as last determined and claimed on the return to which the loss is being carried	11d		
11(e)	Dependent Exemption. Enter the dependent exemption as last determined and claimed on the return to which the loss is being carried	11e		
12	TOTAL DEDUCTIONS. Add lines 11a through 11e	12		
13	TAXABLE INCOME AS ADJUSTED. Subtract line 12 from line 10 and enter result here ▶	13		
14	TAX DUE AFTER APPLICATION OF NET OPERATING LOSS. Compute the tax due using the tax tables for the year to which the loss is being carried. Enter the result here and also on the TAX DUE line of Form 40X, Form 40, or Form 40NR ▶	14		

PART III – Modified Adjusted Gross Income Percentage (This section to be completed by nonresidents only)

15	Adjusted Gross Income From All Sources. Enter the adjusted gross income from all sources as shown on the return to which the loss is being applied	15	
16	Net Operating Loss to be Applied. Enter the amount shown on line 9, Part II	16	
17	Modified Adjusted Gross Income From All Sources. Subtract line 16 from line 15 ▶	17	
18	Modified Adjusted Gross Income From Alabama Sources. Enter the amount from line 10, Part II	18	
19	Percentage of Alabama Adjusted Gross Income to Total Adjusted Gross Income From All Sources After Modifications. Divide the amount on line 18 by the amount on line 17 and enter percentage here (but not over 100%) . . . ▶	19	

The percentage on line 19 should be used to recompute the Standard Deduction or Itemized Deductions, Federal Income Tax Deduction, Personal Exemption, and Dependent Exemption on lines 11a through 11e, Part II. **NOTE:** If you are married and filed separate Alabama returns and a joint Federal return, **DO NOT** use the percentage on line 19 to recompute the federal income tax deduction. See Special Instructions for Nonresidents.

Instructions For Completing Form NOL-85A

General Instructions

If you incurred a net operating loss for a taxable year beginning after December 31, 1984, **Form NOL-85A** should be used to carry the loss back or forward.

For loss years beginning before January 1, 1998, a net operating loss may be carried back and deducted from taxable income of the three years preceding the loss. Any unused portion of the loss may then be brought forward for 15 years or until used up, whichever comes first. For loss years beginning after December 31, 1997, a net operating loss may be carried back and deducted from taxable income of the two years preceding the loss. Any unused portion of the loss may then be brought forward for 15 years. The loss must be carried back before bringing forward, unless an election is made to forfeit the carryback provision or the loss is claimed on the subsequent year's timely filed return.

Before Form NOL-85A can be completed, you must first complete Form NOL-85 to determine the actual amount of the net operating loss that may be carried back or brought forward.

If a net operating loss is not used up the first year to which it is applied, you must complete another Form NOL-85A to carry the unused portion to the next available year.

Special Instructions

Most lines on Form NOL-85A are self-explanatory. The following information is provided for those lines needing further explanation.

In the top right corner, enter the tax year to which the loss is being carried.

Line 2. If this is the first year to which the net operating loss is being applied, enter the amount shown on Form NOL-85, Part II, line 7. If the entire loss was not used up the first year to which the loss was applied, then the amount shown on line 7 of the previous Form NOL-85A should be entered on line 2.

Line 3. The taxable income as shown on the return to which the loss is carried should be entered on this line. Example: If the loss is carried to a 2000 Form 40, the taxable income is on line 18.

Lines 4a and 4b. Enter the personal exemption and dependent exemption claimed on the return to which the loss is carried. If you did not receive a tax benefit for the full amount of these exemptions, enter only the amount for which you received a tax benefit.

Line 7. Complete line 7 to determine if you have any unused net operating loss to carry to another tax year.

If the amount on line 7 is more than zero, this represents the unused net operating loss that can be carried over to another tax year. This amount should be entered on line 2 of Form NOL-85A for the tax year to which it is being carried.

BEFORE COMPLETING LINES 8 THROUGH 14 — Compare the amounts on lines 2 and 3. If the amount on line 2 is **less** than the amount on

line 3, you must complete lines 8 through 14 to determine the tax due after applying the net operating loss.

If the amount on line 2 is **equal to or greater** than the amount on line 3, **skip** lines 8 through 13 and enter zero on line 14.

Line 8. The Adjusted Gross Income as shown on the return to which the loss is being carried should be entered on line 8. If this return has been amended or adjusted, enter the adjusted gross income as last amended or last adjusted. If a net operating loss from another year has previously been applied to this year, then the amount on line 10 of Form NOL-85A should be entered on this line.

NOTE: If more than one Net Operating Loss is applied to the same tax year, the earliest loss incurred must be applied first. A separate NOL-85A must be completed for each loss.

For further information on applying more than one net operating loss to the same tax year, please refer to Regulation 810-3-15-27 (Section 40-18-15.2, **Code of Alabama 1975**). A copy of this regulation is available upon request.

Special Instructions for Nonresidents

Nonresidents must complete Part III before completing Part II, lines 11a through 11e. This is necessary in order to arrive at a new percentage to determine the Standard or Itemized Deductions, Federal Income Tax Deduction, Personal Exemption and Dependent Exemption allowable as a deduction after applying the net operating loss.

If you are married and filed separate Alabama returns and a joint Federal return, you must make a separate computation to determine the Federal Income Tax Deduction. Use the following worksheet to determine this percentage:

- Your Modified Adjusted Gross Income From All Sources as shown on line 17, Part III Form NOL-85A \$ _____
- Your spouse's Federal Adjusted Gross Income _____
- Add the amounts on lines 1 and 2 \$ _____
- Divide the amount on line 1 by the amount on line 3 _____ %

Multiply the Federal Income Tax Liability by the percentage on line 4 and enter the result on line 11c.

A COPY OF FORM NOL-85A MUST BE ATTACHED TO FORM 40X, FORM 40, OR FORM 40NR.

BE SURE TO KEEP A COPY FOR YOUR RECORDS FOR FURTHER REFERENCE.