



# Application of Net Operating Loss Carryback or Carryforward Fiduciary Return (Form 41)

For year ending \_\_\_\_\_, \_\_\_\_\_

Name of Estate or Trust as shown on Form 41

Federal Employer Identification Number

**PURPOSE OF FORM NOL-F85A:** Form NOL-F85A is designed to apply a net operating loss sustained by an estate or trust (Form 41) to the next taxable year to which the loss is being carried. Before Form NOL-F85A can be completed, you must first complete Form NOL-F85 to determine if you have an allowable net operating loss and the amount that may be carried back or carried forward. See instructions for further information.

- 1 (a) Enter the taxable year during which the net operating loss was incurred. Beginning \_\_\_\_\_, \_\_\_\_\_, Ending \_\_\_\_\_, \_\_\_\_\_.
- (b) Did you elect on Form NOL-F85 to forfeit the election to carry this loss back?  Yes  No

**PART I – Computation of Unused Net Operating Loss**

2	Enter the net operating loss as shown on line 17, Part II of Form NOL-F85 or as shown on line 4, Form NOL-F85A. (See instructions) .....	2		
3	<b>ALABAMA TAXABLE INCOME.</b> Enter the amount shown on Alabama Form 41, page 1, line 5, for the tax year to which this loss is being carried, if tax year 2006 and after. Refer to the instructions if carrying an NOL back or forward to a tax year prior to 2006. ....	3		
4	<b>UNUSED NET OPERATING LOSS.</b> If line 2 exceeds line 3, subtract line 3 from line 2 and enter the difference here. If line 3 exceeds line 2, enter zero. If the amount on this line is more than zero, you may carry this amount forward to the next applicable year (Form NOL-F85A) .....	4		

**PART II – Application To Carryback / Carryforward Year**

5	Enter the Alabama Taxable Income from Alabama Form 41 (page 1, line 5 for tax year 2006 and after), as last determined. Refer to the instructions if carrying an NOL back or forward to a tax year prior to 2006.....	5		
6	<b>NET OPERATING LOSS TO BE APPLIED.</b> Subtract the amount on line 4 from the amount on line 2 and enter the difference here. If line 4 is zero, enter the amount shown on line 2 .....	6		
7	<b>ALABAMA TAXABLE INCOME AFTER APPLICATION OF NET OPERATING LOSS.</b> Subtract line 6 from line 5 and enter the result here. ....	7		

**PART III – Computation of Tax**

Complete lines 8 through 11 below to determine the correct tax due after application of the net operating loss.

8	\$ _____ at 2 percent (on first \$500 or fraction thereof, of amount taxable as shown on line 7) .....	8		
9	\$ _____ at 4 percent (on next \$2,500 or fraction thereof, of amount taxable as shown on line 7) .....	9		
10	\$ _____ at 5 percent (on all over \$3,000 of amount taxable as shown on line 7) .....	10		
11	<b>TOTAL TAX DUE AFTER APPLICATION OF NET OPERATING LOSS.</b> (Add lines 8, 9 and 10.) Enter here and also on line 6, Form 41 .....	11		

# Instructions For Preparation of Alabama Form NOL-F85A

## **Application of Net Operating Loss Carryback or Carryforward – Fiduciary Return (Form 41)**

This form is used to determine the amount of a net operating loss (carried to the tax year from another tax year) that can be claimed as a net operating loss deduction during the tax year.

Additional guidance concerning the computation of the net operating loss, the carrying back of the net operating loss, and the carrying forward of the net operating loss, can be obtained from Alabama Income Tax Regulation Number 810-3-15.2-.01. Visit the Alabama Department of Revenue's Web site ([www.revenue.alabama.gov](http://www.revenue.alabama.gov)) to obtain copies of Alabama income tax forms, schedules, and form preparation instructions.

**Carryback and Carryforward of an Alabama NOL.** For loss years beginning after December 31, 1997, an NOL may be carried back and deducted from taxable income in each of the preceding two years or until exhausted.

**NOL Carrybacks.** When an NOL is carried back to a prior year, taxable income will be recomputed in such prior year. If the NOL being carried back is equal to or greater than taxable income as previously reported or last adjusted (including any deductions for NOLs carried over or carried back to such year from any loss year prior to the current loss year), taxable income will be reduced to zero. If the NOL being carried back is less than taxable income as previously reported or last adjusted (including any deductions for NOLs carried over or carried back to such year from any loss year prior to the current loss year), taxable income for the carryback year is reduced by the amount of the NOL.

**Application of an NOL Carryforward.** An NOL may be carried forward 15 tax years subsequent to the loss year in order of time or until exhausted, whichever occurs first.

**Computation of Taxable Income in a Carryforward Year.** If the NOL being carried forward is equal to or greater than taxable income, taxable income will be reduced to zero. Taxable income is computed without considering the current NOL carryover to be applied, but will reflect any prior carryovers which have been applied. See Computation of Any Remaining NOL Carryover After Application of an NOL below for the computation of any remaining NOL for carryover to a subsequent year.

If the NOL being carried forward is less than taxable income (computed without considering the NOL deduction to be applied); taxable income will be reduced (but not below zero) by the amount of the NOL carried forward.

**Computation of Any Remaining NOL Carryover After Application of an NOL.** In order to determine the amount of an NOL available for carryover, an adjustment must be made to the taxable income for the year in which the deduction was taken. The

amount by which the NOL will be reduced is called "modified taxable income." The modification required by law provides that no deduction is allowed for the personal exemption provided in §40-18-19. If a prior NOL carryback or carryover was fully absorbed in the year, and a subsequent NOL is carried to the year and cannot be fully absorbed, the modification required above would be computed after taxable income has been recomputed for the year. If the subsequent NOL can be fully absorbed, after taxable income has been recomputed for the prior NOL, taxable income for the year must be recomputed, with taxable income reduced again for the subsequent NOL.

## **Form Preparation**

Enter the tax year information. Enter the name of the estate or trust and the federal employer identification number of the estate or trust.

### **Part I – Computation of Unused Net Operating Loss**

**Line 2.** Enter the net operating loss as shown on line 17 of the Alabama Form NOL-F85 for the tax year the loss was incurred. If the net operating loss has previously been carried to a tax year, enter the amount from line 4 of the Alabama Form NOL-F85A filed for the tax year to which the net operating loss was carried.

**Line 3.** Enter the Alabama Taxable Income from page 1, line 5, of the Alabama Form 41 for the tax year to which the net operating loss is being carried.

**Line 4.** If the amount entered on line 2 exceeds the amount entered on line 3, enter on line 4 the amount that line 2 exceeds line 3. Otherwise, enter zero.

### **Part II – Application to Carryback of Carryforward Year**

**Line 5.** Enter the Alabama Taxable Income from page 1, line 5 of the Form 41 for the carryback or carryforward tax year.

**Line 6.** Enter the net operating loss to be applied to the carryback or carryforward tax year. If the amount on line 4 is zero, enter the amount entered on line 2. Otherwise enter the amount that line 2 exceeds the amount on line 4.

**Line 7.** Enter the Alabama Taxable Income after Application of Net Operating Loss which equals the amount that line 5 exceeds the amount entered on line 6.

### **Part III – Computation of Tax**

Compute the tax as shown on the form for lines 8 through 10, entering the total on line 11. The amount from line 11 must be carried forward to page 1, line 6 of the Form 41 and "Alternate tax method" (ATM) should be checked.

Please Note: losses from Estates and Irrevocable trusts cannot be passed to beneficiary or owner see Code of Alabama 1975, 810.3.25.11(f), 810.3.25.05(8)b.