

NOLs Step-by-Step Checklist

1. Complete tax return for NOL year. If taxable income < \$0 there may be an NOL.
2. Verify the software's calculation of the NOL and correct as needed
 - Adjust state income taxes and refund to show the business portion
 - Check categorization of capital gains/losses as business/nonbusiness
 - Consider deducting state income taxes rather than sales tax
 - If nonbusiness income is low, deduct state income tax
 - If nonbusiness income is high, deduct whichever is higher
 - Consider itemizing
 - If nonbusiness income is low, elect itemized deductions
 - If nonbusiness income is high, do not elect itemized deductions
3. Carry the NOL back 5 years or make the election to forego the carryback
4. Determine the amount absorbed and the amount of carryover. After application of the NOL carryover, if taxable income is \$0 there may be some NOL to carry to the next year.
 - Do NOT use the worksheet produced by software. It may be incorrect!
 - Make a copy of the software program's client file from the carryback/carryover year
 - Remove the NOL carryover amount
 - Remove the capital loss, §1202 exclusion, DPAD or §199A deduction
 - Remove any exemption deduction
 - Do NOT allow any additional §199A deduction (override)
 - Do NOT allow recalculation of charitable that was originally disallowed because of the %-of-AGI rule
 - Taxable income on this new return is "Modified Taxable Income" and is the amount of NOL that is absorbed
 - Any NOL in excess of the amount absorbed carries forward to the next year.
5. Carry the NOL forward to the next successive year and repeat step 4 until the NOL is used up.