

Loss Year Ending

Alabama Department of Revenue

• \_\_\_\_\_  
(mm/dd/yyyy)

# Computation of Net Operating Loss

Name(s) as shown on Form 40, or 40NR

Your Social Security Number

**PURPOSE OF SCHEDULE.** Form NOL-85 is designed to determine the actual **net operating loss** sustained in the loss year that may be carried back or carried forward. Before preparing this form, the loss year return **must** first be completed through the taxable income line. See instructions on the reverse side for further information.

## PART I – Excess of Nonbusiness Deductions Over Nonbusiness Income

### NONBUSINESS DEDUCTIONS:

1(a) Federal income tax claimed as a deduction on the loss year return		1a	●	
(b) Loss on sale of nonbusiness assets		1b	●	
(c) Payments to Individual Retirement Arrangement (IRA), Keogh retirement plan, or SEP plan		1c	●	
(d) Penalty on early withdrawal of savings (Form 40 only)		1d	●	
(e) Alimony paid		1e	●	
(f) Adoption expenses		1f	●	
(g) Self employed health insurance deduction from Page 2, Part II of Form 40 or 40NR		1g	●	
(h) Other (explain)		1h	●	

2(a) Enter the **Standard Deduction** claimed on return. Skip lines 2b, 3a-b, 4, and 5

(b) Enter the **Total Itemized Deductions** claimed on Schedule A

2b	●	
3(a) Casualty or theft loss claimed on Schedule A	3a	●
(b) Other miscellaneous business deductions	3b	●
4 Total Adjustments to Schedule A. Add lines 3a and 3b	4	●

5 **TOTAL NONBUSINESS ITEMIZED DEDUCTIONS.** Subtract line 4 from line 2b

6 **TOTAL NONBUSINESS DEDUCTIONS.** Add lines 1a through 2a and 5

### NONBUSINESS INCOME:

7(a) Interest and Dividend Income (Form 40 only)	7a	●	
(b) Gain on sale of nonbusiness assets	7b	●	
(c) Federal income tax refunds reported on loss year return (Form 40 only)	7c	●	
(d) Taxable distributions from pensions, annuities, IRAs or other retirement plans (Form 40 only)	7d	●	
(e) Alimony received (Form 40 only)	7e	●	
(f) Trust and/or Estate income from Schedule E	7f	●	

(g) Other (explain)  
On line 7(g) include items such as director's fees, royalty income, gambling income, prizes, awards, etc.

8 **TOTAL NONBUSINESS INCOME.** Add lines 7a through 7g

9 **EXCESS NONBUSINESS DEDUCTIONS OVER NONBUSINESS INCOME.** If line 6 exceeds line 8, subtract line 8 from line 6. Enter the result here and on line 5, Part II below. If line 8 exceeds line 6, enter -0- here and also on line 5, Part II below.

**PART II – Computation of Net Operating Loss**

1	Enter the <b>Taxable Income</b> from Form 40 or Form 40NR (must be a negative amount) . . . . . ▶		1	●		
<b>Modifications –</b> (enter all amounts on lines 2 through 6 below as positive amounts)						
2	Net Operating Loss claimed on the loss year return (if any) . . . . .	2				
3	Personal exemption claimed on the loss year return . . . . .	3	●			
4	Dependent exemption claimed on the loss year return . . . . .	4	●			
5	Enter the Excess Nonbusiness Deductions Over Nonbusiness Income from line 9, Part I above . . . . .	5	●			
6	<b>TOTAL MODIFICATIONS.</b> Add lines 2, 3, 4, and 5 . . . . .	6	●			
7	<b>NET-OPERATING LOSS ALLOWABLE.</b> Combine lines 1 and 6. If the result is a negative figure, enter here. If zero or a positive figure – <b>STOP – DO NOT FILE THIS FORM.</b> You <b>DO NOT</b> have a net operating loss . . . . . ▶	7	●			

**PART III – Election to Forfeit Carryback Provision (CAUTION – Do Not Complete Part III If You Are Carrying Loss Back)**

If the amount on line 7, Part II above is a negative figure, you may elect to carry this loss forward or it must be carried back 2 years (3 years prior to January 1, 1998) and any unused portion may then be carried forward to succeeding years (see instructions). See Part III instructions for election to forfeit carryback provision.

By checking the box, I hereby elect to forfeit the carryback provision and instead elect to carryforward any allowable net operating loss for this taxable year. . . . . ●