

810-3-35.1-.02 Carryforward of Net Operating Losses for Corporations
Apportioning and Allocating Income.

(1) (a) For corporations apportioning and allocating income to Alabama, the amount of a net operating loss to be attributed to Alabama will be computed in the manner provided in §40-18-33, Code of Alabama, 1975, and modified as provided in the Multistate Tax Compact, Chapter 27, Title 40, Code of Alabama 1975.

(b) In other words, a corporation apportioning and allocating income to Alabama will have a net operating loss attributed to Alabama if the sum of the following items is less than zero:

1. the income (or loss) apportioned to Alabama,
2. the income (or loss) allocated to Alabama,
3. any deductions allocated to Alabama (such as pollution control capital expenditures),
4. any federal income tax attributed to the corporation which is apportioned to Alabama income (this usually will be -0- because the federal tax apportionment factor will have -0- as either the numerator, the denominator or both), and
5. any overpayment of federal income tax previously taken as a deduction in Alabama returns for prior periods which is attributable to the taxpayer for the loss year.

(2) For a corporation apportioning and allocating income, the net operating loss attributed to Alabama will be treated as allocated to Alabama in the year utilized. That is, income (including the deduction for charitable contributions and the federal income tax deduction) for the year of utilization will first be computed as provided in §§ 40-18-33 and 40-27-1, and the net operating loss deduction then will be subtracted to determine taxable income.

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