

Instructions for Idaho Form 56

GENERAL INSTRUCTIONS

A net operating loss (NOL) is the amount that Idaho taxable income, after making modifications discussed later, is less than zero. Individuals, C corporations, trusts, and estates are allowed a deduction in computing Idaho taxable income for an Idaho NOL. S corporations and partnerships aren't allowed an NOL deduction. Instead, any losses are passed through to the shareholders and partners.

A net operating loss incurred in tax years beginning on or after January 1, 2013, will be subtracted in the 20 succeeding tax years unless an amended return carrying the loss back is filed within one year of the end of the tax year of the net operating loss that results in the carryback. If an amended return is filed to carry the loss back, the loss is first applied to the second tax year preceding the loss year. Any loss not fully subtracted or absorbed by Idaho income is next applied to the first preceding tax year. The loss carried back is limited to a total of \$50,000 for an individual filing as married filing separately or \$100,000 for individuals filing as married filing jointly. Any remaining loss may be carried forward until used, but not longer than 20 years. Losses carried forward are applied to each year in order until absorbed.

For tax years beginning on or after January 1, 2000, and before January 1, 2013, you generally must carry an NOL back to the two preceding tax years unless you made a timely election, on the Idaho return, to forgo the carryback period. The carryback is limited to a maximum of \$100,000. Any remaining loss may be carried forward until used, but not longer than 20 years.

For tax years beginning before January 1, 2000, you generally must carry an NOL back to the three preceding tax years unless you made a timely election, on the Idaho return, to forgo the carryback period. The carryback is limited to a maximum of \$100,000. Any remaining loss may be carried forward until used, but not longer than 15 years.

CALCULATION OF NOL AND INCOME AVAILABLE FOR ABSORPTION

Each year to which an NOL is applied is referred to as an absorption year. Certain adjustments must be made to taxable income or loss to calculate the NOL and how much income is available for absorption in the year to which the NOL is carried back or carried forward.

To compute the NOL, the following adjustments need to be made:

Individuals — Add back any:

- NOL carryovers deducted from previous years
- Federal net capital losses deducted
- Idaho capital gains deduction

Subtract any:

- Casualty losses on Idaho property included in itemized deductions

Losses reported on Section B of federal Form 4684, such as losses resulting from Ponzi schemes, are considered theft losses, not casualty losses, and must be added back in determining the amount of an Idaho NOL.

Trusts and estates — Add back any:

- NOL carryovers deducted from previous years
- Federal net capital losses deducted

Corporations — Add back any NOL carryovers deducted from previous years

APPLICATION OF AN NOL

Use the NOL Application section to show how your NOL is being applied to the carryback and carryover years. You may use your own schedule if it's more helpful to you. The Form 56 or your own schedule must be included with the return for any year to which the NOL is carried.

If the NOL is carried back to a tax year for which a return was previously filed, you must file an amended Idaho return to report the NOL carryback. File the appropriate form for each tax year to which the NOL is being applied. Check the "Amended Return" box if available at the top of the form, or if not on the form, write "Amended Return" at the top of the form. Recompute your Idaho taxable income, Idaho tax liability, and any nonrefundable tax credits claimed. Include a copy of Form 56 or a schedule showing the application of the loss with your amended return.

For tax years beginning before January 1, 2013, if you are carrying back the loss, you have until the 15th day of the 40th month following the end of the loss year to file the amended return for absorption year(s). For example, if the loss was incurred in 2012, you have until April 15, 2016, to file the amended returns for absorption years 2010 and 2011.

For tax years beginning on or after January 1, 2013, an amended return carrying the loss back must be filed within one year of the end of the tax year of the loss that results in the carryback. For example, if the loss was incurred in 2013 and you decide to carry the loss back to 2011, the amended 2011 and possibly 2012 returns must be filed by December 31, 2014.

If the NOL is being carried forward, subtract the loss on the tax return for the carryover year(s). Include Form 56 or a schedule showing the application of the loss with your income tax return.

SPECIFIC INSTRUCTIONS

Line 1. Starting with the earliest tax year, enter absorption years and the NOL year. The absorption years will be the carryback and carryover years to which you apply the NOL.

Line 2. Individuals, Trusts, and Estates. Enter the Idaho adjusted income (loss).

- Form 40 filers:
For tax years 2011 through 2016, this is line 11.
- Form 43 filers:
For tax years 2011 through 2016, this is line 31.
- Form 66 filers:
Enter the Idaho taxable income (loss) before the exemption deduction. For tax years 2011 through 2016, this is line 7.

Corporations. Enter the Idaho taxable income (loss) from Form 41. For tax years 2011 through 2016, this is line 37.

Line 3. Enter any NOL carryforward/carryback from prior years if included in the amount on line 2. Enter the amount as a positive number.

Line 4. Individuals, Trusts, and Estates. Enter any capital losses in excess of capital gains included in the amount on line 2. For example, a taxpayer reported a \$4,000 capital gain and a \$5,000 capital loss on federal Schedule D. The capital loss deduction included in Idaho adjusted income (loss) is \$1,000. Enter the amount as a positive number.

Corporations. Don't enter anything on this line.

Line 5. Individuals. Enter any Idaho capital gain deduction allowed in computing Idaho adjusted income (loss). Enter the amount as a positive number.

Corporations, Trusts, and Estates. Don't enter anything on this line.

Line 6. Individuals. Enter any casualty losses reported on federal Schedule A, Itemized Deductions, provided that the property was physically located in Idaho at the time of the casualty. Use federal Form 4684, Section A, to compute the casualty loss deductible on Schedule A. Enter the amount as a negative number.

Form 43 filers will multiply the Idaho percentage from the loss year return by the amount of casualty loss reported on the federal Schedule A for that year to determine the amount to enter on this line. Enter the amount as a negative number.

Corporations, Trusts, and Estates. Don't enter anything on this line.

Line 7. For your loss year computations, total the amounts listed on lines 2 through 6. This is your Idaho net operating loss. For absorption years, skip this line and go to line 8.

Line 8. If you had income on line 2, total the amounts listed on lines 2 through 6. Your NOL, computed on line 7, is reduced by the Idaho absorption income.

NOL Application

The NOL Application section is used to show how your NOL is applied to the carryback and carryforward years. You may use your own schedule if it's more helpful to you.

In the column below NOL Application, year to year, enter the tax year in which the NOL was incurred (Loss Year) followed by the tax year to which the NOL is being carried back or carried forward (Absorption Year) in the spaces provided. For example, if your NOL was incurred in tax year 2011 and you are carrying back the loss to tax year 2009, enter 2011 to 2009.

Enter the amount of the NOL in the column under the tax year to which the NOL is being applied. Enter the same amount in the loss year column.

In the last row, subtract the NOL applications from line 7. If the result is zero, you have absorbed your NOL.