

Instructions For Preparation of Alabama Form NOL-F85A

Application of Net Operating Loss Carryback or Carryforward – Fiduciary Return Form 41

This form is used to determine the amount of a net operating loss (carried to the tax year from another tax year) that can be claimed as a net operating loss deduction during the tax year.

Additional guidance concerning the computation of the NOL, the carrying back of the NOL, and the carrying forward of the NOL, can be obtained from Alabama Income Tax Rule Number 810-3-15.2-.01. Visit the Alabama Department of Revenue's website (www.revenue.alabama.gov) to obtain copies of Alabama income tax forms, schedules, and form preparation instructions.

Carryback and Carryforward of an Alabama NOL. For loss years beginning after December 31, 1997, an NOL may be carried back and deducted from taxable income in each of the preceding two years or until exhausted.

NOL Carrybacks. When an NOL is carried back to a prior year, taxable income will be recomputed in such prior year. If the NOL being carried back is equal to or greater than taxable income as previously reported or last adjusted (including any deductions for NOLs carried over or carried back to such year from any loss year prior to the current loss year), taxable income will be reduced to zero. If the NOL being carried back is less than taxable income as previously reported or last adjusted (including any deductions for NOLs carried over or carried back to such year from any loss year prior to the current loss year), taxable income for the carryback year is reduced by the amount of the NOL.

Application of an NOL Carryforward. An NOL may be carried forward 15 tax years subsequent to the loss year in order of time or until exhausted, whichever occurs first.

Computation of Taxable Income in a Carryforward Year. If the NOL being carried forward is equal to or greater than taxable income, taxable income will be reduced to zero. Taxable income is computed without considering the current NOL carryover to be applied, but will reflect any prior carryovers which have been applied. See Computation of Any Remaining NOL Carryover After Application of an NOL below for the computation of any remaining NOL for carryover to a subsequent year.

If the NOL being carried forward is less than taxable income (computed without considering the NOL deduction to be applied); taxable income will be reduced (but not below zero) by the amount of the NOL carried forward.

Computation of Any Remaining NOL Carryover After Application of an NOL. In order to determine the amount of an NOL available for carryover, an adjustment must be made to the taxable income for the year in which the deduction was taken. The amount by which the NOL will be reduced is called "modified taxable income." The modification required by law provides that no

deduction is allowed for the personal exemption provided in §40-18-19. If a prior NOL carryback or carryover was fully absorbed in the year, and a subsequent NOL is carried to the year and cannot be fully absorbed, the modification required above would be computed after taxable income has been recomputed for the year. If the subsequent NOL can be fully absorbed, after taxable income has been recomputed for the prior NOL, taxable income for the year must be recomputed, with taxable income reduced again for the subsequent NOL.

Form Preparation

Enter the tax year information. Enter the name of the estate or trust and the federal employer identification number of the estate or trust.

If this application is used for Schedule ESBT, please check the box ESBT NOL. Use column ESBT from Schedule ESBT.

Part I – Computation of Unused Net Operating Loss

Line 2. Enter the NOL as shown on line 17 of the Alabama Form NOL-F85 for the tax year the loss was incurred. If the NOL has previously been carried to a tax year, enter the amount from line 4 of the Alabama Form NOL-F85A filed for the tax year to which the NOL was carried.

Line 3. Enter the Alabama Taxable Income from page 1, line 5, or line 6 of the Alabama Form 41 for the tax year to which the net operating loss is being carried. NOL-F85A will not apply if line 3 is a negative or zero value.

Line 4. If the amount entered on line 2 exceeds the amount entered on line 3, enter on line 4 the amount that line 2 exceeds line 3. Otherwise, enter zero.

Part II – Application to Carryback of Carryforward Year

Line 5. Enter the amount from Alabama Form 41, page 1, line 5 or line 6. For 2017 Schedule ESBT NOL, use Schedule ESBT, line 20.

Line 6. Enter the NOL to be applied to the carryback or carryforward tax year. If the amount on line 4 is zero, enter the amount entered on line 2. Otherwise enter the amount that line 2 exceeds the amount on line 4.

Line 7. Enter the Alabama Taxable Income after application of NOL which equals the amount that line 5 exceeds the amount entered on line 6.

Part III – Computation of Tax

Complete lines 8 through 11 below to determine the correct tax due after application of the NOL. ESBT: complete lines 10 and 11 only.

The amount from line 11 must be carried forward to Alabama Form 41, page 1, line 5a or line 6a. For 2017 Schedule ESBT NOL use Schedule ESBT, line 21.