Schedule

IT-40NOL
State Form 46004
(R11 / 9-13)

Indiana Department of Revenue

Individual Income Tax
Net Operating Loss Computation

Enclosure Sequence No. **16**

Your Name

Your Social Security Number

IMPORTANT: Indiana net operating loss deductions claimed after Dec. 31, 2011 must be carried forward.

Part 1 – Computation of Indiana Net Operating Loss **Loss Year**

1. Enter as a negative amount your federal net operating loss as calculated on the last line of the federal Form 1045, Schedule A (see instructions). Note: If the amount on the last line of Form 1045, Schedule A is positive or zero, or if you are a full-year or part-year nonresident, see instructions — 1
2. Enter certain add-backs from the loss year IT-40 or IT-40PNR (see instructions) — 2
3. Enter as a positive amount the aggregate of any NOL from this loss year previously carried back (see instructions) — 3
4. Add lines 1, 2 and 3 — 4
5. Enter certain deductions from the loss year IT-40 or IT-40PNR (see instructions) — 5
6. Subtract line 5 from line 4. This is your Indiana NOL (if the amount is zero or greater, **STOP**. You do not have an Indiana NOL). Carry this amount to the IT-40NOL Carryforward Worksheet, line 6, Column A — **Indiana NOL** — 6

Part 2 - Record of Indiana NOL Application

	(1) Enter the year to which you are carrying the loss.	(2) Indiana AGI available to be offset (from the Carryforward Worksheet, line 5)	(3) Indiana NOL available for deduction (from the Carryforward Worksheet, line 6; enter as positive amount)	(4) Enter the amount from either line 7 or line 8 of the Carryforward Worksheet.	(5) Indiana NOL deduction: Enter the amount from line 9 of the Carryforward Worksheet
1st Year:					
2nd Year:					
3rd Year:					
4th Year:					
5th Year:					
6th Year:					
7th Year:					
8th Year:					
9th Year:					
10th Year:					
11th Year:					

Attach additional sheets if necessary.

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(R4 / 9-12) **Schedule IT-40NOL Carryforward Worksheet: Enter Loss Year** ____

Complete one column before going to the next column. See instructions.	**Column A** 1st following tax year_____	**Column B** 2nd following tax year_____	**Column C** 3rd following tax year_____	**Column D** 4th following tax year_____	**Column E** 5th following tax year_____
Note: If you have previously carried a loss to this year, skip lines 1 through 4. Enter on line 5 the modified Indiana AGI from the previous year's worksheet.					
From the intervening year's IT-40/IT-40PNR:					
1. Enter the amount from IT-40/IT-40PNR line 1 (if reporting from IT-40PNR for tax year 2008 or before, skip line 2 and enter the same amount on line 3).....					
2. Enter some or all of the Indiana add-backs from the intervening year's return (see instructions).....					
3. Subtotal: Add lines 1 and 2 and enter total here.....					
4. Enter some or all of the Indiana deductions from the intervening year's return (see instructions).....					
5. Intervening year's Indiana AGI: Subtract line 4 from line 3 (if less than zero, enter zero).....					
6. NOL available for carryforward. Enter as a **positive** number ..... ▶					
Complete line 7 OR line 8					
7. If line 5 is greater than or equal to line 6, enter the difference here.....					
8. If line 6 is greater than line 5, enter the difference here and on line 6 in the next column. This is the remaining NOL available to be carried forward					
9. Enter the smaller of the amount from line 5 **or** 6. This is your Indiana NOL deduction.					

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Instructions for Schedule IT-40NOL and Carryforward Worksheet

A separate Schedule IT-40NOL must be used for each loss year.

Public Law 81-2004 amended IC 6-3-2-2.5 and IC 6-3-2-2.6. It provides for a net operating loss (NOL) deduction from Indiana adjusted gross income. All loss years ending after January 1, 2004, and any existing NOL(s) carried over to a taxable year after this date must be recomputed by applying the amended provisions of this Act. Deductions for net operating losses that were incurred in taxable years ending before January 1, 2004, and carried back or forward and deducted in taxable years ending before January 1, 2004, are calculated under the law in effect for the year the NOL was incurred.

Important: In order to carry a pre-2004 Indiana NOL to tax year 2004 and beyond, you must:

Step 1 – refigure the NOL using the new method on Form IT-40NOL revised R3/ 10-04, or after;
Step 2 – reduce the refigured NOL by any amount previously used in any pre-2004 intervening year;*
Step 3 – use any remaining NOL on line 17 of Carryforward Worksheet 2.

* The application of the NOL in the pre-2004 tax year(s) must conform with the rules that govern those years. Do not refigure the amount of deduction used in the pre-2004 tax years.

When to use an Indiana NOL

Carryback and carryforward years.
Public Law 172-2011 amendeds IC 6-3-2-2.5 and IC 6-3-2-2.6. It provides that no Indiana net operating loss carryback claim may be filed after Dec. 31, 2011.

Example. Paul has an Indiana NOL for the 2010 tax year. Paul did not file an Indiana NOL carryback claim before Jan. 1, 2012. Therefore, he will have to carry the loss forward.

Note. This rule will have no impact on carryback claims filed before Jan. 1, 2012.

Example. Ross has a $200,000 Indiana NOL for the 2010 tax year. In October of 2011 he carried this loss back to his 2008 and 2009 Indiana returns. He used $75,000 of the loss in 2008, and $100,000 of the loss in 2009. He has a $25,000 loss available to be carried to tax year 2011.

Indiana NOLs may be carried forward for up to 20 years after the NOL year (loss year).

Part 1 – Computation of Indiana NOL

Enter the loss year (this is the year in which the NOL occurred).

P.L. 81-2004, effective January 1, 2004, provides for an NOL deduction from Indiana adjusted gross income equal to the amount of a federal NOL, computed under IRC Section 172, for the taxable year, that is derived from sources from within Indiana, and adjusted for modifications under IC 6-3-1-3.5. The federal NOL for individuals, which reflects the IRC Section 172 application, is computed on federal Schedule A from Form 1045.

Note. The use of Indiana modifications may result in an Indiana net operating loss even if there is no federal NOL.

Line 1 – Full-year Indiana residents
You must complete Schedule A from federal Form 1045 before figuring your Indiana net operating loss (NOL). If the amount on the last line of Schedule A is:
- negative (a loss), enter that amount here as a negative figure;
- zero*, enter zero here; or
- positive*, enter that amount here as a positive figure.

* Due to the application of Indiana modifications, it is possible to have an Indiana NOL without first having a federal NOL as computed under IRC Section 172. If you think you have an Indiana NOL after the application of Indiana modifications, then you must first complete Schedule A of the Form 1045 to arrive at the amount to be entered on this line.

Full-year and part-year Indiana nonresidents
Apply like kind modifications (as computed under IRC Section 172) derived from Indiana sources to the amount from line 1 of Form IT-40PNR, and enter the result here. If the modified amount from line 1 of Form IT-40PNR is:
- negative (a loss), enter that amount here as a negative figure;
- zero, enter zero here; or
- positive, enter that amount here as a positive figure.

Line 2 – Certain Indiana modifications as reported on the loss year IT-40/IT-40PNR should be reflected here.

Important: Full-year and part-year Indiana nonresidents who file Form IT-40PNR for tax year 2008 or before should skip line 2 and continue to line 3.

Net the following Indiana add-backs as reported on the loss year's return.

For tax years 2003 and beyond (tax years 2009 and beyond for IT-40PNR filers), add:
- Tax add-back
- Lump sum distribution
- Section 179 expense
- Bonus depreciation

For tax years 2009 – 2011, add:
- Qualified restaurant property
- Qualified retail improvement property

For tax years 2009 and beyond, add:
- Unemployment compensation (2009
- only)
- Deferral of business indebtedness
- discharge and reacquisition
- Qualified disaster assistance property
- Qualified refinery property
- Qualified film or television production
- Qualified preferred stock

For tax years 2010 – 2011, add:
- IRA charitable distribution**
- Motorsports entertainment complex**
- Qualified advance mining safety
- equipment**
- Qualified leasehold improvement
- property**
- Qualified transportation fringe
- expenses**
- Tuition and fees**

For tax years 2010 – 2012, add:
- Educator expense
- Employer-provided educational
- expenses**
- Qualified environmental remediation
- costs**
- Start-up expenditures**
- Student loan interest**

For tax years 2010 and beyond, add:*
- Discharge of debt of a principal residence

*Do not include the following add-backs:
- Domestic production activities
- Oil and gas well depletion deduction
- Qualified electric utility amortization
- RIC dividends to nonresident aliens

**Apply the following if 2010 is the loss year. While these add-backs were first required for the 2010 tax year, individuals were given a choice to report them on either their 2010 or their 2011 Indiana tax return. Therefore, if 2010 is the loss year, include on line 2 only those add-backs, which were reported on the 2010 tax return.

For tax year 2011 and beyond, add:
- Certain trade or business deductions based on employment of unauthorized alien

For tax year 2012 and beyond, add:
- OOS municipal obligation interest

Line 3 – If any amount of loss from this loss year has been carried to a preceding year, enter as a positive amount the amount of loss used in that preceding year(s).

Example. Ross has a $200,000 Indiana NOL for the 2010 tax year. He previously carried this loss back to his 2008 and 2009 Indiana returns. He used $75,000 of the loss in 2008, and $100,000 of the loss in 2009. He must enter the $175,000 ($75,000 plus $100,000) net loss previously carried back.

Note. Do not include on this line any loss amount previously carried forward.

Example. Olivia has a $100,000 Indiana NOL for the 2009 tax year. She previously carried $10,000 of this loss back to her 2007 return, $11,000 to her 2008 return, and used $19,000 of the loss on her 2010 return. She must enter the $21,000 ($10,000 plus $11,000) net loss previously carried back.

Line 5 – Enter the net of the following Indiana deductions as claimed on the loss year's return:
- Non-Indiana locality earnings deduction
- State tax refund and/or other recovered itemized deductions
- Interest from U.S. government obligations
- Social Security and/or benefits issued by the U.S. Railroad Retirement Board
- Qualified patent income exemption
- National Guard and reserve component member's deduction
- Nonresident military spouse earned income deduction

Line 6 – Subtract line 5 from line 4. If the amount is zero or greater, **STOP.** You do not have an Indiana NOL. If the amount is a loss, enter (as a positive entry) this amount on line 6, Column A, of the Carryforward Worksheet.

Part 2 – Record of Indiana NOL Application

Column 1 – List the year(s) to which you are carrying the loss.

Column 2 – Enter the amount of Indiana AGI available to be offset from line 5 of the completed Carryforward Worksheet.

Column 3 – Enter as a positive amount the Indiana NOL available for deduction from line 6 of the completed Carryforward Worksheet.

Column 4 – Enter the amount from either line 7 or line 8 of the Carryforward Worksheet (only one of those lines will have an entry).

Column 5 – Enter the amount from line 9 of the completed Carryforward Worksheet. This is your Indiana NOL deduction. Enter on IT-40 Schedule 1 (Schedule 2 for the 2009 tax year and beyond), under line 11, or IT-40PNR Schedule B (Schedule C for the 2009 tax year and beyond), under line 11. If carrying the loss forward to a tax year which has already been filed, enter the amount on Form IT-40X, line 1, Column B.

Schedule IT-40NOL Carryforward Worksheet Instructions

A Carryforward Worksheet must be completed for each loss year.
If you are carrying your loss forward for more than five years, modify the top of the column to show to which year it is being carried.

Example. Modify Column A, '1st' following year, to read '6th' following year.

Before you begin
You must have a completed state tax return (not including the Indiana NOL deduction) for the intervening year(s) in which you are applying the loss.

Columns A – E. Enter in Column A information from the first year following the loss year. Enter in Column B information from the second year following the loss year. Complete the remaining columns accordingly.

Example. The loss year is 2009. Column A should reflect information from tax year 2010; Column B should reflect information from tax year 2011, and so on.

Intervening year. Year to which a loss is being carried.

Complete lines 1 through 5 of the Carryover Worksheet to figure the intervening year's Indiana AGI.

Line 1 – Enter the amount from line 1 of the intervening year's IT-40 or IT-40PNR.

Note. If reporting from the IT-40PNR for tax year 2008 or before, skip line 2 and enter this amount on line 3.

Line 2 – Net the following Indiana add-backs as reported on the intervening year's return.

For tax years 2003 and beyond (tax years 2009 and beyond for IT-40PNR filers), add:
- Any net operating loss included in federal AGI
- Tax add-back
- Lump sum distribution
- Section 179 expense
- Bonus depreciation

For tax years 2005 and beyond, add:
- Domestic production activities

For tax years 2009 – 2011, add:
- Qualified restaurant property
- Qualified retail improvement property

For tax years 2009 and beyond, add:
- Unemployment compensation (2009
- only)
- Deferral of business indebtedness
- discharge and reacquisition
- Qualified disaster assistance property
- Qualified refinery property
- Qualified film or television production
- Qualified preferred stock

For tax years 2010 – 2011, add:
- IRA charitable distribution**
- Motorsports entertainment complex**
- Qualified advance mining safety
- equipment**
- Qualified leasehold improvement
- property**
- Qualified transportation fringe
- expenses**
- Tuition and fees**

For tax years 2010 – 2012, add:
- Educator expense
- Employer-provided educational
- expenses**
- Qualified environmental remediation costs**
- Start-up expenditures**
- Student loan interest**

For tax years 2010 and beyond, add:*
- Discharge of debt of a principal residence

*Do not include the following add-backs:
- Domestic production activities
- Oil and gas well depletion deduction
- Qualified electric utility amortization
- RIC dividends to nonresident aliens

**Apply the following if 2010 is the loss year. While these add-backs were first required for the 2010 tax year, individuals were given a choice to report them on either their 2010 or their 2011 Indiana tax return. Therefore, if 2010 is the loss year, include on line 2 only those add-backs, which were reported on the 2010 tax return.

For tax year 2011 and beyond, add:
- Certain trade or business deductions based on employment of unauthorized
- alien

For tax year 2012 and beyond, add:
- OOS municipal obligation interest

Line 3 – Add lines 1 and 2 and enter the result here.

Line 4 – Enter the net of the following deductions as claimed on the intervening year's return:

- Non-Indiana locality earnings deduction
- Homeowner's residential property tax deduction
- State tax refund and/or other recovered itemized deductions
- Interest from U.S. government obligations
- Social Security and/or benefits issued by the U.S. Railroad Retirement Board
- Indiana partnership long-term care policy premiums deduction
- Human services deduction
- Qualified patent income exemption
- National Guard and reserve component member's deduction
- Nonresident military spouse earned income deduction
- Total exemptions claimed (after proration, if applicable)

Line 5 – Intervening year's Indiana AGI. Subtract line 4 from line 3 (if less than zero, enter zero).

Line 6 – NOL available for carryforward. Enter here the amount from Schedule IT-40NOL, Part 1, line 6 (enter as a positive amount).

- If this is the first time the NOL from Schedule IT-40NOL, line 6 is being used, then enter the full amount here.
- If you have already used the NOL from Schedule IT-40NOL, line 6, to offset income, then enter here the remaining available loss (from line 8 of the Carryforward Worksheet). See line 8 instructions.

Complete line 7 OR line 8 based on the following:

- If line 5 is greater than line 6, complete line 7.
- If line 6 is greater than line 5, complete line 8.

Line 7 – If the line 5 intervening year's Indiana AGI is greater than or equal to the line 6 NOL available for carryforward, then you will use all of the available NOL as a deduction. Subtract line 6 from line 5 and enter the difference here. Skip line 8 and complete line 9.

Line 8 – If the line 6 NOL available for carryforward is greater than the line 5 intervening year's Indiana AGI, then you will be able to offset the entire intervening year's Indiana AGI and have a reduced NOL available to carry to other years. Subtract line 5 from line 6 and enter the difference here and on line 6 in the next column.

Line 9 – Enter the smaller of the amount on line 5 or line 6. This is your Indiana NOL deduction. Enter on IT-40 Schedule 1 (Schedule 2 for the 2009 tax year and beyond), under line 11, or IT-40PNR Schedule B (Schedule C for the 2009 tax year and beyond), under line 11. If carrying the loss forward to a tax year which has already been filed, enter the amount on Form IT-40X, line 4, Column B.