

SCHEDULE NOL

**NET OPERATING LOSS
SCHEDULE**

Taxable Year Ending

____ / ____
Mo. Yr.

41A720NOL (10-05)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

Attach to Form 720.

If irrevocable election is made to carry NOL carryforward as an apportioned NOL, check here.

PART I—MANDATORY NEXUS CONSOLIDATION

Section A—Current Net Operating Loss Adjustment		Includible Corporations		
		A	B	C
Name	Kentucky Corporation Account Number	Kentucky Net Income	Kentucky Net Losses (Enter as a Positive)	Total Losses (Enter as a Positive)
1. Common Parent				
2. Subsidiaries				
3. Totals (add Columns A and B)				
4. Limitation (line 3, Column A, multiplied by 50%)				
5. Prior year NOL carryforward				
6. Total (add line 5, Column C and line 3, Column B)				
7. Disallowed loss. If Line 3, Column B is greater than Line 4, Column A, enter the difference here and on Form 720, Part I, line 17. If amount entered, skip to Section B, line 1 (see instructions)				
8. Additional NOLD. Enter as a negative amount on Form 720, Part I, line 17 (see instructions)				

Section B—Current Year Loss Disallowed and NOL Carryforward

1. Current year loss disallowed (see instructions)	
2. Prior year(s) NOL carryforward(s)	
3. Prior year(s) NOL carryforward used this year (see instructions)	
4. Total NOL carryforward (line 1 plus line 2 minus line 3)	

PART II—SEPARATE ENTITY AND ELECTIVE CONSOLIDATED FILERS

Section A—NOL Carryforward

1. Carryforward from prior year(s)	
2. Net operating loss (current year) from Form 720, Part I, line 21	
3. Net operating loss deduction from Form 720, Part I, line 20	
4. Total NOL carryforward (line 1 plus line 2 minus line 3)	

NET OPERATING LOSS SCHEDULE

INSTRUCTIONS

Purpose of This Schedule—This schedule is to be used by corporations that are required to file a mandatory nexus consolidated return in order to determine the loss limitation. It is also to be used by corporations filing a separate entity return, an elective consolidated return or mandatory nexus return to track the NOL carryforward.

The includible corporations of the mandatory consolidated nexus return that have earned a net operating loss shall not deduct an amount that exceeds, in the aggregate, 50 percent of the income realized by the remaining includible corporations that did not realize a net operating loss.

Part I—Mandatory Nexus Consolidation

General Instructions—This is only for mandatory nexus returns filed in accordance with KRS 141.200(8-14).

The 50 percent limitation, net operating loss(es) and net operating loss carryforwards are determined prior to the application of the apportionment factor. If one or more of the "includible corporations" brings an NOL carryforward to the mandatory consolidated group, the common parent may make an irrevocable election to carry all NOL carryforwards as an apportioned NOL. Otherwise, the NOL carryforward for each member of the consolidated group must be recomputed to a preapportioned amount.

An "includible corporation" that brings its NOL carryforward from another consolidated group will determine its NOL based upon Section 1502 of the Internal Revenue Code and related regulations, adjusted for differences between KRS Chapter 141 and the Internal Revenue Code.

Any NOL carryforward is utilized first in meeting its 50 percent limitation.

Section A—Enter the name and Kentucky corporation account number of the common parent and includible subsidiaries.

Section A

Column A—Enter only Kentucky net income from includible corporations, Schedule KCR (Form 720), Line 19.

Column B—Enter only Kentucky net losses from includible corporations, Schedule KCR (Form 720), Line 19. **Enter as a positive amount.**

Line 3—Enter the totals for Column A and Column B. Column B should reflect a positive amount.

Line 4—Multiply Line 3, Column A by 50 percent. This is the limitation that the amount on Line 6, Column C cannot exceed.

Line 5—Enter the prior year NOL carryforward as a positive amount.

Line 7—The amount on Line 7 is the amount of the net operating loss(es) of the includible corporation(s) that exceeds the 50 percent loss limitation. It is an addback in computing Kentucky net income. If an amount is entered, skip to Section B, Line 1. If Line 3, Column B is less than Line 4, Column A, leave blank and go to Line 8.

Line 8—If Line 4, Column A is greater than Line 3, Column B, enter the lesser of **this difference** or Line 5, Column C. (**This difference** is Line 4, Column A less Line 3, Column B.) Otherwise, leave blank. This is the amount of additional loss(es) from the includible corporation(s) that can be used to meet the 50 percent loss limitation. It is a deduction in computing Kentucky net income.

Section B

Current year loss disallowed is the amount of Kentucky losses from Line 3, Column B that are disallowed due to first using prior year NOL carryforward(s) to meet the 50 percent limitation. It is available for carryforward.

Line 1—If Line 4, Column A, is greater than or equal to Line 5, Column C, enter the difference of Line 6, Column C less Line 4, Column A. If this difference is less than zero, enter -0-.

If Line 5, Column C is greater than Line 4, Column A, enter the amount from Line 3, Column B.

Line 3—Enter the lesser of Part I, Section A, Line 4, Column A or Part I, Section A, Line 5, Column C. If equal, enter amount from Part I, Section A, Line 5, Column C.

Part II—Separate Entity and Elective Consolidated Filers

General Instructions—This section is to be used only by separate entity and elective consolidated filers in order to calculate the available NOL carryforward. Follow the instructions as indicated on Lines 1 through 4.