

Topic

Claiming NOL Deductions and Refunds

Curated by

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A taxpayer deducts a [net operating loss \(NOL\)](#) by filing the appropriate form with the IRS, depending on whether the NOL is being carried back to a prior year, or carried forward to a future year. Generally, a taxpayer may claim an NOL carryforward on its income tax return and must attach a statement showing how the NOL deduction was computed. In order to file an NOL carryback claim, a taxpayer can file an amended income tax return for the carryback year or a tentative refund claim. A corporation that expects an NOL in the current year may file a specific form to get an automatic extension of time to pay the tax for the immediately preceding tax year.

Claiming NOL Deductions and Refunds

A [net operating loss \(NOL\)](#)^[1] is generally determined by subtracting deductions from gross income. However, the loss is not deducted in the year it arises; instead, it is carried back or carried forward to years in which the taxpayer has gross income to absorb it.

Except for farming losses and non-life insurance company loss, NOLs arising in a tax year beginning after 2020 do not have a [carryback period](#)^[2]. Farming losses and non-life insurance company losses will have a two-year carryback period. A five-year carryback period applies to NOLs arising in tax years beginning in [2018, 2019, and 2020](#)^[3]. Effective for NOLs arising in tax years beginning after 2017, an [unlimited carryforward period applies](#)^[4].

In order to deduct an NOL, the taxpayer must file the appropriate form with the IRS, depending on whether the NOL is being carried back to a prior year, or carried forward to a year after the loss.

Compliance Note

A taxpayer that deducts an NOL deduction must [attach a statement](#)^[5] to the return that shows show all other important facts about the NOL, including [how the NOL deduction was computed](#)^[6].

The NOL for any tax year is determined under the [law applicable to that year](#)^[7]. However, the amount of the NOL *deduction* is determined under the law applicable to the year of the deduction. Similarly, in determining the amounts available for carryback and carryover, the effect of any intervening year is determined under the law applicable to that year.

Practice Tip

Because an NOL is may be affected by so many different sets of law, the taxpayer may have to:

- identify the law for the year the NOL arose, which controls the calculation of the NOL;
- identify the law controlling the carryback and carryover period of the NOL;
- identify the law controlling the amount of the NOL that is deemed absorbed in each year of the applicable carryback period; and
- identify the law for the year the NOL is deduction, which controls the calculation of the deduction amount.

Tax Forms

Carryforwards. A corporation with an NOL carried forward from a prior year enters its amount on [Form 1120](#), U.S. Corporation Income Tax Return, Schedule K, line 12. It also enters any amount of the carryforward that it is deducting in the current year (up to the amount of its taxable income) on line 29(a) of [Form 1120](#), or the applicable line of the corporation's income tax return. Corporations may claim an NOL carryforward on [Form](#)

[1120](#), U.S. Corporation Income Tax Return. The amount reported on line 29(a) does not reduce the amount reported on Schedule K.

Individuals may claim NOL carryforwards as a negative figure on the "other income" line on [Form 1040](#), U.S. Individual Income Tax Return. Thus, an individual can deduct an NOL carryforward without itemizing deductions.

Comment

Effective for NOLs arising in tax years beginning after 2020 the deduction is [limited to 80 percent](#)^[8] of the taxpayer's taxable income for the tax year, as reduced by any carryforwards attributable to NOLs that arose in tax years beginning before 2018 as well as the [qualified business income deduction](#)^[9] and the corporate deduction for [foreign-derived intangible income](#)^[10] and global intangible low-taxed income.

Example

Urban Restaurants Inc. has a net operating loss carryover of \$100,000. In the current year, Urban Restaurants has \$50,000 of taxable income before the net operating loss carryover. Urban Restaurants will report a \$50,000 net operating loss deduction on the Form 1120, line 29a (assuming the NOL carryforward is from a pre-2021 year which is not subject to the 80 percent of taxable income limitation). Urban Restaurants will report a net operating loss carryover of \$100,000 on Form 1120, Schedule K, line 12.

Estates and trusts include an NOL carryforward on [Form 1041](#), U.S. Income Tax Return for Trusts and Estates.

Carrybacks. In order to file a carryback claim, a taxpayer can file an amended income tax return for the carryback year or a tentative refund claim. Specifically:

- A corporation must file a timely:
 - [Form 1120X](#), Amended U.S. Corporation Income Tax Return; or
 - [Form 1139](#), Corporation Application for a Tentative Refund.
- An individual must file a timely:
 - [Form 1040-X](#), Amended U.S. Individual Income Tax Return; or
 - [Form 1045](#), Application for a Tentative Refund.
- An estate or trust must file a timely:
 - amended [Form 1041](#) U.S. Income Tax Return for Estates and Trusts; or
 - [Form 1045](#), Application for a Tentative Refund.

Practical Note

Which is better—an amended return or a tentative refund claim?

Each method offers advantages and disadvantages. An application for a tentative refund is also known as a "quick carryback claim" because it can result in quicker action. The IRS must act on the application within 90 days after the later of (1) the date on which the application is filed or (2) the last day of the month in which the due date (including extensions) for the loss year's tax return falls. The IRS is not required to take quick action with regard to an amended return, and may audit the loss year and any other affected years that are open under the statute of limitations before paying the refund. Also, a separate amended return or refund claim must be filed for each year affected by the carryback, but a single application for a tentative adjustment or refund generally covers all affected years (except for some NOLs that are carried back more than three years; see the [Instructions for Form 1045](#)).

On the other hand, the filing period for a quick carryback claim is one year after the due date for the return for the loss year, versus three years for an amended return. Also, a quick carryback claim is not a claim for refund for purposes of filing a refund suit or the limitations period for filing refund claims. However, a refund claim may be filed before, simultaneously with, or after a quick carryback claim.

Application for Tentative Refund

An Application for Tentative Refund (also known as a quick carryback claim) [must be filed^{\[11\]}](#) on or after the date the tax return for the NOL year is filed, and within 12 months after the end of the NOL year. For example, a calendar year taxpayer with a [carryback from 2020 to 2015](#) must file [Form 1045](#) on or after the date the 2020 tax return is filed, but no later than December 31, 2021 (one year after the December 31, 2020 close of the NOL year).

Compliance Note

Taxpayers with an NOL arising in a 2017/2018 fiscal year may file an application for a tentative refund within 120 days after the date of the CARES Act. In addition, in the case of a 2017/2018 NOL, an election to waive the carryback period or reduce the carryback period may be made within 120 days of the date of enactment. The IRS will also allow the revocation an election to wave the carryback period in this time frame (Act Sec. 2303(d)(4) of the CARES Act).

This relief is provided because the Tax Cuts and Jobs Act provided that the elimination of all carryback periods, was effective for tax years *ending after* December 31, 2017. A technical correction in the CARES Act clarifies that the elimination of the carryback periods applies to tax years *beginning after December 31, 2017* (Section 13302(e)(2) of the Tax Cuts Act, as amended by Section 2303(c) of the CARES Act). Thus, 2017/2018 fiscal-year taxpayers may now carryback their 2017/2018 NOL loss two years or any applicable longer carryback period because such tax year did not begin after December 31, 2017.

Caution

An NOL arising in a tax year beginning after 2020 is [not allowed to be carried back^{\[12\]}](#) with the exception of a two-year carryback for farming losses. Consequently, except for farmers, Form 1045 will not be filed in a tax year beginning in 2021 or later to claim a refund from a carryback.

Caution

Although the application can be filed on the same day as the tax return for the NOL year, it should not be included with the tax return or mailed in the same envelope.

The application must include the following information:

- the amount of the NOL;
- the amount of tax previously determined for the prior tax year affected the carryback;
- the amount of decrease of the tax attributable to the carryback;
- the unpaid amount of such tax;
- the amount of tax for the tax year immediately preceding the tax year from which the carryback is made for which an extension of time applies; and
- other information required by the IRS.

All lines on the application must be completed, and all forms required in the instructions must be attached, or the IRS may deny the application. An application may also be disallowed if it contains math errors or material omissions. A taxpayer cannot sue to challenge the disallowance of an application, in whole or in part, but the taxpayer can file a regular claim for a credit or refund based on the carryback, as long as the statute of limitations has not expired.

A refund claim from an [NOL carryback](#)^[13] is treated as if it arose on the loss year return date. Thus, the IRS does not have to pay interest if it pays the refund within 45 days of the date the claim for refund is filed. The IRS is required to pay interest if it does not refund the amounts claimed within 45 days of filing the claim for refund.

Consolidated groups. A [consolidated group's](#)^[14] the due date for filing an application for a tentative carryback adjustment generally is the same as for other taxpayers. However, the separate return year of a qualified new group member, which normally ends on the date the member joined the group, is treated as ending on the same date as the end of the current tax year of the consolidated group. This treatment applies only for the purpose of complying with the twelve-month requirement for making an application for a tentative carryback adjustment.

Refund or credit. A taxpayer that applies for an NOL tentative carryback or refund must recalculate its tax liability for the carryback year, as discussed at [NOL Carryovers and Carrybacks](#). In computing the amount of the refund or credit, however, a tentative carryback adjustment is applied against the [tax previously determined for each year](#)^[15]—that is, the tax shown on the return as filed, increased by any amounts assessed or collected before the application was filed, and decreased by any amounts abated, credited, refunded or otherwise repaid before that time. If the IRS and the taxpayer disagree as to the proper treatment of an item then, for purposes of the tentative carryback adjustment, the item is treated as if it was correctly reported, unless it has been previously adjusted in arriving at tax previously determined. For instance, if the taxpayer claimed a \$5,000 deduction that the IRS believes should be only \$1,500, \$5,000 is treated as the proper amount.

Any [decrease in tax](#)^[16] for a prior year is first applied against any tax for that year that [remains unpaid](#)^[17] after the decrease, including delinquent amounts. For a corporation, the unpaid amount of tax also includes amounts due on or after the date the adjustment is allowed, payment for which was extended in anticipation of the carryback. The remainder of any decrease is credited against any tax or installment due from the taxpayer. The balance is refunded to the taxpayer.

Caution

Payment of the requested refund does not mean the IRS has accepted the application as correct. Any amount applied, credited or refunded that the IRS later determines was excessive may be assessed immediately as if it were due to a mathematical or clerical error on a return. The taxpayer may also be liable for additional tax, interest and penalties.

Examinations. Although the IRS must act quickly to allow or deny a quick carryback claim, it may conduct a [limited examination](#)^[18] of the application to discover errors and omissions of computation. The examination includes correcting any mathematical error appearing on the application, and correcting any modification required by law and incorrectly made by the taxpayer in computing the amount of the adjustment. The IRS can recompute the modifications required to determine the amount of the NOL, but it [cannot alter a deduction amount](#)^[19] it believes is excessive or include an item in gross income it believes was improperly omitted.

Form 1138, Payment Extension for Corporation Expecting an NOL

A corporation that expects an NOL in the current year may file [Form 1138](#), Extension of Time for Payment of Taxes by a Corporation Expecting a Net Operating Loss Carryback, to get an [automatic extension of time](#)^[20] to pay the tax for the immediately preceding tax year. The extension applies to taxes that meet [these requirements](#).^[21]

- (1) The tax must be an income tax.
- (2) The tax must be for the tax year immediately preceding the loss year.
- (3) The tax must be shown on the return or assessed within the tax year of the expected net operating loss.
- (4) The corporation must not have paid the tax or been required to pay the tax before filing [Form 1138](#).

Caution

The payment extension is limited to corporations. It is not available to individuals, trusts or estates.

Caution

An NOL arising in a tax year beginning after 2020 is generally [not allowed to be carried back](#)^[22] with the exception of farming losses. Consequently, with the exception of an expected farming loss, [Form 1138](#) will not be filed in a tax year beginning in 2018 or later to get an extension to pay tax for a preceding tax year.

Compliance Note

[Form 1138](#) is generally filed with the Internal Revenue Service Center where the corporation files its income tax return. It must be filed after the start of the tax year of the expected NOL, but before the tax of the preceding year is required to be paid

A corporation can file [Form 1138](#) separately or with [Form 7004](#), Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns. If the forms are filed together, they both should be filed with the Internal Revenue Service Center where the corporation files its [Form 7004](#) when the forms are filed together, [Form 1138](#) will reduce or eliminate the amount of tax to be deposited when [Form 7004](#) is filed.

The tax payment being extended [cannot exceed](#)^[23] the reduction in tax expected as a result of the projected net operating loss carryback. The extended payment amount also cannot exceed the following:

- The amount of tax due on the return;
- Plus any deficiency assessed prior to the date of filing;
- Less any amount paid or required to be paid prior to filing [Form 1138](#).

The [extension lasts](#) until the end of the month in which the corporation is required to file its tax return, including extensions of the filing deadline. By that time, the corporation knows the amount of its NOL and, thus, the amount of its tax liability. The corporation can further extend the time for payment by filing [Form 1139](#), Corporation Application for Tentative Refund, before the extension ends, which extends the period until the date the IRS informs the corporation that it has allowed or disallowed the application in whole or in part

If the estimated NOL is revised after [Form 1138](#) is filed, , the corporation should file a revised [Form 1138](#). The corporation may postpone [paying a larger tax](#)^[24] if it has not yet paid and was not required to have paid the amount. However, the corporation must [pay the tax](#)^[25] to the extent that the amount of tax previously postponed exceeds the amount of tax postponed on the revised filing. The time extension ends on the date the corporation files the new statement regarding the revised amount. The tax payment is immediately payable upon termination of the extension.

Compliance Note

Each [Form 1138](#) for the same tax year is considered a new statement—an amendment and replacement of any previous statement. The taxpayer must indicate on each new [Form 1138](#) that it has previously filed one or more prior [Form 1138](#) for the same tax year. A client must indicate the date each prior statement was filed and the extended payment amount under each prior statement.

Caution

[Interest accrues](#)^[26] on the tax liability even after a payment extension is granted, beginning on the date the payment would normally be due.

Practice Tip

The IRS may [terminate a payment extension](#)^[27] in whole or in part if the [Form 1138](#) is erroneous or unreasonable, or if it believes that the collection of the extended tax is in jeopardy. The IRS will issue a notice and demand for payment if it terminates a payment extension. The taxpayer cannot make a revised Form 1138 to replace a terminated one. after one has been terminated. he extension.

Assessment Period

Generally, the IRS is required to make [assess tax deficiency](#)^[28] within three years after the return is filed or, if earlier, the date the return was filed. However, for returns affected by NOL carrybacks, the assessment period is extended to include the assessment period for the loss year. This additional assessment period generally applies only to deficiencies related to the NOL carryover. For NOL carryback claims filed on [Form 1139](#), Corporation Application for Tentative Refund, the amount that can be assessed during the extended assessment period is limited to the amount credited or refunded because of the NOL carryback.

Example and Filled-in-Forms 1120

Omega Corp., a calendar year accrual method corporation, has an unabsorbed \$100,000 NOL carryover from 2017. The original 2017 NOL was \$250,000. Omega carried the 2017 NOL back to 2015 and 2016. It carried back \$50,000 to 2015 and \$100,000 to 2016. In 2018, Omega did not have any taxable income before the NOL deduction and special deductions reported on Line 28 and did not use any of the remaining \$100,000 NOL. In 2019, Omega has taxable income of \$75,000. Omega will claim an NOL deduction of \$75,000 on Line 29a on its 2019 return. Omega also reports the entire \$100,000 NOL available for carryover on Form 1120, Schedule K, Line 12. Omega must also attach a statement supporting the NOL deduction, including a detailed schedule showing the computation of the NOL deduction.

1120 U.S. Corporation Income Tax Return
 For calendar year 2019 or tax year beginning 2019, ending 2019
 OMB No. 1545-0023

1a **Concise return** (attach Form 990) **TYPE** Omega Corporation
 1b **Alternative consolidated return** (attach Form 990-E) **OR PRINT** 111 Betty Street
 2 **Person making this return** (attach Form 990) City or town, state or province, country, and ZIP or foreign postal code
 3 **Person to whom this return is being made** (attach Form 990) Chicago, IL 60607
 4 **Employer's EIN** (attach Form 990) **Check all that apply:** (1) Initial return (2) Final return (3) Home change (4) Address change

5 **Employer identification number** 52-1111111
 6 **Date incorporated** 1/2/2004
 7 **Total assets (see instructions)** \$

1a	Gross receipts or sales	1a	4,615,000
b	Returns and allowances	1b	
c	Balance. Subtract line 1b from line 1a	1c	4,615,000
d	Cost of goods sold (attach Form 1125-A)	2	1,200,000
3	Gross profit. Subtract line 2 from line 1c	3	3,415,000
4	Dividends and inclusions (Schedule C, line 23)	4	
5	Interest	5	
6	Gross rents	6	
7	Gross royalties	7	
8	Capital gain net income (attach Schedule D (Form 1120))	8	
9	Net gain or loss from Forms 4797, Part II, line 17 (attach Form 4797)	9	
10	Other income (see instructions—attach statement)	10	
11	Total income. Add lines 3 through 10	11	3,665,000
12	Compensation of officers (see instructions—attach Form 1125-G)	12	200,000
13	Salaries and wages (less employment credits)	13	2,000,000
14	Repairs and maintenance	14	30,000
15	Bad debts	15	15,000
16	Basis	16	725,000
17	Taxes and licenses	17	75,000
18	Interest (see instructions)	18	15,000
19	Charitable contributions	19	
20	Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)	20	125,000
21	Depletion	21	50,000
22	Advertising	22	
23	Pension, profit-sharing, etc., plans	23	
24	Employee benefit programs	24	
25	Reserved for future use	25	
26	Other deductions (attach statement)	26	
27	Total deductions. Add lines 12 through 26	27	3,400,000
28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11	28	265,000
29a	Net operating loss deduction (see instructions)	29a	75,000
b	Special deductions (Schedule C, line 24)	29b	
30	Add lines 29a and 29b	30	75,000
31	Taxable income. Subtract line 30 from line 28. See instructions	31	190,000
32	Total tax (Schedule J, Part I, line 11)	32	0
33	2019 net 96% tax liability paid (Schedule J, Part II, line 12)	33	10,000
34	Estimated tax penalty. See instructions. Check if Form 2220 is attached	34	
35	Amount owed. If line 33 is smaller than the total of lines 31, 32, and 34, enter amount owed	35	10,000
36	Overpayment. If line 33 is larger than the total of lines 31, 32, and 34, enter amount overpaid	36	10,000
37	Enter amount from line 35 you want credited to 2020 estimated tax	37	10,000

38 **Enter amount from line 37 you want credited to 2020 estimated tax** Refunded

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Schedule K Other Information (see instructions)

1 Check accounting method: a Cash b Accrual c Other (specify) _____ Yes No

2 See the instructions and enter the:

a Business activity code no. _____

b Business activity _____

c Product or service _____

3 Is the corporation a subsidiary in an affiliated group or a parent-subidiary controlled group? Yes No
If "Yes," enter name and EIN of the parent corporation _____

4 At the end of the tax year:

a Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part I of Schedule G (Form 1120) (attach Schedule G) Yes No

b Did any individual or estate own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part II of Schedule G (Form 1120) (attach Schedule G) Yes No

5 At the end of the tax year, did the corporation:

a Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation not included on Form 951, Affiliations Schedule? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (ii) below: Yes No

(i) Name of Corporation	(ii) Employer Identification Number (EIN)	(iii) Country of Incorporation	(iv) Percentage Owned in Voting Stock

b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (ii) below: Yes No

(i) Name of Entity	(ii) Employer Identification Number (EIN)	(iii) Country of Organization	(iv) Maximum Percentage Owned in Profit, Loss, or Capital

6 During this tax year, did the corporation pay dividends (either then stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? See sections 301 and 315. Yes No
If "Yes," file Form 5422, Corporate Report of Nondividend Distributions. See the instructions for Form 5422.

7 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of the total voting power of all classes of the corporation's stock entitled to vote or at least 25% of the total value of all classes of the corporation's stock? Yes No
For rules of attribution, see section 318. If "Yes," enter:
(a) Percentage owned: _____ and (b) Owner's country: _____
(c) The corporation may have to file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter the number of Forms 5472 attached: 0 1 2 3 4 5 6 7 8 9 10

8 Check the box if the corporation issued publicly offered debt instruments with original issue discount. Yes No
If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.

9 Enter the amount of tax-exempt interest received or accrued during the tax year: \$ _____

10 Enter the number of shareholders at the end of the tax year (if 100 or fewer): _____

11 If the corporation has an NOL for the tax year and is electing to forgo the carryback period, check here (see instructions): Yes No
If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(5) must be attached or the election will not be valid.

12 Enter the applicable NOL carryover from prior tax years (do not reduce it by any deduction reported on page 1, line 29a): _____ \$ _____

Form 1120 (2019)

Form 1120 (2019) Page 5

Schedule K Other Information (continued from page 4)

13 Are the corporation's total receipts (page 1, line 1a, plus lines 4 through 10) for the tax year and its total assets at the end of the tax year less than \$250,000? Yes No
If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year: \$ _____

14 Is the corporation required to file Schedule UTP (Form 1120), Uncertain Tax Position Statement? See instructions. Yes No
If "Yes," complete and attach Schedule UTP.

15a Did the corporation make any payments in 2019 that would require it to file Form(s) 1099? Yes No

b If "Yes," did or will the corporation file required Form(s) 1099? Yes No

16 During this tax year, did the corporation have an 80%-or-more change in ownership, including a change due to redemption of its own stock? Yes No

17 During or subsequent to this tax year, but before the filing of this return, did the corporation dispose of more than 65% (by value) of its assets in a taxable, non-taxable, or tax-deferred transaction? Yes No

18 Did the corporation receive assets in a section 351 transfer in which any of the transferred assets had a fair market value or fair market value of more than \$1 million? Yes No

19 During the corporation's tax year, did the corporation make any payments that would require it to file Forms 1042 and 1042-S under chapter 3 (sections 1441 through 1464) or chapter 4 (sections 1471 through 1474) of the Code? Yes No

20 Is the corporation operating on a cooperative basis? Yes No

21 During the tax year, did the corporation pay or accrue any interest or royalty for which the deduction is not allowed under section 267A? See instructions. Yes No
If "Yes," enter the total amount of the disallowed deductions: \$ _____

22 Does the corporation have gross receipts of at least \$500 million in any of the 3 preceding tax years? (See sections 59A(b)(2) and (3).) Yes No
If "Yes," complete and attach Form 999.

23 Did the corporation have an election under section 163(j) for any real property trade or business or any farming business in effect during the tax year? See instructions. Yes No

24 Does the corporation satisfy one or more of the following? See instructions. Yes No

a The corporation owns a pass-through entity with current, or prior year, carryover, excess business interest expenses.

b The corporation's aggregate average annual gross receipts (determined under section 448(c)) for the 3 tax years preceding the current tax year are more than \$25 million and the corporation has business interest expenses.

c The corporation is a tax shelter and the corporation has business interest expenses.
If "Yes," to any, complete and attach Form 6996.

25 Is the corporation attaching Form 9996 to certify as a Qualified Opportunity Fund? Yes No
If "Yes," enter amount from Form 9996, line 14: \$ _____

Form 1120 (2019)

STATEMENT SUPPORTING 2209 NET OPERATING LOSS DEDUCTION
Omega Corporation
EIN: 11-1111111
Tax Year Ending 12/31/19

Omega is allowed a net operating loss deduction in computing taxable income for the tax year ending 12/31/19 in the amount of \$75,000.

The applicable and material facts relating to the net operating loss claimed by Omega are as follows:

Omega is engaged in the retail sale of office equipment. Omega sustained a loss in 2017 due to road construction. The road leading into its most profitable store was closed for seven months during the year giving rise to lost revenues.

The following is a detailed schedule showing the computation of the net operating loss sustained by Omega in 2017:

Gross receipts	\$1,250,000
Less: Cost of goods sold	\$675,000
Less: Deductible business expenses	<u>\$825,000</u>
2017 Net Operating Loss	\$250,000

Omega has no deductions that require modifications pursuant to Reg. §1.172-2. See 2013 Form 1120 to which this statement is attached.

Omega carried back \$50,000 of the 2017 net operating loss to its tax year ending 12/31/15. It carried back \$100,000 of the 2017 net operating loss to its tax year ending 12/31/16. It was not able to utilize the carryover in 2018. Thus, it has a net operating loss carryover of \$100,000 to 2019. Of that carryover, \$75,000 is claimed as a net operating loss deduction for 2019.

Net operating loss sustained in 2017	\$250,000
Net operating loss carryback to 2015	(\$50,000)
Net operating loss carryback to 2016	<u>(\$100,000)</u>
Net operating loss available to carry forward to 2018	\$100,000
Net operating loss utilized in 2018	<u>\$0</u>
Net operating loss available to carry forward to 2019	\$100,000
Net operating loss utilized in 2019	<u>(\$75,000)</u>
Net operating loss available to carry forward to 2020	<u>\$25,000</u>

Citations

1. §172
2. §172(b)
3. §172(b)(1)(D)
4. §172(b)(1)(A)
5. §1.172-1(c)
6. §1.172-2
7. §172(e)
8. §172(a)
9. §199A
10. §250
11. §1.6411-1
12. §172(b)
13. §6611(f)(1)
14. §1.1502-78(e)(1)
15. §1.6411-2
16. §6411(B)
17. §1.6411-3(D)
18. §6411(B)
19. §1.6411-3(B)
20. §1.6164-5(a)

- 21. §1.6164-1(a)
- 22. §172(b)
- 23. §6164(b)(3)
- 24. §1.6164-6(a)
- 25. §1.6164-8(a)
- 26. §1.6164-9
- 27. §1.6164-7
- 28. §6501