

SCHEDULE NOL

Taxable Year Ending

41A720NOL (10-06)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE



____ / ____
Mo. Yr.

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

NET OPERATING LOSS SCHEDULE

➤ Attach to Form 720.

KRS 141.011, KRS 141.200(11); Regulation 103 KAR 16:250

Name of Corporation	Kentucky Corporation Account Number
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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)	3			
4. Limitation—Income (line 3, Column A multiplied by 50%) .	4			
5. Prior year NOL carryforward			5	
6. Total (add line 5, Column C and line 3, Column B)			6	
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 18 (see instructions)	7			
8. Additional NOLD. Enter as a negative amount on Form 720, Part I, line 18 (see instructions)	8			
9. If tax is based on AMC, (see instructions)	9			
10. Limitation—AMC (see instructions)	10			

Section B—Current Year Loss Disallowed and NOL Carryforward

1. Current year loss disallowed (see instructions)	1	
2. Prior year(s) NOL carryforward(s) from Part I, Section A, line 5	2	
3. Prior year(s) NOL carryforward used this year (see instructions)	3	
4. Total NOL carryforward to 2007 (line 1 plus line 2 minus line 3)	4	

PART II—SEPARATE ENTITY AND ELECTIVE CONSOLIDATED FILERS

Section A—NOL Carryforward

1. Enter carryforward from prior year(s)	1	
2. If current year NOL, enter as a positive amount (see instructions)	2	
3. Enter the following: (1) if the regular income tax is greater than the AMC tax, enter NOLD from Form 720, Part I, line 21; or (2) if the AMC tax is greater than the regular income tax (see instructions)	3	
4. Enter total NOL carryforward to 2007 (line 1 plus line 2 less line 3)	4	

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.

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

Column B—Enter only Kentucky net losses of includible corporations, from 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—This is the limitation provided by KRS 141.200(11)(b).

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 and is entered on Form 720, Part I, Line 18. If an amount is entered and income tax is paid, 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 is greater than Line 3, Column B, enter the lesser of **this difference** or Line 5. (**This difference** is Line 4 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 and is entered on Form 720, Part I, Line 18, as a negative amount.

Taxable Net Income Equivalent (TNIE)

If the AMC tax is paid, it is necessary to compute the TNIE of the AMC.

The TNIE equivalent for the AMC tax of \$6,000 is \$121,429

1. First \$50,000 is taxed at the 4% rate = \$2,000
2. The next \$50,000 is taxed at the 5% rate = \$2,500
3. The tax for the first \$100,000 = \$4,500.
4. $(\$6,000 - \$4,500) / 7\% \text{ rate} = \$21,429.$
5. $\$100,000 + \$21,429 = \$121,429.$

If the corporation is filing a nexus consolidated return divide the TNIE by its apportionment factor from Schedule A, Apportionment and Allocation.

If the TNIE exceeds taxable net income, then no NOLD is used.

Line 9—Enter the following: if the AMC tax is greater than the regular income tax, (1) calculate the TNIE of the alternative minimum calculation; (2) divide it by the apportionment factor; (3) subtract it from the net income on Form 720, Part I, Line 17, if Line 18 is a negative amount, or subtract it from Line 19 if Line 18 is a positive amount. If the TNIE is greater than the net income on Form 720, Part I, Line 17 or Line 19, enter -0-.

Net income is defined as Form 720, Part 1, Line 17 if Line 18 is a negative amount or Line 19 if Line 18 is a positive amount.

Line 10—Only enter if the AMC tax is paid and an amount, other than zero, is entered on Line 9. Add Line 3, Column B and Line 9.

Section B (Complete only if there is a prior year NOL and/or current year loss adjustment.)

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, Income Tax Paid—If Line 4 is greater than or equal to Line 5, enter the difference of Line 6 less Line 4. If this difference is less than zero, enter -0-;

or

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

AMC Tax Paid and TNIE is Greater Than Net Income—If Line 4 is greater than or equal to Line 5, enter the amount of Line 3, Column B minus (Line 4 minus Line 5); however, if an amount is on Line 8 and Line 3, Column B is greater than Line 5, enter Line 5.

or

If Line 5 is greater than Line 4, enter the lesser of Line 3, Column B or Line 5 unless Line 3, Column A is less than Line 3, Column B, then enter Line 3, Column B.

AMC Tax Paid and TNIE is Less Than Net Income—If Line 10 is greater than or equal to Line 5, enter the difference of Line 6 less Line 10. If this difference is less than zero, enter -0-;

or

If Line 5 is greater than Line 10, enter the amount from Line 3, Column B.

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

AMC Tax Paid and TNIE is Greater Than Net Income and Form 720, Line 18 is a Positive Amount—Enter the lesser of Part I, Section A, Line 4, or Part I, Section A, Line 5. If equal, enter amount from Part I, Section A, Line 5, or;

Form 720, Line 18 is a Negative Amount—If Line 5 is greater than or equal to Line 3, Column B, enter Line 3, Column B;

or

If Line 5 is less than Line 3, Column B, enter Line 5.

AMC Tax Paid and TNIE is Less Than Net Income—Enter the lesser of Part I, Section A, Line 10, or Part I, Section A, Line 5. If equal, enter amount from Part I, Section A, Line 5. If Part I, Section A, Line 9 is zero, enter -0-.

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.

Line 2—Enter only if Form 720, Part I, Line 20 is a loss and enter as a positive number.

Line 3—Enter the following: If the AMC tax is greater than the regular income tax, (1) calculate the TNIE and subtract it from the taxable net income before the net operating loss deduction (Form 720, Part I, Line 20), but not more than the net operating loss deduction (Form 720, Part I, Line 21). If the TNIE is greater than net income, enter -0-.