

SCHEDULE NOL

Form 720S, 725 or 765

41A725NOL (10-06)

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



Taxable Year Ending

____ / ____
Mo. Yr.

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

NET OPERATING LOSS SCHEDULE

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		
Name	Kentucky Corporation Account Number	A Kentucky Net Income	B Kentucky Net Losses (Enter as a Positive)	C 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 applicable form (see instructions)	7			
8. Additional NOLD. Enter as a negative amount on applicable form (see instructions)	8			
9. If tax is based on AMC, (see instructions)	9			
10. Limitation—AMC (see instructions)	10			

Section B—NOL Carryforward

1. Current year disallowed loss (see instructions)	1	
2. If the amount on Column A, line 3 is zero, then enter the amount from Column B, line 3	2	
3. Enter the amount from line 1 or line 2	3	
4. Enter the amount of line 3 multiplied by the total of the individual shareholders', partners' or members' proportionate share of the loss	4	
5. Prior year(s) NOL carryforward(s) from Part I, Section A, line 5	5	
6. Prior year(s) NOL carryforward used this year (see instructions)	6	
7. Enter the total NOL carryforward to 2007 (lines 3 and 5, less lines 4 and 6)	7	

PART II—SINGLE ENTITY FILERS

Section A—Kentucky NOL Carryforward

1. Enter carryforward from prior year(s)	1	
2. Enter the current year net operating loss, if any, from Form 765, Part I, Line 25, as a positive number	2	
3. Enter the amount of line 2 multiplied by the total of the individual partners' proportionate share of the net operating loss	3	
4. Enter the following: (1) if the regular income tax is greater than the AMC tax, enter NOLD from Form 765, Part I, Line 26; or (2) if the AMC tax is greater than the regular income tax (see instructions)	4	
5. Enter the total NOL carryforward to 2007 (lines 1 and 2, less lines 3 and 4)	5	

INSTRUCTIONS FOR SCHEDULE NOL—(FORM 720S, 725 OR 765)

Purpose of This Schedule—This schedule is to be used by corporations filing Form 720S, Form 725, or Form 765 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 (Form 720S, Form 725, or Form 765) filing a separate entity return or mandatory nexus consolidated return to track the NOL carryforward.

The includible corporations of a mandatory consolidated nexus return that have 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 net operating 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 nexus 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 applicable Schedule KCR (Schedule KCR (Form 720S and 765), Line 22; or Schedule KCR (Form 725), Line 10).

Column B—Enter only Kentucky net losses of includible corporations, from applicable Schedule KCR (Schedule KCR (Form 720S and 765), Line 22; or Schedule KCR (Form 725), Line 10). Enter as a positive amount.

Line 3—Enter the totals for Column A and Column B. Column B should reflect a positive amount. If there is no amount entered on Line 3, Column A, skip to Section B.

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 an amount of net operating loss(es) of the includible corporation(s) that exceeds the 50 percent limitation. It is added back in computing Kentucky net income and is entered on applicable form (Form 720S, Part I, Line 23; Form 725 or Schedule CP, Part I, Line 11; or Form 765, Part I, Line 23). 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 losses 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 applicable form (Form 720S, Part I, Line 23; Form 725 or Schedule CP, Part I, Line 11; or Form 765, Part I, Line 23) 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; and (3) subtract it from the net income on applicable form (Form 720S, Part I, Line 22; Form 725 or Schedule CP, Part I, Line 10; or Form 765, Part I, Line 22). If the TNIE is greater than the net income on applicable form (Form 720S, Part I, Line 22; Form 725 or Schedule CP, Part I, Line 10; or Form 765, Part I, Line 22), enter -0-.

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, 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 2—If Line 3, Column A has no amount entered, enter the amount the amount from Line 3, Column B.

Line 3—Enter the amount from Line 1 or Line 2.

Line 4—Enter the amount of Line 3 multiplied by the total of the individual shareholders’ partners’ or members’ proportion share of the loss.

Line 6, 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 on Applicable Form (Form 720S, Part I, Line 22; Form 725 or Schedule CP, Part I, Line 10; or Form 765, Part I, Line 22)—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

Applicable Form (Form 720S, Part I, Line 23; Form 725 or Schedule CP, Part I, Line 11; or Form 765, Part I, Line 23) is a Negative Amount—If Line 5 is greater than or equal to Line 3, Column B, enter the amount from 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 Part I, Section A, Line 9 is zero, enter -0-.

Part II—Separate Entity Filers

General Instructions—This section is to be used only by separate entity filers in order to calculate the available NOL carryforward. Follow the instructions as indicated on Lines 1 through 5.

Line 2—Enter only if Form 765, Part I, Line 25 is a loss and enter as a positive number.

Line 3—Enter the amount of Line 2 multiplied by the total of the individual partners’ proportionate share of the net operating loss.

Line 4—Enter the following: (1) if the AMC tax is greater than the regular income tax calculate the TNIE and subtract it from the taxable net income (Form 765, Part I, Line 25), but not more than the net operating loss deduction (Form 765, Part I, Line 26); or (2) if the TNIE is greater than taxable net income (Form 765, Part I, Line 25) enter -0-.