Schedule
IT-40NOL
State Form 46004
R7 / 9-09

Indiana Department of Revenue
Individual Income Tax
Net Operating Loss Computation

Enclosure Sequence No. **16**

Your Name	Your Social Security Number

Part 1 - Election of Intent to Carry Net Operating Loss (NOL)

- Has a federal election to forgo the carryback period been made for the tax year entered in Part II? **Yes** ☐ **No** ☐
- If an Indiana NOL is computed and there is no attending federal NOL, check this box to relinquish the two, three or five year NOL carryback provision for Indiana income tax purposes (see instructions). ☐

Election to Waive Carryback of the Indiana Net Operating Loss Deduction

Part 2 - 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	
Enter the following modifications from your loss year IT-40 (IT-40PNR filers see instructions):		
2. The amount equal to any deduction for taxes based on or measured by income and levied at any state level ..... 2 _____		
3. Income taxed on federal Form 4972 ..... 3 _____		
4. Add-backs (see instructions) ..... 4 _____		
5. Add lines 2, 3, and 4 and enter total here ▶	5	
6. Add lines 1 and 5 and enter total here ▶	6	
Enter the following modifications from your loss year IT-40 or IT-40PNR:		
7. Non-Indiana locality earnings deduction ..... 7 _____		
8. State tax refund and/or recovered itemized deductions ..... 8 _____		
9. Interest from U.S. government obligations ..... 9 _____		
10. Social Security and/or railroad retirement benefits ..... 10 _____		
11. Qualified patent income exemption ..... 11 _____		
12. National Guard and reserve component member's deduction ..... 12 _____		
13. Add lines 7 through 12 and enter total here ▶	13	
14. Indiana Net Operating Loss available to be carried back/forward: subtract line 13 from line 6 and enter total here (if the amount is zero or greater, you do not have an Indiana NOL.) Carry this amount to the IT-40NOL Carryover Worksheet, line 19, in the appropriate column ▶	14	

Part 3 - Record of Indiana NOL Application

(1) Carried to the preceding:	(2) Indiana AGI available to be offset: from the Carryback/ Carryforward Worksheet 1 or 2, line 18	(3) Indiana NOL available for deduction: from the Carryback/ Carryforward Worksheet 1 or 2, line 19 (enter as positive amount)	(4) Enter the amount from either line 20 or line 21 of the Carryback/Carryforward Worksheet 1 or 2 (whichever line has an entry)	(5) Indiana NOL deduction: Enter the amount from line 22 of the Carryback/Carryforward Worksheet 1 or 2
5th Year: _____				
4th Year: _____				
3rd Year: _____				
2th Year: _____				
1th Year: _____				
Carried to the following:				
1st Year: _____				
2nd Year: _____				
3rd Year: _____				
*4th Year: _____				

*See additional Carryback and carryforward years in the instructions. Attach additional sheets if necessary.

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Instructions for Schedule IT-40NOL and NOL Carryback/Carryforward Worksheets 1 and 2

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.

When to File

A refund due to an NOL carryback must be claimed within three years from the original due date of the loss year's return (including extensions). An amended carryback claim, if not refunded within 90 days from the date filed, the date the tax payment was due, or the date the tax was paid, whichever is latest, accrues interest from the initial due date of the return in which the loss was incurred. NOL carryforward deductions fall within regular statutory requirements.

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.

Schedule IT-40NOL

Part 1 – Election of Intent to Carry Net Operating Loss

Pursuant to the Internal Revenue Code, a taxpayer may irrevocably elect, by the loss year's due date (including extensions), to waive the entire carryback period. If this election is made for the loss year on the federal return, the NOL deduction may only be carried forward for federal and state income tax purposes. If an election to forgo the carryback period has been made at the federal level, check the box marked 'yes'. If not, check the box marked 'no'.

In the absence of a federal NOL, the taxpayer may make an election to waive the carryback of its Indiana NOL. This election is reflected by checking the box titled Election to Waive the Carryback of the Indiana Net Operating Loss Deduction. To officially make this election you must timely f le the Indiana loss year return (including extensions), and attach Schedule IT-40NOL showing your state election choice. Note: Failure to timely file this election will result in your being required to carry back your Indiana NOL.

Carryback and carryforward years

When to use an NOL. Generally, you must carry back the entire amount of the NOL to the two tax years before the NOL year (the carryback period), and then carry forward any remaining NOL for up to 20 years after the NOL year (the carryforward period). You can, however, choose not to carry back an NOL and only carry it forward. You cannot deduct any part of the NOL remaining after the 20-year carryforward period.

NOL year. This is the year in which the NOL occurred.

Exceptions to the Two-Year Carryback Rule. Eligible losses, farming losses, qualified disaster losses, qualified GO Zone losses, qualified recovery assistance losses, qualified disaster recovery assistance losses, and specified liability losses qualify for longer carryback periods.

In general, for Indiana, carryback years shall be determined by reference to the number of years allowed for carrying back an NOL under Section 172(b) of the Internal Revenue Code.

However, an NOL for which an eligible small business, as defined in Section 172(b)(1)(H)(iv) of the Internal Revenue Code, made an election to use a three-, four- or five-year carryback instead of two years under Section 172(b)(1)(H) of the Internal Revenue Code, is limited to carrying back the loss to two years for Indiana purposes.

Legislation from the Worker, Homeownership, and Business Assistance Act of 2009 (Act) affecting NOLs – No provisions from this Act affecting NOLs may be claimed for Indiana purposes until after the 2010 Indiana General Assembly has addressed them. Please check with the Department at (317) 232-2240 after April 15, 2010, for further guidance.

Five-Year Carryback note: If carrying a loss back for a period of five years, please write the type of loss being carried at the top of Schedule IT-40NOL. For example, write "Farming loss", Qualified GO Zone loss", "Qualified recovery assistance loss", etc., when using a 5-year carryback for these types of losses.

Part 2 – Computation of Indiana NOL

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 net operating loss without first having a federal net operating loss as computed under IRC Section 172. If you think you would have an Indiana NOL after the application of the modifications on lines 2 through 12 of Part 2, 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.

Lines 2 and 3 – Certain Indiana modifications as reported on the loss year IT-40 should be reflected on these lines.

Important: Full-year and part-year Indiana nonresidents who file Form IT-40PNR should skip lines 2 through 5 and enter the amount from line 1 on line 6.

Line 4 – An exception must be made for the bonus depreciation deduction for property placed in service after September 11, 2001. Figure the net income (or loss) which would have been included in federal adjusted gross income had the additional first year deduction allowed under Section 168(k) of the Internal Revenue Code not been used. Enter the difference, which may be a positive or negative amount (enter the negative amount in (brackets)).

For tax years 2003 and beyond, add-back your share of the total IRC Section 179 deduction claimed for federal tax purposes that exceeds the $25,000 ceiling allowed (per entity) for state tax purposes.

For tax years 2005 and beyond, add-back your share of domestic production activities deduction included in your federal adjusted gross income.

For tax years 2009 and beyond, enter any required add-backs from Schedule A of your Form IT-40 (Schedule B of your Form IT-40PNR) not already added-back. This will include reported add-backs from unemployment compensation; deferral of business indebtedness discharge and reacquisition; qualified restaurant property; qualified retail improvement property; qualified disaster assistance property; qualified refinery property; qualified film or television production; and qualified preferred stock.

Lines 7 through line 12 – Enter the following deductions claimed on your loss year return's Schedule 2 (IT-40) or Schedule C (IT-40PNR): any non-Indiana locality earnings deduction, state tax refund &/or other recovered itemized deductions, interest from U.S. government obligations, Social Security and benefits issued by the U.S. Railroad Retirement Board, qualified patent income exemption and National Guard and reserve component member's deduction.

Line 13 – Subtract line 13 from line 6 and enter the total here.

- If the line 14 entry is a negative amount, you have an Indiana NOL. Enter as a positive amount in the appropriate column on line 19 of the Carryback/Carryforward Worksheet (see Carryback/Carryover Worksheet line 19 instructions).
- If the line 14 entry is a positive amount, you do not have an Indiana NOL.

Part 3 – 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 18 of the completed Carryback/Carryover Worksheet 1 or 2.

Column 3 – Enter as a positive amount the Indiana NOL available for deduction from line 19 of the completed Carryback/Carryover Worksheet 1 or 2.

Column 4 – Enter the amount from either line 20 or line 21 of the Carryback/Carryover Worksheet 1 or 2 (only one of those lines will have an entry).

Column 5 – Enter the amount from line 22 of the completed Carryback/Carryover Worksheet 1 or 2. This is your Indiana NOL deduction. If carrying back your loss, enter on Form IT-40X, line 1, Column B. If carrying your loss forward, 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.

Schedule IT-40NOL Carry-back/Carry-over Worksheet 1 and 2 Instructions

A Carryback and/or Carryover Worksheet must be completed for each loss year.

Use Carryback Worksheet 1 if you are carrying your loss back.

Use Carryforward Worksheet 2 if you are carrying your loss forward. Note: If you are carrying your loss forward more than six 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 '7th' following year.

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

Pursuant to P.L. 81-2004, the Indiana NOL is available as a deduction to offset Indiana adjusted gross income (agi). Complete lines 1 through 16 of the Carryover Worksheet to figure the intervening year's Indiana agi.

Line 1 – Enter the amount from line 1 of the IT-40 or IT-40PNR. Note: If reporting from the IT-40PNR, skip lines 2 through 5 and enter this amount on line 6.

Line 2 – Enter the taxes based on or measured by income and levied at any state level reported on the intervening year's IT-40.

Line 3 – Enter (as a positive amount) the net operating loss reported on the intervening year's IT-40, line 3, or from line 2 of Schedule 1 for the 2009 tax year and beyond.

Line 4 – Enter the income taxed on Form 4972 reported on the intervening year's IT-40.

Line 5 – For tax year 2002 and beyond, enter the bonus depreciation add-back reported on the intervening year's IT-40. For tax year 2003 and beyond, enter the Section 179 add-back reported on the intervening year's IT-40. For tax year 2005 and beyond, enter the domestic production activities add-back reported on the intervening year's IT-40. For tax years 2009 and beyond, enter any required add-backs from Schedule A of your Form IT-40 (Schedule B of your Form IT-40PNR) not already added-back. This will include reported add-backs from unemployment compensation; deferral of business indebtedness discharge and reacquisition; qualified restaurant property; qualified retail improvement property; qualified disaster assistance property; qualified refinery property; qualified film or television production; and qualified preferred stock.

Line 6 – Add lines 1 through 6 and enter the result here.

Line 7 – Enter the interest on U.S. government obligations from the intervening year's IT-40 or IT-40PNR.

Line 8 – Enter the homeowner's residential property tax deduction from the intervening year's IT-40 or IT-40PNR.

Line 9 – Enter the recovery of itemized deductions, including any state tax refund, from the intervening year's IT-40 or IT-40PNR.

Line 10 – Enter the Social Security and/or benefits issued by the U.S. Railroad Retirement Board deducted on the intervening year's IT-40 or IT-40PNR.

Line 11 – Enter the non-Indiana locality earnings deduction from the intervening year's IT-40 or IT-40PNR.

Line 12 – Enter the human services deduction from the intervening year's IT-40 or IT-40PNR.

Line 13 – Enter the Indiana partnership long term care policy premiums deduction from the intervening year's IT-40 or IT-40PNR.

Line 14 – Enter the qualified patent exemption deduction from the intervening year's IT-40 or IT-40PNR.

Line 15 – Enter the National Guard and reserve component member's deduction from the intervening year's IT-40 or IT-40PNR.

Line 16 – Enter the total amount of exemptions claimed on the intervening year's IT-40 or IT-40PNR.

Line 17 – Add the amounts on lines 7 through 16 and enter the total here.

Line 18 – Subtract line 17 from line 6 (if less than zero, enter zero). This is the intervening year's Indiana agi.

Line 19 – NOL available for deduction. Enter as a positive amount.

- If this is the first time the NOL from Schedule IT-40NOL, line 14 is being used, then enter that amount here.
- If you have already used the NOL from Schedule IT-40NOL, line 14 to offset income, then enter here the remaining available loss (from line 21 of the Carryback/Carryforward Worksheet 1 or 2). See line 21 instructions.

Complete line 20 OR line 21 based on the following:

- If line 18 is greater than line 19, complete line 20.

- If line 19 is greater than line 18, complete line 21.

Line 20 – If the line 18 intervening year's Indiana agi is greater than or equal to the line 19 NOL available for deduction, then you will use all of the available NOL as a deduction. Subtract line 19 from line 18 and enter the difference here. Skip line 21 and complete line 22.

Line 21 – If the line 19 NOL available for deduction is greater than the line 18 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 18 from line 19 and enter the difference here and on line 19 in the next column.

Line 22 – Enter the smaller of the amount on line 18 or line 19. This is your Indiana NOL deduction. If carrying back your loss, enter this amount on Form IT-40X, line 1, Column B. If carrying your loss forward, enter this amount 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.

(R / 12-09) **Schedule IT-40NOL Carryback Worksheet 1: Enter Loss Year** ____

Complete one column before going to the next column. Start with the earliest carryback year. See instructions.	**Column A** 5th preceding tax year_____	**Column B** 4th preceding tax year_____	**Column C** 3rd preceding tax year_____	**Column D** 2nd preceding tax year_____	**Column E** 1st preceding tax year_____
Note: If you have previously carried a loss to this year, skip lines 1 through 17. Enter on line 18 the modified Indiana agi from the previous year's worksheet.					
From the carryback year's IT-40/IT-40PNR:					
1. IT-40 line 1 amount, or IT-40PNR line 1 amount (if reporting from IT-40PNR, skip lines 2 through 5 and enter same amount on line 6)					
2. The deduction for taxes based on or measured by income and levied at any state level.....					
3. Any net operating loss carryforward included in federal agi (enter as a positive amount).....					
4. Income taxed on Form 4972 (lump sum distribution).....					
5. Bonus depreciation/Sec 179 domestic production activities add-back, other.....					
6. Subtotal: Add amounts from lines 1 - 5 and enter total here ..... ▶					
7. Interest on U.S. government obligations.					
8. Homeowner's residential property tax deduction.....					
9. Recovery of itemized deductions (including state tax refund).....					
10. Taxable Social Security and/or benefits issued by the U.S. Railroad Retirement Board.....					
11. Non-Indiana locality earnings deduction ..					
12. The human services deduction					
13. The Indiana partnership long term care policy premiums deduction.....					
14. Qualified patent income exemption.....					
15. National Guard and reserve component member's deduction.....					
16. Total exemptions claimed (after proration, if applicable).....					
17. Subtotal: Add amounts from lines 7 - 16 and enter total here ..... ▶					
18. Intervening year's Indiana agi: Subtract line 17 from line 6 (if less than zero, enter zero)..... ▶					
19. NOL available for deduction. Enter as a **positive** number ..... ▶					
Complete line 20 OR line 21					
20. If line 18 is greater than or equal to line 19, enter difference here. This is the intervening year's modified Indiana agi..... ▶					
21. If line 19 is greater than line 18, enter difference here and on line 19 in the next column. This is the remaining NOL available to be carried to other years ..... ▶					
22. Enter the smaller of the amount from line 18 **or** line 19. This is your Indiana nol deduction					

(R / 12-09) **Schedule IT-40NOL Carryforward Worksheet 2: Enter Loss Year** ____

Complete one column before going to the next column. Start with the earliest carryback year. 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 17. Enter on line 18 the modified Indiana agi from the previous year's worksheet.					
From the carryback year's IT-40/IT-40PNR:					
1. IT-40 line 1 amount, or IT-40PNR line 1 amount (if reporting from IT-40PNR, skip lines 2 through 5 and enter same amount on line 6)					
2. The deduction for taxes based on or measured by income and levied at any state level					
3. Any net operating loss carryforward included in federal agi (enter as a positive amount)					
4. Income taxed on Form 4972 (lump sum distribution)					
5. Bonus depreciation/Sec 179 domestic production activities add-back, other					
6. Subtotal: Add amounts from lines 1 - 5 and enter total here ▶					
7. Interest on U.S. government obligations					
8. Homeowner's residential property tax deduction					
9. Recovery of itemized deductions (including state tax refund)					
10. Taxable Social Security and/or benefits issued by the U.S. Railroad Retirement Board					
11. Non-Indiana locality earnings deduction					
12. The human services deduction					
13. The Indiana partnership long term care policy premiums deduction					
14. Qualified patent income exemption					
15. National Guard and reserve component member's deduction					
16. Total exemptions claimed (after proration, if applicable)					
17. Subtotal: Add amounts from lines 7 - 16 and enter total here ▶					
18. Intervening year's Indiana agi: Subtract line 17 from line 6 (if less than zero, enter zero) ▶					
19. NOL available for deduction. Enter as a **positive** number ▶					
Complete line 20 OR line 21					
20. If line 18 is greater than or equal to line 19, enter difference here. This is the intervening year's modified Indiana agi ▶					
21. If line 19 is greater than line 18, enter difference here and on line 19 in the next column. This is the remaining NOL available to be carried to other years ▶					
22. Enter the smaller of the amount from line 18 **or** line 19. This is your Indiana nol deduction					