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 are not allowed an NOL deduction. Instead, any losses are passed through to the shareholders and partners.

For tax years beginning on and after January 1, 2000, you generally must carry an NOL back to the two preceding tax years. The loss carried back is limited to a maximum of $100,000. The loss is first applied to the second tax year preceding the loss year. Any loss not fully subtracted or absorbed from Idaho income is next applied to the first preceding tax year. 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.

You may elect to forego the carryback period and carry the loss forward. This election must be made by the due date, including extensions, of the loss year return. The election cannot be revoked.

If you are filing Form 40, 43 or 41, make the election by checking the box on the loss year return electing to forego the carryback period. If you check the box, you do not need to include a separate statement electing to forego the Idaho carryback period.

If you are filing Form 66, include a statement with the loss year return identifying the fiduciary's name, address, employer identification number, the amount of the NOL, and a statement that the fiduciary is electing to forego the Idaho carryback period.

For tax years beginning prior to January 1, 2000, you generally must carry an NOL back to the three preceding tax years unless you made a timely election to forego 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

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 is 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 and request a refund. 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.

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 the absorption year(s).

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:
  2008 and 2009 – line 13
  2010 – line 11
- Form 43 filers:
  2008 – Column B, line 34
  2009 – Column B, line 33
  2010 – Column B, line 31
- Form 66 filers:
  Enter the Idaho taxable income (loss) before the exemption deduction - 2008, 2009, and 2010 – line 7

Corporations. Enter the Idaho taxable income (loss) from Form 41. For tax years 2008 through 2010, this is line 37.

Line 3. Enter any NOL carryover 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. Do not 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.

Trusts, Estates, and Corporations. Do not 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.

Trusts, Estates, and Corporations. Do not 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. This is your Idaho absorption income for the year. This income is available against which you can apply your NOL computed on line 7.

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 is 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 2010 and you are carrying back the loss to tax year 2008, enter 2010 to 2008.

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.