

Supplement to Form 511

OKLAHOMA NET OPERATING LOSS

FULL-YEAR RESIDENTS ONLY

NOL INSTRUCTIONS...

The loss year return must be filed to establish the Oklahoma Net Operating Loss. If the loss is from a pass-through entity, the pass-through entity must also file a tax return.

An Oklahoma net operating loss (NOL) shall be separately determined by reference to Section 172 of the Internal Revenue Code as modified by the Oklahoma Income Tax Act and shall be allowed without regard to the existence of a Federal NOL. Therefore, for additional information, use the Federal instructions for Form 1045 "Application for Tentative Refund" or Federal Publication 536 "Net Operating Losses (NOLs) for Individuals, Estates, and Trusts".

- ✓ * For 1996 through 2000 Oklahoma NOLs, no loss carryback shall be allowed.
- ✓ For 1996 through 2000 Oklahoma NOLs, the NOL carryforward shall not exceed 15 years.
- ✓ * For 2001 through 2007 and for 2009 and subsequent Oklahoma NOLs, the loss carryback period shall be determined solely by reference to Section 172 of the Internal Revenue Code. An election may be made to forego the Net Operating Loss (NOL) carryback period. A written statement of the election must be part of the timely filed Oklahoma loss year return or to an amended return for the NOL year filed within six months of the due date of your original return (excluding extensions).
- ✓ * For a 2008 Oklahoma NOL, the loss carryback shall be limited to a period of two years. An election may be made to forego the Net Operating Loss (NOL) carryback period. A written statement of the election must be part of the timely filed Oklahoma loss year return or to an amended return for the NOL year filed within six months of the due date of your original return (excluding extensions).
- ✓ For 2001 and subsequent Oklahoma NOLs, the loss carryforward period shall be determined solely by reference to IRC Section 172.

*** Notes:**

For tax year 2000 and subsequent, an NOL that is a result of a farming loss may be carried back in accordance with the provisions contained in the Internal Revenue Code. However, the amount of the NOL carryback shall not exceed the lesser of \$60,000 or the loss properly shown on the Federal Schedule F reduced by 1/2 of the net income from all other sources other than reflected on Schedule F.

You can choose to treat a farming loss as if it were not a farming loss. To make this choice, attach a statement to your loss year return stating that you are choosing to treat the farming loss as if it were not a farming loss under Section 172(i)(3) of the Internal Revenue Code.

COMPUTATION OF ITEMIZED DEDUCTIONS

When there is positive out-of-state income, the following steps, A or B, will be used to calculate the itemized deductions attributable to the Oklahoma NOL. When determining if there is positive out-of-state income, out-of-state income and out-of-state losses should be netted together. When there is no positive out-of-state income, all of the itemized deductions will be claimed on the Oklahoma NOL computation, go directly to Schedule A. If using standard deduction, go directly to Schedule A.

- A. When there is a positive Oklahoma Adjusted Gross Income and positive out-of-state income, the amount of itemized deductions allowable is the Oklahoma pro rata share, as per the instructions on the Oklahoma return.
- B. When there is a negative Oklahoma Adjusted Gross Income and positive out-of-state income, the allowable portion of the itemized deductions is computed as follows. The total allowable nonbusiness deductions cannot exceed the amount of nonbusiness income.

	Example A	Example B	Taxpayer's Use
1. All nonbusiness itemized deductions	10,000.00	5,000.00	
2. All nonbusiness income (including nonbusiness capital gains)	8,000.00	8,000.00	
3. Enter lesser of lines 1 and 2.	8,000.00	5,000.00	
4. Net out-of-state income.	3,000.00	3,000.00	
5. Subtract line 4 from line 3. (Do not enter an amount less than zero.)	5,000.00	2,000.00	
6. Business itemized deductions attributable to Oklahoma.	1,000.00	1,000.00	
7. Total itemized deductions attributable to Oklahoma. Add lines 5 and 6, enter here and on line 2a NOL Schedule A.	6,000.00	3,000.00	

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FORM 511 NOL SCHEDULE A Revised 2009

Taxpayer's first name and initial	Last name
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Taxpayer Social Security Number

COMPUTATION OF OKLAHOMA NET OPERATING LOSS FOR TAX YEAR _____

1.	Oklahoma adjusted gross income from Form 511.....	1	
DEDUCTIONS	a. Enter amount from the NOL Instructions: Computation of Itemized Deductions or enter the Oklahoma Standard Deduction if you did not itemize.....	2a	
	b. Enter Total Adjustments to Oklahoma Adjusted Gross Income from Schedule 511-C.....	2b	
	c. Add lines 2a and 2b	2c	()
3.	Combine lines 1 and 2c. Enter the total here	3	
Note: If line 3 is zero or more, do not complete remainder of schedule. There is no net operating loss.			
ADJUSTMENTS: Lines 4 - 26 are entered as positive numbers.			
4.	Enter Oklahoma nonbusiness capital losses (before limitation). For 2005 and later years, also enter the nonbusiness Oklahoma Capital Gain Deduction from Schedule 511-A	4	
5.	Enter Oklahoma nonbusiness capital gains (without regard to any Section 1202 exclusion)	5	
6.	If line 4 is larger than line 5, enter difference; otherwise enter zero	6	
7.	If line 5 is larger than line 4, enter difference; otherwise enter zero	7	
8.	Oklahoma nonbusiness deductions. Included in line 2a and 2b above, plus Oklahoma nonbusiness deductions from Schedule 511-A and Federal nonbusiness adjustment from Federal return.....	8	
9.	Oklahoma nonbusiness income - other than capital gains. Combine Oklahoma nonbusiness income from Schedule 511-B and Federal nonbusiness income from Federal return	9	
10.	Add lines 7 and 9	10	
11.	If line 8 is larger than line 10, enter difference; otherwise enter zero	11	
12.	If line 10 is larger than line 8, enter difference (but do not enter more than line 7); otherwise enter zero	12	
13.	Enter Oklahoma business capital losses (before limitation). For 2005 and later years, also enter the business Oklahoma Capital Gain Deduction from Schedule 511-A.....	13	
14.	Enter Oklahoma business capital gains (without regard to any IRC Section 1202 exclusion)	14	
15.	Add lines 12 and 14	15	
16.	If line 13 is larger than line 15 enter difference; otherwise enter zero	16	
17.	Add lines 6 and 16	17	
18.	Enter the entire amount of the Oklahoma net loss, if any, included in line 16 (2004 - 2009) or line 17 (1997 - 2003) of Schedule D (Form 1040)	18	
19.	IRC Section 1202 exclusion attributable to Oklahoma	19	
20.	Subtract line 19 from line 18. If zero or less, enter zero.....	20	
21.	Enter the entire amount of the Oklahoma net loss, if any, included in line 21 (2004 - 2009) or line 18 (1997 - 2003) of Schedule D (Form 1040) - or - If there is no amount on the Federal Schedule D, line 21 (2004 - 2009) or line 18 (1997 - 2003), but there is an amount on line 20 above, enter the amount from line 20 on this line.....	21	
22.	If line 20 is more than line 21, enter difference; otherwise enter zero.....	22	
23.	If line 21 is more than line 20, enter difference; otherwise enter zero.....	23	
24.	Subtract line 22 from line 17. If zero or less, enter zero.....	24	
25.	Oklahoma Net Operating Loss from other years and the Federal domestic production activities deduction attributable to Oklahoma	25	
26.	Combine lines 3, 11, 19, 23, 24, and 25.....	26	

Note: If more than zero, enter zero. You do not have a Net Operating Loss.

A copy of your Federal return is required for the loss year entered above.

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OKLAHOMA NET OPERATING LOSS FULL-YEAR RESIDENTS ONLY

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FORM	511 NOL	Revised 2009	Taxpayer's first name and initial	Last name	Taxpayer Social Security Number
	SCHEDULE B				

INTERVENING YEAR _____ NOL YEAR _____

The amount of the NOL absorbed in each intervening year will be the amount of the modified taxable income. The modified taxable income will be calculated using this worksheet. **A separate NOL Schedule B must be used for each year.**

I.	Net Operating Loss Deduction. Enter here as a <u>positive number</u> the net operating loss from NOL Schedule A, line 26. In succeeding year, enter amount from line III of previous year's NOL Schedule B				I.
To compute modified taxable income:					
A.	To compute Oklahoma Adjusted Gross Income For the Intervening Year				
	1. Federal Adjusted Gross Income	A1.			
	2. Oklahoma subtraction (from Form 511X, line 2 or Schedule 511-A) Be sure to exclude the NOL for the NOL year entered above or later years	A2.			
	3. Subtract line A2 from line A1	A3.			
	4. Out-of-state income.....	A4.			
	5. Subtract line A4 from line A3	A5.			
	6. Oklahoma additions. (from Form 511X, line 6 or Schedule 511-B) Be sure to include any Federal NOL Carryback/over included in line A1 above	A6.			
	7. Adjusted Gross Income before the Oklahoma NOL deduction for the NOL year entered above. (Add lines A5 and A6.)			A7.	
B.	Modifications: (for intervening year)				
	1. Oklahoma capital losses in excess of Oklahoma capital gains (included in the net capital loss limitation from Federal Schedule D) (Note: Enter as a positive number)			B1.	
	2. Section 1202 Exclusion and domestic production activities deduction (enter as positive number)			B2.	
	3. Adjustments to A.G.I. from the Federal NOL carryover worksheet.....			B3.	
C.	Modified Oklahoma Adjusted Gross Income. (line A7 plus lines B1, B2 and B3)			C.	
D.	Less Allowable Modified Itemized Deductions.				
	1. Itemized deductions reported on the original return less the adjustments to itemized deductions from the Federal NOL carryover worksheet. OR Oklahoma standard deduction (for 2005 and prior compute on line C above.)	D1.			
	2. Percent allowed. (line C divided by line A3) (Limited to 100%)	D2.	%		
	3. Allowable deductions. (line D1 multiplied by line D2)			D3. ()	
E.	Adjustments to Oklahoma Adjusted Gross Income. Example: Military Pay Exclusion, Interest Exclusion, etc. (from Form 511X, Line 8 or Schedule 511-C)			E. ()	
II.	Modified taxable income. (combine lines C, D3 and E) If zero or less, enter zero				II.
III.	Oklahoma Net Operating Loss carryover. (line I minus line II) If zero or less, enter zero				III.

A copy of your Federal return is required for the intervening year entered above.