



Name shown on IA 1040 _____ Social Security Number _____

Spouse's Name _____ Social Security Number _____

Calculation of the Iowa Net Operating Loss (Nonresidents, see instructions)

- 1. Net Income for loss year _____ (fill in year) from IA 1040, line 26. 1. _____
2. Additions to Net Income
a. Net Operating Loss claimed from previous year 2a. _____
b. Net capital loss from IA 1040, line 6 or capital gain deduction from IA 1040, line 23. See instructions 2b. _____
c. Nonbusiness Adjustments to Income 2c. _____
d. All federal tax refunds from IA 1040, line 27 2d. _____
e. Self-employment/household employment/other federal taxes from IA 1040, line 28 2e. _____
3. Total Additions. Add lines 2a through 2e and enter here 3. _____
4. Subtotal. Add lines 1 and 3 and enter here 4. _____
5. Deductions from Net Income
a. Federal tax payments from IA 1040, lines 31-33 5a. _____
b. Business deductions included in itemized deductions..... 5b. _____
c. Nonbusiness itemized deductions/adjustments, to the extent of nonbusiness income. See instructions 5c. _____
6. Total subtractions from Net Income. Add lines 5a through 5c and enter here 6. _____
7. Computed NOL. Subtract line 6 from line 4 and enter here 7. _____

Application of the IA Net Operating Loss: Complete part 1 or part 2 below. See instructions.

Part 1: IA NOL is greater than taxable income in the carryback or carryover year

- 8. Iowa Taxable Income for carryback or carryover year _____ (fill in year). From IA 1040, line 38 for years 2013 forward, if applicable, or IA 1040, line 42 for years 2012 and prior 8. _____
9. Additions to Iowa Taxable Income, if applicable
a. Capital loss from IA 1040, line 6 or capital gain deduction from IA 1040, line 23 9a. _____
b. Itemized deductions decrease due to 9a per amended federal return. Applies only if a federal NOL is filed..... 9b. _____
10. Add lines 9a and 9b and enter here 10. _____
11. If applicable, increase in Iowa standard deduction. See instructions 11. _____
12. Subtract line 11 from line 10 and enter here 12. _____
13. Adjusted Taxable Income. Add lines 8 and 12 and enter here..... 13. _____
14. NOL carryforward. Add lines 7 (less any prior applications) and 13, and enter here 14. _____

Part 2: IA NOL is less than taxable income in the carryback or carryover year

- 15. Net Income for carryback or carryover year _____ (fill in year) from the IA 1040, line 26. Include capital gain deduction to the extent of the NOL. 15. _____
16. NOL deduction less any prior applications. 16. _____
17. Adjusted Iowa Net Income. Subtract line 16 from line 15 and enter here 17. _____
18. Enter all federal tax refund(s) and other federal taxes from IA 1040, lines 27 and 28..... 18. _____
19. Total. Add lines 17 and 18 and enter here 19. _____
20. Deductions:
a. Federal tax paid from IA 1040, lines 31-33 20a. _____
b. Itemized deductions per original return or revised standard deduction..... 20b. _____
c. Additional itemized deductions per amended federal return. Applies only if a federal NOL is filed 20c. _____
21. Total Subtractions. Add lines 20a through 20c and enter here 21. _____
22. Taxable Income. Subtract line 21 from line 19 and enter here 22. _____

IA 123 Net Operating Loss Worksheet Instructions

Application of the Net Operating Loss for Iowa Purposes:

For tax years beginning after August 5, 1997, the net operating loss attributable to Iowa is subject to the federal two-year carryback and up to a 20-year carryover provision. This provision does not apply to casualty losses and losses of farmers and small businesses attributable to losses incurred in presidentially-declared disaster areas (back 3, forward 20). Effective for tax years beginning on or after January 1, 1998, Iowa net operating losses from farming may be carried back five years and forward 20 years. However, taxpayers with net operating losses from farming for tax years beginning in 1998 or after can elect to forego the 5-year carryback provision and can carry back the loss two years (three years for a loss in a national disaster area or due to a casualty, storm or theft.) This federal election can be made on the federal original return or on an amended federal return within the 6-month period after the due date.

Important Notice: Iowa did not couple with the federal changes to the carryback rules provided by the American Recovery and Reinvestment Act of 2009.

Election:

If there is both a federal net operating loss and an Iowa net operating loss and a timely election is made to forego the carryback period for federal purposes, that election is binding for Iowa purposes. If a net operating loss occurs for Iowa purposes but not for federal purposes, the loss must first be carried back and then carried forward for the carryback and carryforward periods applicable to that tax year. No election to forego the carryback period is allowable.

Classification of income:

For purposes of identifying business and nonbusiness deductions, refer to the federal guidelines since they are applicable for Iowa net operating loss purposes. In order to allow nonbusiness deductions, a schedule showing all such nonbusiness deductions must be provided.

Nonbusiness Adjustment to Income:

Nonbusiness adjustments to income which are most common, but not limited to: IRA, HR-10, early withdrawal penalty, alimony paid, disability income exclusion, and pension exclusion. Note: The health insurance deduction will typically be classified as a business deduction.

Capital Gain and Loss Regarding Net Operating Loss Computation:

An individual or other noncorporate taxpayer can deduct nonbusiness capital loss only to the extent of nonbusiness capital gain. Beginning with tax year 1994, any Iowa capital gain deduction must be added back in the computation of the Iowa NOL. Further, when applying an NOL from tax year 1994 or later, the capital gain deduction is not allowed in the carryback or carryover tax year and must be added back to income to the extent of the NOL.

Line 5c: Nonbusiness itemized deductions and nonbusiness adjustments are allowed only to the extent of nonbusiness Iowa income. An itemized deduction schedule (Schedule A) for the loss year must be included with the IA 1040X amended return when making an itemized deduction entry on this line.

Part 1: IA NOL is greater than taxable income in the carryback or carryover year

Line 9a: Your deduction for the excess of capital loss over capital gain is not allowed, and you are not permitted the capital gain deduction for the tax years that the exclusion/deduction applies.

If the loss year in the Calculation of the Iowa Net Operating Loss section of this worksheet is 1994 or later, then any capital gain deduction must be added back to taxable income.

Line 9b: If you have filed a federal net operating loss carryback or carryover for this same year, and due to capital loss or capital gain exclusions in the application year you were required to decrease your medical expense deduction, casualty and theft losses, and miscellaneous deductions, enter the total amount of those decreases on line 9b.

Line 11: If you claimed the Iowa standard deduction in the carryback or carryover year and you made an entry on line 9a, you may recalculate your Iowa standard deduction and enter the appropriate increase, if any, on line 11.

Lines 13-14: If a net operating loss is greater than the adjusted taxable income in a carryback or carryover year, an IA 1040X amended return for the carryback year (IA 1040 for carryover year) must be included showing no taxable income. The remaining net operating loss on line 14 is to be carried forward to the next tax year.

Part 2: IA NOL is less than taxable income in the carryback or carryover year

Line 20b: Enter the itemized deductions allowed

on your original Iowa income tax return or the revised Iowa standard deduction due to line 16. The Iowa standard deduction must be refigured after application of the NOL carryback/carryover in any year in which the NOL is carried and fully absorbed.

Line 20c: If you also filed a federal net operating loss carryback claim for this tax year and were allowed to increase your itemized deductions for medical expenses, casualty and theft losses, and miscellaneous deductions due to the NOL application, enter the increase in those deductions on line 20c.

Line 22: Enter this amount directly on the "Taxable Income" line of your IA 1040X and attach this worksheet to the IA 1040X return. No entry is necessary on the IA 1040X return above the "Taxable Income" line in the corrected computation column, but you must continue your amended tax calculation after that line.

Nonresidents and Part-Year Residents:

In order for nonresidents and part-year residents to carry back or carry over a net operating loss that loss must be from Iowa sources. A loss which is not from Iowa sources cannot be reported anywhere on the Iowa return or Schedule IA126.

Nonresident or part-year resident taxpayers should begin calculation of an Iowa net operating loss with their Iowa-source net income from Schedule IA 126. Additions on lines 2a, 2b, and 2c should be made only if these items are allocable to Iowa.

Federal tax refunds (line 2d) need be added only in ratio with the taxpayer's Iowa income percentage in the tax year generating the refund. Self-employment tax (line 2e) is added only to the extent it is deducted on line 5a.

Federal tax payments (line 5a) may be deducted only if the tax payment was directly attributable to Iowa-source income. This includes federal taxes withheld from Iowa-source income, or the amount of additional federal tax paid for a prior year in the current tax year prorated by the Iowa income percentage for the prior year for which the tax was paid.

Entries should be made on lines 5b and 5c only as these items relate directly to income allocated to Iowa on the IA 126.

The Iowa-source net operating loss should be applied to the Iowa-source income on Schedule IA 126 for the carryback/carryover year. This will decrease the Iowa-source net income for that tax year, creating a lower Iowa income percentage, an increase in the nonresident/part-year resident tax credit, and may result in an overpayment for the carryback/carryover tax year.

For additional information, see the Iowa Administrative Code, section 40.18. (While not comprehensive, it may be helpful.)