**2014 Schedule NOL – Net Operating Loss Carryforward**

A corporation taxable under M.G.L. Ch. 63, sec. 39 or an S corporation taxable under M.G.L. Ch. 63, sec. 32D may carry forward and deduct an NOL. The number of years for which such a loss may be carried forward is 5 taxable years (for losses incurred in taxable years beginning prior to January 1, 2010) or for 20 taxable years (for losses incurred in taxable years beginning on or after January 1, 2010). NOLs cannot be carried back, and capital losses cannot be carried forward or back.

A corporation claiming a net operating loss files Schedule NOL with its return to report the amounts available and deducted. A corporation's oldest NOL carry forwards (as determined by the tax year to which such carry forwards relate) must be used first. In addition to the ordering rules, a taxpayer that is subject to a limitation under IRC sec. 382 must separately determine and apply its Massachusetts sec. 382 limitation under 830 CMR 63.30.2(11)(b). Further, a separate limitation applies where the member has losses from years prior to its filing a combined report (see 830 CMR 63.32B.2 (8) (f)). 2

A corporation claiming a NOL carryover from prior taxable years files this schedule even if no deduction is taken in the current year. A corporation that has no Massachusetts NOL carryover from any prior year does not file this schedule.

**Header Information:**

Enter the name of the corporation and its Federal Taxpayer Identification number. If the corporation has undergone an ownership change as described in Internal Revenue Code (IRC) sec. 382(g) enter the date of the most recent change on the schedule; if there has been no such change, enter the corporation's date of incorporation or organization.

Line 1. Enter Corporation's total net income or (loss) allocated or apportioned to Massachusetts for the current year. This will be the amount on Form 355 or Form 355S Schedule E, line 25 or Form 355U, Schedule U-ST, line 24.

Line 2. Indicate if the amount of any NOL carryover as reported in Line 3 for any prior taxable year differs from the ending amount shown as remaining available for carryover by the corporation on the prior year return. Briefly explain the reasons for the change, and the date of any amended filings. Note that, in the case of a merger of two or more corporations, any NOL of a corporation absorbed in the merger is lost (see 830 CMR 63.30.2(11).)

Line 3. Beginning with the oldest tax year for which a NOL is carried forward to the current year, enter the period end date and the amount of the NOL available, the NOL used (deducted) in the current year and the amount remaining at the end of the current year.

- The period end date should be the period end date as shown on the return for the taxable year in which the loss was incurred. Taxpayers should enter each subsequent prior year in order.
- The post apportionment NOL available reported should be the amount as reduced by deductions claimed in prior taxable years. If the corporation did not have a loss in the taxable year referenced, or if it has previously deducted all of the available loss, enter zero.
    - Corporations that filed Form 355U, Schedule U-ST in the most recent prior year should refer to the amount from 2013 Schedule U-ST, line 24 (if a loss) or to 2013 Schedule U-NOL line 18, 26, 34 or 42.
    - Corporations that filed Form 355 or Form 355S in the most recent year should refer to the amount from 2013 Schedule E, line 23 (if a loss) or to 2013 Schedule NOL, line 8, less any of those losses deducted in that immediate prior year.
    - Corporations that did not file a Massachusetts return in 2012 see special instructions below for calculating the amount of an NOL available from a prior year in which a Massachusetts return was filed.

- The amount deducted is the amount of each NOL actually deducted in the current year. Taxpayers filing a combined report (Form 355U) may be eligible to share certain 2009 and later NOLs with other members of the combined group (see 830 CMR 63.32B.2 (8)). A corporation filing as part of a combined group in a combined report that is allowing other members of that group to use any portion of its available NOL should add the amount shared with affiliates to the amount they are deducting from their own income and enter the total here.
- The Remaining NOL for each year is the amount available less the amount used or shared. Except where a limitation applies, all of the oldest taxable year's NOL will be used before any of a subsequent NOL is deducted.

Line 4. Enter the total of the post apportionment NOL available. This will be the total of the carryover amounts shown in line 3 plus any current year loss amount to be carried over if included in line 1. Taxpayers claiming deductions under MGL c. 63 s. 38H (schedule E, line 24) must adjust line 1 amount by adding back any portion of the loss attributable to that deduction.

Line 5. Enter the total of the line 3 "NOL used or shared" amounts as shown above. For corporations filing Form 355 or Form 355S or corporations filing Form 355U, Schedule U-ST but not actually sharing any of their NOL carryover, this will not be more than the amount on line 1.

Line 6. Subtract the amount on line 5 from the amount on line 4. This should equal the total of the Remaining NOL amounts as shown above plus any current year net operating loss from line 1.

Line 7. A net operating loss for a taxable year beginning before January 1, 2010 may be carried forward for up to 5 taxable years. Losses incurred in later years may be carried forward for 20 taxable years. A short taxable year is treated as a full taxable year for this purpose. If the oldest loss shown above is expiring at the end of the current year, enter the amount of the expiring loss here.

Line 8. Subtract line 7 from line 6. This may not be less than zero. Corporations filing from 355 or 355S enter this amount on Schedule E, line 28.

Line 9. A corporation that is filing Form U-ST must enter the portion of the NOL deducted from its own income. This may not be more than the amount shown on line 5. Corporations which are not filing as members of a Massachusetts combined group do not complete this item.

## Pre-apportionment losses – corporations that did not file in Massachusetts for 2012

In prior years (before 2009 for corporations which filed a combined report in that year, before 2010 for all other business corporations and eligible S corps), eligible corporations generally carried forward and deducted losses on a pre-apportionment basis. To the extent a taxpayer has a NOL being carried forward from such a year that was used in part on a pre-apportionment basis, taxpayers must

> (1) Calculate the amount of NOL available to be carried forward from the year in which the loss was incurred, adjusting for losses use by other members filing a pre-2009 combined return as provided in 830 CMR 63.32B.1(10).
>
> (2) Subtract the amount of such loss that was deducted in a pre-apportionment year. If the corporation had income in a pre-apportionment year but did not file a Massachusetts return because it did not have nexus, this step still applies (see 830 CMR 63.30.2(7) (g) 3).
>
> (3) Convert any unused amount to a post-apportionment figure. If the corporation's Massachusetts apportionment percentage in the year the loss was incurred was zero, the post apportionment loss available will be zero.
>
> (4) Subtract amounts deducted in subsequent prior years on a post apportionment basis.

The steps in this calculation are as shown on the 2012 Schedule E-2 which is available on our website (www.mass.gov/dor/forms/corporate-excise/). Where a taxpayer did not file a Massachusetts return for the immediate prior year but claims a loss from an earlier prior year, this procedure must be followed to determine the amount of carryover available for use in the current year. Taxable years for which the taxpayer did not file a Massachusetts return are counted in determining when the NOL expires.

## Loss sharing – taxpayers filing a combined report only

A corporation which filed a combined report in 2009 or a subsequent year may have carried forward a NOL from its apportioned share of the loss of generated by the combined group. In general, the amount of the loss that potentially can be shared will be calculated in a manner similar to the calculations shown on Schedule U-NOLS lines 3-7 for years after 2009. For corporations in combined groups that file a single Schedule U-E with no income other than that shown on Schedule U-MSI, this NOL will be the amount shown on Schedule U-ST as "Member's total income or loss allocated or apportioned to Massachusetts for the tax year (Schedule U-ST line 24).

Losses may only be shared with group members that were also group members in the year in which the loss was incurred and any deductions must be consistent with the requirements and limitations as referenced in 830 CMR 63.32B.2(8). NOLs that are not derived from a prior year combined report or which derive from losses incurred in connection with a corporation's "separate" business activities, i.e., business activities that are not accounted for as part of a combined group's taxable income and reported on a prior year Schedule U-MTI, may never be shared.

## Precombination losses – taxpayers filing a combined report only

A corporation filing a combined report and deducting a loss incurred in a year in which a combined report was not filed is subject to the limitation calculated under 830 CMR 63.32B.2(8)(f). The limitation is based on the amount of income that would be apportioned to the taxpayer in the current year using the apportionment numerators applicable in the year in which the loss was incurred (with adjustments for states no longer eligible for throwback and, optionally, for growth). If the taxpayer has losses from 2 or more pre-combination years, the prior year numerators are averaged. This limitation does not apply to losses incurred in a combined reporting year. See DD 10-5 for additional information.

Example:

Corporation X files Form 355 for calendar year 2013 and has apportioned taxable net income of $12,000 on Schedule E, line 25. Corporation X had net operating losses in the taxable years ending 03/31/2009 and 03/31/2010, changed to a December year end for subsequent periods and also incurred a NOL in 2012. The corporation used part of its available losses as deductions against its apportioned net income in 2010 and 2011 and the amounts of those losses remaining available are $15,000 for the year ending March 2009, $3,000 for the year ending March 2010 and $7,000 for the year ending December 2012. A loss limitation of $10,000 applies for the loss incurred in March of 2009.

| Line 3. | | | | |
|---|---|---|---|---|
| | Period end date | Post apportionment NOL available | NOL used or shared | Remaining NOL |
| | 03/31/2009 | 15,000 | 10,000 | 5,000 |
| | 03/31/2010 | 3,000 | 2,000 | 1,000 |
| | 12/31/2010 | 0 | 0 | 0 |
| | 12/31/2011 | 0 | 0 | 0 |
| | 12/31/2012 | 7,000 | 0 | 7,000 |
| 4. Total NOL available | | | | 25,000 |
| 5. Total NOL used or shared this year | | | | 12,000 |
| 6. Total NOL not used | | | | 13,000 |
| 7. Total NOL expired (if applicable) | | | | 5,000 |
| 8. Total NOL available for carryover to future years | | | | 8,000 |

Corporation X deducts $10,000 of the loss incurred in the 1st year (the amount of the limitation). The limitation does not apply to subsequent NOLs and X is able to deduct $2,000 of the March 2010 loss to reduce its taxable income this year to zero. The remainder of the loss carried forward from 03/31/2009 expires at the end of the year (this is the 5th year). After completing Schedule NOL, X enters $12,000 on Schedule E, line 26, $0 on line 27 (taxable income) and $8,000 on line 28.

Going forward, the amounts in the right hand column of the table in line 3 will, unless the loss expires, carry over to the next taxable year regardless of whether the taxpayer continues to file Form 355 or becomes a member included in a combined report (Form 355U, Schedule U-ST). When the taxpayer files Schedule NOL for the following year, the 1st period listed will be the year ending 03/31/2010 and the amount of NOL available will be $1,000. This will be followed by entries for 12/31/2010, 12/31/2011 and 12/31/2012 that report NOL available of $0, $0 and $7,000 respectively (plus a new entry for 12/31/2013 that will also be $0.) Because the taxable year ending 03/31/2010 began prior to January 1, 2010, the 5 year limitation period will apply and the NOL will expire if not used in the next taxable year. The NOL incurred in 2012 will not expire until 20 taxable years have intervened.