

Alabama Department of Revenue

For Year Ending

APPLICATION OF
Net Operating Loss Carryback or Carryforward

• _____
(Enter year (mm/dd/yyyy) to which loss is being carried)

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

Your Social Security Number

PURPOSE OF SCHEDULE. Form NOL-85A is designed to apply a net operating loss to the tax year to which the loss is being carried. Before Form NOL-85A can be completed, you **must** first complete Form NOL-85 to determine the amount of net operating loss that may be carried back or forward. See instructions on the reverse side for further information.

- 1(a) Enter the tax year during which the net operating loss was incurred. Beginning • _____, _____ Ending • _____, _____
- (b) Did you elect on Form NOL-85 to forfeit the election to carry this loss back? Yes No
- (c) Did you timely file the subsequent year's return and claim the net operating loss thereon? Yes No

PART I – Computation

2	Enter the net operating loss as shown on line 7, Part II, Form NOL-85, or as shown on line 7, Form NOL-85A (see instructions) ▶	2	
3	Enter the taxable income as shown on Form 40, Form 40NR, or Form 40X for the tax year to which the loss is being carried.	3	
MODIFICATIONS			
4(a)	Personal Exemption. Enter the amount of personal exemption claimed on the return to which the loss is being carried.	4a	
4(b)	Dependent Exemption. Enter the amount of dependent exemption claimed on the return to which the loss is being carried.	4b	
5	TOTAL MODIFICATIONS. Add lines 4(a) and 4(b).	5	
6	MODIFIED TAXABLE INCOME. Add lines 3 and 5. If negative enter zero.	6	
7	UNUSED NET OPERATING LOSS. If line 2 exceeds line 6, subtract line 6 from line 2. Enter difference here and enter zero (0) on the tax due line of Form 40 or Form 40NR. DO NOT complete Part II below. The amount on line 7 may be carried forward to the next applicable year (Form NOL-85A, line 2). If line 6 exceeds line 2, enter zero here and complete Part II below. ▶	7	

If the Net Operating Loss Deduction on line 2 above is:

- a. **Less** than the taxable income reported on line 3 above, complete lines 8 through 14 below.
- b. **Equal to or greater** than the taxable income reported on line 3 above, check here and **SKIP** lines 8 through 13, and enter zero on line 14.

PART II – Application

8	Enter the Adjusted Gross Income as shown on the return (or prior adjustment or prior NOL-85A) for the year to which the loss is being carried	8	●	
9	Net Operating Loss to be Applied. Enter the amount from line 2, Part I above.	9	●	
10	MODIFIED ADJUSTED GROSS INCOME. Subtract line 9 from line 8 and enter the result here. (If you filed Form 40NR, complete Part III before completing lines 11 through 14.) ▶	10	●	
DEDUCTIONS				
11(a)	Standard Deduction. If you claimed the Standard Deduction on the return to which the loss is being carried, recompute the Standard Deduction based on the Modified Adjusted Gross Income shown on line 10	11a	●	
(b)	Itemized Deductions. If you claimed Itemized Deductions on the return to which the loss is being carried, recompute the itemized deductions based on the Modified Adjusted Gross Income shown on line 10	11b	●	
(c)	Federal Income Tax. Enter the federal income tax as last determined and claimed as a deduction on the return to which the loss is being carried.	11c	●	
(d)	Personal Exemption. Enter the personal exemption as claimed on the return to which the loss is being carried	11d	●	
(e)	Dependent Exemption. Enter the dependent exemption as last determined and claimed on the return, recompute the dependent exemption based on the Modified Adjusted Gross Income shown on line 10, to which the loss is being carried	11e	●	
12	TOTAL DEDUCTIONS. Add lines 11a through 11e.	12		
13	TAXABLE INCOME AS ADJUSTED. Subtract line 12 from line 10 and enter result here. ▶	13	●	
14	TAX DUE AFTER APPLICATION OF NET OPERATING LOSS. Compute the tax due using the tax tables for the year to which the loss is being carried. Enter the result here and also on the TAX DUE line of Form 40X, Form 40, or Form 40NR . ▶	14		

PART III – Modified Adjusted Gross Income Percentage (This section to be completed by nonresidents only)

15	Adjusted Gross Income From All Sources. Enter the adjusted gross income from all sources as shown on the return to which the loss is being applied	15	●	
16	Net Operating Loss to be Applied. Enter the amount shown on line 9, Part II.	16	●	
17	Modified Adjusted Gross Income From All Sources. Subtract line 16 from line 15 ▶	17	●	
18	Modified Adjusted Gross Income From Alabama Sources. Enter the amount from line 10, Part II	18	●	
19	Percentage of Alabama Adjusted Gross Income to Total Adjusted Gross Income From All Sources After Modifications. Divide the amount on line 18 by the amount on line 17 and enter percentage here (but not over 100%). . . ▶	19	●	

The percentage on line 19 should be used to recompute the Standard Deduction or Itemized Deductions, Federal Income Tax Deduction, Personal Exemption, and Dependent Exemption on lines 11a through 11e, Part II. **NOTE:** If you are married and filed separate Alabama returns and a joint Federal return, **DO NOT** use the percentage on line 19 to recompute the federal income tax deduction. See Special Instructions for Nonresidents.