

Instructions for Idaho Form 56

GENERAL INSTRUCTIONS

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

For NOLs incurred in tax years beginning on or after January 1, 2013, you must subtract the loss in the following 20 tax years. You can carry the loss back two years if you file an Idaho amended return within one year of the end of the NOL year. You can only carry back \$50,000 if you're filing as married filing separately or \$100,000 if you're filing as married filing jointly. If you file an Idaho amended return to carry the loss back, you must apply the loss to the earliest tax year before the loss year. If you don't use all the loss, you can apply the rest to the first preceding tax year. You can carry forward any remaining loss until used, but no longer than 20 years. Idaho applies losses carried forward to each year in order until absorbed.

For NOLs incurred in tax years beginning on or after January 1, 2000, and before January 1, 2013, you must carry the loss back to the two prior years. If you made a timely election on the Idaho return to forgo the carryback period, you can carry the loss forward. The maximum carryback is \$100,000. You can carry any remaining loss forward until used, but no longer than 20 years.

For NOLs incurred before January 1, 2000, you must carry the loss back to the three prior tax years. If you made a timely election on the Idaho return to forgo the carryback period, you can carry the loss forward. The maximum carryback is limited to \$100,000. You can carry any remaining loss forward until used, but no longer than 15 years.

CALCULATION OF NOL AND INCOME AVAILABLE FOR ABSORPTION

An absorption year is a year that uses or absorbs the loss. You must make certain adjustments to taxable income or loss to calculate the loss. You must also calculate how much income is available in carry back or carry forward years to absorb the loss.

To compute the NOL, make the following adjustments to Idaho income:

Individuals — Add back any:

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

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

Subtract any:

Casualty losses on Idaho property included in itemized deductions.

Trusts and estates — Add back any:

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

Corporations — Add back any federal NOL carryovers deducted from previous years.

APPLICATION OF AN NOL

Use the NOL Application section to show how you're applying your NOL to the carryback and carryover years. You can use your own schedule if it's more helpful to you. Include Form 56 or your own schedule with the return for any year to which you carry the NOL.

If you carry the NOL 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 apply the loss. Check the "Amended Return" box if available at the top of the form, or 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 on or after January 1, 2013, you can carry the loss back if you file an Idaho amended return within one year of the end of the loss year. For example, if the loss was incurred in 2013 and you decide to carry the loss back to 2011, you must file the amended 2011 and possibly 2012 returns by December 31, 2014.

If you're carrying the loss 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.

For tax years beginning before January 1, 2013, 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) if you're carrying back the loss. 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.

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 2018, this is line 11.
- Form 43 filers:
For tax years 2011 through 2018, this is line 31.
- Form 66 filers:
Enter the Idaho taxable income (loss) before the exemption deduction. For tax years 2011 through 2018, this is line 7.

Corporations. Enter the Idaho taxable income (loss) from Form 41. For tax years 2011 through 2018, 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, 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

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

In the column below NOL Application, year-to-year, enter in the spaces provided 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). For example, if your NOL was incurred in tax year 2011 and you're 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.