



Instruction for AR1000NOL (Net Operating Loss Schedule)

These instructions should help calculate Net Operating Loss (NOL) amounts to enter on line 12 of Form AR-OI.

Per the amended Arkansas Code Annotated 26-51-427, net operating losses occurring on or after January 1, 2021, can be carried forward for up to 10 years.

Who can use a Net Operating Loss deduction?

Partnerships, Limited Liability Companies, and S-Corporations are prohibited from using the NOL deduction if the organization is taxed as a Partnership. Partners, Limited Liability Company owners, and S-Corporation owners can use appropriated business losses as deductions in calculating NOL.

To calculate NOL, subtract total deductions from the Adjusted Gross Income (AGI). The list below of Deductible and Nondeductible items is not exhaustive.

$$\text{AGI} - \text{Deductions} = \text{NOL}$$

If the resulting NOL is a negative number, add all nontaxable income not normally required by law to be reported as taxable income, less any expenses properly and reasonably incurred in earning said nontaxable income.

Deductible:	Nondeductible:
Standard/Itemized deduction	Income taxes
Net income prior to income tax	Personal exemptions
Net income prior to personal exemptions	Credit for dependents
Net income prior to credit for dependents	Capital losses in excess of capital gains
Casualty/theft losses related to a federally declared disaster	Nonbusiness deductions in excess of nonbusiness income
Your share of a business loss from a partnership	Qualified business deductions
Interest and litigation expenses on income tax related to your business	NOL carryovers from other years

The net operating loss may be carried forward to the next-succeeding taxable year and annually thereafter for a total number of periods to be determined by the period of the initial deduction. For example:

Losses occurring on or after January 1, 2020, but before January 1, 2021, may be carried forward for a total period of **eight** (8) years. Losses occurring before January 1, 2020, may be carried forward for a total period of **five** (5) years.

Arkansas does not allow NOL(s) to be carried back. This includes farming businesses, even while the Internal Revenue Service gives a 2-year exception to the “No Carryback Rule.”

Arkansas Code Annotated 26-51-427 provides that net operating losses must be claimed in the first year available. A taxpayer may not forego a net operating loss deduction in a year it could have been used and then claim it in a subsequent year.



Instruction for AR1000NOL (Net Operating Loss Schedule) (Cont.)

Taxpayer's legal name: Enter the name of the person on the tax return that is claiming an NOL deduction.

Taxpayer's social security number: Enter the social security number of the person on the tax return that is claiming an NOL deduction.

Tax Year: Locate the period in which the NOL first occurred or is carried forward.

Beginning Balance: Enter the beginning balance of the NOL for the period listed in that specific column. Typically, it will be the same amount as the carry forward for the previous period. For example, if the amount carried forward from the previous tax year is \$5,000, then your beginning balance for the current tax year should also be \$5,000.

New Loss: Enter any new losses considered an NOL in this box. The new loss would have occurred in the period of the column in which it is entered.

Deduction Claimed: Enter the amount of the NOL deduction that you will be claiming for the period listed in that specific column. Any time a tax year is not claiming an NOL, enter -0- in the Deduction Amount field.

Amount Expired: Any amount that has not been claimed at the time the last eligible period has been reached should be entered in the Amount Expired field.

Carry Forward: Enter the amount of the NOL deduction that you plan to carry forward to the next period.

NOTE: There are limits to how many periods you can use the deduction.

Spouse: If filing status 4, use the chart on the lower half of the AR1000NOL to claim an NOL for the spouse