

CAUTION

Publication 120 will be updated later this year to remove Worksheets 1-4 from the appendix. Schedules NOL1, NOL2, and NOL3 are replacing these worksheets beginning in 2018. These worksheets will be available as attachments to the publication for years prior to 2018. Various 2018 instructions reference these attachments for net operating losses occurring prior to 2018. Until this publication is updated, you may use Worksheets 1-4 in the appendix of this publication for net operating losses occurring prior to 2018.

Wisconsin Department of

Revenue

Net Operating Losses for Individuals, Estates, and Trusts

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IMPORTANT CHANGES

Effective for returns filed on or after September 23, 2017,

- An NOL may not offset Wisconsin income unless the loss was computed on a return filed within four years of the unextended due date of the return.
- An NOL may not be carried back unless claimed within four years of the unextended due date for filing the original return to which the loss is carried back.

(See page 7.)

CAUTION

The information in this publication reflects the position of the Wisconsin Department of Revenue of laws enacted by the Wisconsin Legislature effective December 15, 2017. Laws effective after that date, administrative rules, and court decisions may change the interpretations in this publication.

1. INTRODUCTION

If your trade or business deductions for the year are more than your income for the year, you may have a Wisconsin net operating loss (NOL). This publication discusses the Wisconsin NOL for individuals, estates, and trusts.

You should compute your federal NOL before computing your Wisconsin NOL, because computation of the Wisconsin NOL is based on the federal NOL. For information on computing the federal NOL, obtain federal Publication 536, *Net Operating Losses*, and Form 1045, *Application for Tentative Refund*, from the Internal Revenue Service.

2. DEFINITIONS

Throughout this publication, the following definitions will apply:

- “NOL” means net operating loss.
- “Federal NOL” is your federal net operating loss as computed under the federal Internal Revenue Code in effect for Wisconsin tax purposes.

For example, the Wisconsin definition of the Internal Revenue Code does not include the federal provision allowing a deduction for domestic production activities. A taxpayer who was allowed a deduction for domestic production activities on a 2017 federal return was required to file Wisconsin Schedule I to include in Wisconsin income the amount of the federal domestic production activities deduction. The Schedule I adjustment is considered when computing the “federal NOL” for Wisconsin.

In addition, the Internal Revenue Code permits an individual to make certain elections regarding the federal tax treatment of certain items. If you decide to make one election for federal purposes and a different election for Wisconsin purposes, the “federal NOL” means the federal NOL based on a federal return using the election chosen for Wisconsin tax purposes.

- “Loss year” means the year in which the NOL occurred.

3. DO YOU HAVE A FEDERAL NOL?

You must have a federal NOL in order to have a Wisconsin NOL. The federal NOL is the starting point for computing the Wisconsin NOL. Although Wisconsin law provides that the federal NOL is adjusted for certain addition and subtraction modifications, the modifications operate to increase or decrease the amount of NOL available for Wisconsin purposes. Modifications may not be used to create a Wisconsin NOL where no federal NOL exists.

A federal NOL, although not computed on the federal income tax return filed with the Internal Revenue Service, may result for Wisconsin purposes if the taxpayer is a part-year resident or nonresident of Wisconsin and a portion of federal adjusted gross income does not have situs in Wisconsin (that is, Wisconsin does not have jurisdiction to tax such income).

Example: Taxpayer is a nonresident of Wisconsin. Taxpayer's federal adjusted gross income is as follows:

Wages (for services performed outside Wisconsin)	\$50,000
Interest income	10,000
Partnership income (loss)	<u>(5,000)</u>
Federal adjusted gross income	\$55,000

The only income having a Wisconsin situs is the partnership income (loss) which is from a Wisconsin partnership of which the taxpayer is a general partner. The partnership income (loss) is from a business located in Wisconsin. Therefore, the taxpayer's Wisconsin adjusted gross income is the partnership loss of \$5,000. If the taxpayer computes federal adjusted gross income based on those income and deduction items which have a Wisconsin situs, the taxpayer has a federal NOL of \$5,000. Because the taxpayer has a "federal NOL," the taxpayer is entitled to compute a Wisconsin NOL.

Exception: If a tax-option (S) corporation shareholder's allowable deduction for his or her pro rata share of the corporation's losses results in a loss on the shareholder's Wisconsin income tax return, the loss generally will be treated in the same manner as other Wisconsin net operating losses. However, unlike other Wisconsin net operating losses, Wisconsin tax-option (S) corporation losses may be claimed even if the shareholder has no federal net operating loss.

4. HOW TO COMPUTE THE WISCONSIN NOL FOR THE LOSS YEAR

The Wisconsin NOL is the federal NOL with the following adjustments:

Adjustments —

- Itemized deductions allowable on federal Schedule A cannot be used in computing the Wisconsin NOL. Wisconsin law, however, does not prohibit the use of the federal standard deduction. Therefore, your allowable federal standard deduction may be used in computing the Wisconsin NOL. This is true even though you did not claim the standard deduction on your federal return.
- With the exception of the 30% capital gain exclusion (60% in the case of farm assets) and the exclusion and deferral of long-term capital gain from the sale of an investment in a qualified Wisconsin business, the federal NOL is adjusted for the various addition and subtraction modifications provided by Wisconsin law. For example, the federal NOL is adjusted to account for the addition modification for interest from state and municipal bonds and for the subtraction modification for interest from United States Government securities. See pages 12 and 13 of the Appendix for a listing of the various addition and subtraction modifications that may affect your 2017 Wisconsin NOL.

If either of these adjustments applies to you, complete Worksheet 1 on page 14 in the Appendix to determine your Wisconsin NOL.

If you claimed the federal standard deduction on your federal return (line 40 of 2017 Form 1040) and your federal adjusted gross income (line 37 of 2017 Form 1040) is the same as your Wisconsin income (line 13 of 2017 Form 1), you do not need to make a separate NOL computation for Wisconsin. In this situation your federal NOL is also your Wisconsin NOL, and therefore, it is not necessary to complete Worksheet 1.

5. WHEN TO USE A WISCONSIN NOL

For an NOL incurred for a tax year beginning prior to January 1, 2014

A Wisconsin NOL can be carried forward and offset against Wisconsin taxable income for up to 15 years. A Wisconsin NOL cannot be carried back to prior taxable years.

An NOL is carried to the first tax year after the loss year. If you do not use it up, carry over the unused part to the next year. Continue to carry over any unused part of the NOL until you complete the 15-year carryforward period. Any unused NOL remaining after the 15-year carryforward period cannot be deducted.

Example: You started your business in 2013 and had a \$42,000 Wisconsin NOL for the year. You begin using your Wisconsin NOL in 2014. You use your Wisconsin NOL as shown in the following chart.

Year	Amount of NOL Used	Unused Loss
2014	\$2,000	\$40,000
2015	3,000	37,000
2016	5,500	31,500
2017	9,000	22,500
2018	9,800	12,700
2019	8,700	4,000
2020	4,000	- 0 -

If your losses were larger, you could carry the NOL forward until the year 2028. If you still had an unused 2013 carryforward after the year 2028, you could not deduct it.

Caution For returns filed on or after September 23, 2017, a net operating loss may not be used to offset Wisconsin income unless the incurred loss was computed on a return that was filed within four years of the unextended due date for filing the original return for the taxable year in which the loss was incurred.

For an NOL incurred for a tax year beginning on or after January 1, 2014

You may carry back the entire NOL to the 1st or 2nd tax year before the loss year. Any loss not used in the 2 preceding years can be carried forward until the NOL is used up or you complete the 20-year carryforward period. You can, however, choose not to carry back an NOL and only carry it forward. See *Waiving the Carryback Period* on the next page. You cannot deduct any part of the NOL remaining after the 20-year carryforward period.

Example: You started your business as a sole proprietor in 2016 and had a \$42,000 NOL for the year. You begin using your NOL in 2014, the second year before the NOL year, as shown in the chart below.

Year	Amount of NOL Used	Unused Loss
2014	\$2,000	\$40,000
2015	3,000	37,000
2016	(NOL loss year)	
2017	5,500	31,500
2018	9,000	22,500
2019	9,800	12,700
2020	8,700	4,000
2021	4,000	-0-

If your loss were larger, you could carry it forward until the year 2036. If you still had an unused 2016 carryforward after the year 2036, you would not be allowed to deduct it.

If you choose to waive the 2-year carryback period, the NOL computed for 2016 would first be carried forward to 2017.

Caution For returns filed on or after September 23, 2017:

- A net operating loss may not be used to offset Wisconsin income unless the incurred loss was computed on a return that was filed within four years of the unextended due date for filing the original return for the taxable year in which the loss was incurred.
- A carry-back of a loss may not be used to offset Wisconsin income unless the loss is claimed within four years of the unextended due date for filing the original return for the taxable year to which the loss is carried back.

Waiving the Carryback Period You can choose not to carry back your NOL. If you make this choice, then you can use your NOL only in the 20-year carryforward period. If you carry back your NOL, you must determine the amount used in the carryback years. The amount used in each year is equal to your Wisconsin modified taxable income. If you choose not to carry back your NOL, you do not have to determine the Wisconsin modified taxable income for those years. (**Note:** You may choose to carry back the NOL only to the first preceding year and then forward for up to 20 years.)

6. HOW TO COMPUTE YOUR WISCONSIN NOL CARRYBACK OR CARRYFORWARD

Wisconsin NOL computed for a year prior to 2014

If you computed a Wisconsin NOL for a year prior to 2014 (but not before 2002), the amount carried forward to 2017 is the Wisconsin NOL computed for the year of the loss less the amount used in any year between the loss year and 2017. The amount used each year is equal to your "Wisconsin modified taxable income." (See "Wisconsin Modified Taxable Income" on page 6.) Continue to carry over any unused portion until used up or you complete the 15-year carryforward period.

Example: You computed a Wisconsin NOL for 2013 of \$50,000. Your total Wisconsin modified taxable income was \$15,000 for 2014 through 2016. The amount of Wisconsin NOL carried forward to 2017 is \$35,000 (\$50,000 less \$15,000).

If you have a Wisconsin NOL carryforward from more than one year, the amount of your carryforward to 2017 is the total of all carryforwards. The NOLs are used in the order in which they occurred, starting with the earliest.

Wisconsin NOL computed for 2017

If you computed a Wisconsin NOL for 2017, you may carry the NOL back to 2015 or 2016 and then forward for up to 20 years.

The entire 2017 NOL would be carried back to either 2015 or 2016. If you chose to carry back the NOL to 2015, any unused portion is carried forward to 2016. Any unused portion from 2016 is carried forward to 2018. Continue to carry over any unused portion until used up or you complete the 20-year carryforward period.

The amount used each year is equal to your "Wisconsin modified taxable income." (See "Wisconsin Modified Taxable Income" below.)

Example: You computed a Wisconsin NOL for 2017 of \$40,000. Your Wisconsin modified taxable income was \$8,000 for 2015 and \$10,000 for 2016. The amount of Wisconsin NOL carried forward to 2018 is \$22,000 (\$40,000 less \$18,000).

If you chose not to carry back the 2017 NOL, you may carry the entire NOL forward to 2018.

Note: The 2-year carryback and the 20-year carryforward also applied for NOLs computed for 2014 through 2016.

Wisconsin Modified Taxable Income

Your Wisconsin modified taxable income is your Wisconsin income (for example, line 13 of 2017 Form 1) with the following adjustments:

- (1) You cannot claim an NOL deduction.
- (2) You cannot claim a capital gain exclusion or the exclusion for capital gain on the sale of investments held for 5 years in a qualified Wisconsin business.

- (3) You cannot claim a deduction for a net capital loss.
- (4) Wisconsin modified taxable income cannot be less than zero.

Use Worksheet 2 on page 16 in the Appendix to compute your Wisconsin modified taxable income.

You must keep accurate records to show (1) the amount of Wisconsin NOL for each loss year, (2) the amount of Wisconsin NOL used in each year to which it can be carried forward or back, and (3) the amount of Wisconsin NOL remaining to be carried forward to future years. See Worksheet 3 on page 18 of the Appendix. Worksheet 3 provides a record of this information.

Special Situations

Reduction of NOL when debt is cancelled. For federal tax purposes, if you exclude cancelled debt from income because it is cancelled in a bankruptcy case or during insolvency, or because the debt that is cancelled is qualified farm debt, or qualified real property business debt, you must use the excluded amount to reduce certain tax attributes. One of the tax attributes that may have to be reduced is your federal NOL.

Wisconsin also requires the reduction of tax attributes when cancelled debt is excluded from income. Reduce any Wisconsin NOL for the tax year in which the debt cancellation takes place, or any Wisconsin NOL carryforward to that tax year. For further information on this subject, obtain federal Publication 908, *Bankruptcy Tax Guide*, from the Internal Revenue Service.

Carryforward or carryback of NOL from a late filed return. For returns filed on or after September 23, 2017, a net operating loss may not be used to offset Wisconsin income unless the incurred loss was computed on a return that was filed within four years of the unextended due date for filing the original return for the taxable year in which the loss was incurred.

Example: You were a full-year resident of Wisconsin for 2010. You filed your 2010 Wisconsin income tax return on July 1, 2016. Your 2010 return was due April 18, 2011. The return shows an NOL of \$30,000. You may not carry forward the \$30,000 NOL from the 2010 return.

Carryback of NOL to a closed year. A carryback of a loss may not be used to offset Wisconsin income unless the loss is claimed within four years of the unextended due date for filing the original return for the taxable year to which the loss is carried back.

Example: You were a full-year resident of Wisconsin. You filed your 2014 Wisconsin income tax return late on November 30, 2017. Your return shows an NOL of \$20,000. You may not carry back the NOL to 2012 since it is past the four-year statute of limitations for filing the 2012 return. You may carry the 2014 NOL back to 2013 if you file the 2013 amended return (Form X-NOL) by April 15, 2018.

Carryforward or carryback of NOL incurred while a nonresident. An NOL incurred while a nonresident of Wisconsin cannot be used to offset Wisconsin taxable income unless the NOL is attributable to Wisconsin business income and expenses.

7. HOW TO REPORT A WISCONSIN NOL DEDUCTION

Once you have determined the amount of your Wisconsin NOL carryback to 2015 and 2016 or carryforward to 2017 (see Part 6), the next step is to determine the amount that may be deducted on your 2015, 2016, or 2017 Wisconsin tax return. The deduction for a Wisconsin NOL carryback or carryforward may not be more than your Wisconsin taxable income as computed before any deduction for the NOL.

If you are filing Form X-NOL to carry back an NOL, see the instructions for line 1 of Form X-NOL to determine the allowable deduction for the NOL carryback.

If you are carrying forward an NOL incurred in a prior year to your 2017 Wisconsin income tax return, use Worksheet 4 to compute the amount of NOL carryforward that you can deduct on your 2017 Wisconsin income tax return.

Caution: It is important to complete Worksheet 4 to compute your allowable deduction for a Wisconsin NOL carryforward. Other items on your return may be affected if you claim more or less NOL carryforward than allowable. For example, Wisconsin

income is the starting point for computing household income for farmland preservation credit on Schedule FC. If you claim an incorrect amount of NOL, this will mean that your household income for farmland preservation credit will also be incorrect.

Enclose copies of your Wisconsin NOL Worksheets 1 through 3 (see the Appendix) with your tax return for each carryback year or Worksheets 1 through 4 each year following the loss year until your NOL is completely used up or can no longer be carried forward.

If you did not complete Worksheet 1 to compute your Wisconsin NOL because your Wisconsin NOL is the same as your federal NOL, enclose a statement showing how you computed your federal NOL (for example, a copy of Schedule A of federal Form 1045 can be used for this purpose).

8. CHANGES IN MARITAL AND FILING STATUS

Certain rules apply when your marital status or filing status is different in a loss year and a carryback or carryforward year. The chart on page 10 summarizes when allocations of the Wisconsin NOL or income must be made.

Change in Marital Status

If you and your spouse were not married to each other in all years involved in figuring NOL carrybacks and carryovers, only the spouse who had the loss can take the NOL deduction. If you file a joint return, the NOL deduction is limited to the income of that spouse as computed under Wisconsin marital property law.

For example, if your marital status changes because of death or divorce, and in a later year you have an NOL, you can carry back that loss only to the part of the income reported on the joint return (filed with your former spouse) that was related to your taxable income as determined under Wisconsin marital property law. After you deduct the NOL in the carryback year, the joint rates apply to the resulting taxable income.

Note: For information on computing income under the Wisconsin marital property law, obtain Wisconsin [Publication 109, Tax Information for Married Persons Filing Separate Returns and Persons Divorced in 2017](#), from any Department of Revenue office. You may also download this publication from the department's website at revenue.wi.gov.

Refund limit. If you are not married in the NOL year (or are married to a different spouse), and in the carryback year you were married and filed a joint return, your refund for the overpaid joint tax may be limited. You can claim a refund for the difference between your share of the refigured tax and your contribution toward the tax paid on the joint return. The refund cannot be more than the joint overpayment. Attach a statement showing how you figured your refund.

Figuring your share of a joint tax liability. There are five steps for figuring your share of the refigured joint tax liability.

1. Figure your total tax as though you had filed as married filing separately.
2. Figure your spouse's total tax as though your spouse had also filed as married filing separately.
3. Add the amounts in (1) and (2).
4. Divide the amount in (1) by the amount in (3).
5. Multiply the refigured tax on your joint return by the amount figured in (4). This is your share of the joint tax liability.

Figuring your contribution toward tax paid. Unless you have an agreement or clear evidence of each spouse's contributions toward the payment of the joint tax liability, figure your contribution by adding the tax withheld on your wages and your share of joint estimated tax payments or tax paid with the return. If the original return for the carryback year resulted in an overpayment, reduce your contribution by your share of the tax refund. Figure your share of a joint payment or refund by the same method used in figuring your share of the joint tax liability. Use your taxable income as originally reported on the joint return in steps (1) and (2), and substitute the joint payment or refund for the refigured joint tax in step (5).

Change in Filing Status

If you and your spouse were married and filed a joint return for each year involved in figuring NOL carrybacks and carryovers, figure the NOL deduction on a joint return as you would for an individual. However, treat the NOL deduction as a joint NOL.

If you and your spouse were married and filed separate returns for each year involved in figuring NOL carrybacks and carryovers, the spouse who sustained the loss may take the NOL deduction on a separate return.

Special rules apply for figuring the NOL carrybacks and carryovers of married people whose filing status changes for any tax year involved in figuring an NOL carryback or carryover.

Separate to joint return. If you and your spouse file a joint return for a carryback or carryforward year, and were married but filed separate returns for any of the tax years involved in figuring the NOL carryback or carryover, treat the separate carryback or carryover as a joint carryback or carryover.

Joint to separate returns. If you and your spouse file separate returns for a carryback or carryforward year, but filed a joint return for any or all of the tax years involved in figuring the NOL carryover, figure each of your carryovers separately.

Joint return in NOL year. Figure each spouse's share of the joint NOL using the following steps.

1. Figure each spouse's NOL as if they filed a separate return. If only one spouse has an NOL, stop here. All of the joint NOL is that spouse's NOL.
2. If both spouses have an NOL, multiply the joint NOL by a fraction, the numerator of which is spouse A's NOL figured in (1) and the denominator of which is the total of the spouses' NOLs figured in (1). The result is spouse A's share of the joint NOL. The rest of the joint NOL is spouse B's share.

Example: Spouse A and Spouse B are married and file a joint return for 2017. They have an NOL of \$5,000. They carry the NOL back to 2015, a year in which they filed separate returns. Figured separately, Spouse A's NOL is \$1,800 and Spouse B's NOL is \$3,000. The sum of their separate NOLs (\$4,800) is less than their \$5,000 joint NOL because Spouse A's deductions included a \$200 net capital loss that is not allowed in figuring Spouse A's separate NOL. The loss is allowed in figuring their joint NOL because it was offset by Spouse B's capital gains. Spouse A's share of their \$5,000 joint NOL is \$1,875 ($\$5,000 \times \$1,800/\$4,800$) and Spouse B's is \$3,125 ($\$5,000 - \$1,875$).

Joint return in previous carryback or carryforward year. If only one spouse had an NOL deduction on the previous year's joint return, all of the joint carryover is that spouse's carryover. If both spouses had an NOL deduction (including separate carryovers of a joint NOL), figure each spouse's share of the joint carryover using the following steps.

1. Figure each spouse's Wisconsin modified taxable income as if they filed a separate return.
2. Multiply the joint Wisconsin modified taxable income you used to figure the joint carryover by a fraction, the numerator of which is spouse A's modified taxable income figured in (1) and the denominator of which is the total of the spouses' modified taxable incomes figured in (1). This is spouse A's share of the joint Wisconsin modified taxable income.
3. Subtract the amount figured in (2) from the joint Wisconsin modified taxable income. This is spouse B's share of the joint Wisconsin modified taxable income.
4. Reduce the amount figured in (3), but not below zero, by spouse B's Wisconsin NOL deduction.
5. Add the amounts figured in (2) and (4).
6. Subtract the amount figured in (5) from spouse A's Wisconsin NOL deduction. This is spouse A's share of the joint carryover. The rest of the joint carryover is spouse B's share.

For further information and examples on how to compute each spouse's share of a joint NOL and joint modified taxable income, see "Change in Filing Status" in federal Publication 536, *Net Operating Losses*

Status During Loss Year	Carryforward or Carryback Is To Year In Which You Are:		
	Not Married	Married Filing Jointly	Married Filing Separately
Not Married (single or not married to the same spouse in loss year and carryforward year)	No allocation.	Spouse who incurred loss may apply NOL only against his/her income as computed under Wisconsin marital property law.	No allocation.
Married Filing Jointly	NOL allocated. Each spouse must figure his/her share of the joint NOL.	No allocation.	NOL allocated. Each spouse must figure his/her share of the joint NOL.
Married Filing Separate	No allocation.	No allocation.	No allocation.

9. DEDUCTING AN NOL CARRYBACK

If you carry back your NOL and your tax return for a carryback year was filed on Form 1 or 1NPR, you must file Form X-NOL to claim a refund for the carryback year. You must use a separate Form X-NOL for each carryback year to which you apply the NOL.

Example: You incurred an NOL for 2017 and will carry the NOL back to 2015 and 2016. To claim the refunds you must file both a 2015 Form X-NOL and a 2016 Form X-NOL.

Estates and trusts that file Form 2 must also file a Form X-NOL to claim a refund for a carryback year.

When amending your return, to refigure your total tax liability for a carryback year you must adjust all items on that return that are affected by the reduction in income due to the NOL carryback. For example, the reduction in income may increase your standard deduction which would then affect any Wisconsin itemized deduction credit. (**Note:** The NOL carryback does not affect the computation of homestead credit.)

An amended return must be filed within four years after the unextended due date of the original return (for example, April 15, 2020, for 2015 calendar year returns).

Interest will not be paid on any refund that results from the carryback of an NOL.

10. HOW LONG MUST NOL RECORDS BE KEPT?

Keep records that support an NOL deduction appearing on a return until the statute of limitations for the return expires. The statute of limitations defines the period during which the department may issue assessments or refunds relating to a particular return. Generally, this is four years from the date the return was filed. This may increase to six years in cases where the taxpayers reported less than 75% of the income that should have been reported. Returns filed before the due date are treated as filed on the due date.

Caution: Taxable years which are otherwise closed to adjustment may be audited by the department to determine the correctness of an NOL that is claimed as an offset to Wisconsin income in a year which is still open to adjustment. The loss carryback and carryforward may be verified since the deduction is being claimed in a year that is open to adjustment. Therefore, records for an NOL loss year and carryback and carryforward years must be kept until four years after the filing date of the last return on which the NOL carryforward is claimed.

Example: You incurred a Wisconsin NOL of \$100,000 on your 2001 Wisconsin income tax return. You used the NOL carryforward to offset income on your 2002 through 2013 Wisconsin income tax returns. Your 2013 Wisconsin return was filed April 15, 2014. You must keep your tax records for the 2001 through 2013 returns until April 15, 2018 (four years after the filing date of the last return on which the NOL carryforward was claimed).

11. ADDITIONAL INFORMATION

If you have questions about NOLs, write to the department in Madison, call the department's Customer Service Bureau at (608) 266-2486, visit any department office, or contact us from our [web page](#).

WRITE . . . Wisconsin Department of Revenue
 Mail Stop 5-77
 P.O. Box 8949
 Madison, WI 53708-8949

**Offices Providing Daily Assistance (7:45 a.m. to 4:30 p.m.)
 (Monday-Friday)**

Location	Address	Telephone No.
Appleton	265 W. Northland Ave.	(608) 266-2486
Eau Claire	718 W. Clairemont Ave.	(608) 266-2486
Green Bay	200 N. Jefferson St., Rm.140	(608) 266-2486
Madison	2135 Rimrock Rd.	(608) 266-2486
Milwaukee	819 N. Sixth St., Rm. 408	(608) 266-2486

**Office Providing Weekly Assistance (7:45 a.m. to 1:00 p.m.)
 (Monday only)**

Location	Address	Telephone No.
Wausau	730 N. Third St.	(608) 266-2486

You may also obtain forms and publications and submit questions through our Internet website at: revenue.wi.gov.

APPENDIX**Modifications —**

The modifications which affect the computation of the 2017 Wisconsin NOL include the following.

Additions

- State and municipal bond interest
- Federal net operating loss carryover
- Lump-sum distribution reported on federal Form 4972
- Farmland preservation credit not reported on the federal return
- Amount of computed development zones credit, technology zone credit, enterprise zone jobs credit, manufacturing investment credit, economic development tax credit, jobs tax credit, capital investment credit, community rehabilitation program credit, manufacturing and agriculture credit, business development credit, research expense credit, and electronic and information technology manufacturing zone credit
- Losses not allocable or apportionable to Wisconsin
- Gain on the sale of any property by a trust within two years of acquisition
- Wages paid to an entertainer or entertainment corporation unless the taxpayer complies with the withholding or surety bond requirements
- Adjustments for nonresidents and part-year residents
- Excess distributions from passive foreign investment companies
- Certain expenses deducted in a related entity transaction
- Distributions from college savings accounts not used for qualified higher education expenses, that were rolled over to a college savings plan in another state, or that were for amounts withdrawn within 365 days of contribution
- Distributions from ABLE accounts not used for qualified expenses

Subtractions

- Capital gain exclusion
- United States Government interest and dividends
- State income tax refund
- Unemployment compensation
- Disability income exclusion
- Medical care insurance deduction
- Certain retirement benefits
- Amounts from the U.S. Railroad Retirement Board
- Net income not allocated or apportioned to Wisconsin
- Recoveries of federal itemized deductions
- Other amounts not taxable by Wisconsin (for example, relocation assistance received by certain persons displaced by condemnation)
- Farm loss carryover
- Private school tuition
- State legislature allowance for expenses
- Social security benefits
- Adoption expenses
- Long-term care insurance
- Gain on disposition of business and farming assets to a related person
- Tuition and fee expense

- Repayment of income previously taxed
- Contributions to Wisconsin college savings program
- Organ donation expenses
- Income of members of the Reserves and National Guard called to active duty
- Certain related entity expenses
- Child care expenses
- Combat zone related death
- Contributions to ABLE accounts
- Sales of certain insurance policies
- Physician or psychiatrist grant
- Olympic, Paralympic, and Special Olympic medals and United State Olympic Committee and Special Olympic Board of Directors prize money

Additions or Subtractions

- Tax-option (S) corporation adjustments
- Partnership, trust, or estate adjustments
- Differences in gain or loss on sale or other disposition of property which may not be depreciated or amortized and where the federal basis is greater or less than the Wisconsin basis
- Differences resulting from sale of partnership interest where increases or decreases were made to the federal basis of the partnership interest in taxable years prior to 1975, which resulted from partnership business or property located outside Wisconsin
- Differences in federal and Wisconsin reporting of marital property (community) income
- Amount recognized as a gain or loss if a surviving spouse and a distributee exchange interests in marital property under sec. 857.03, Wis. Stats.
- Limiting capital loss deduction to \$500
- Difference in federal and Wisconsin gain or loss on sale or other disposition of property due to difference in basis of property acquired from a decedent
- Difference in federal and Wisconsin treatment of waste treatment plants and pollution abatement equipment
- Difference in basis of residence sold where a prior residence was located outside Wisconsin
- Difference in federal and Wisconsin basis of depreciated or amortized assets held on December 31, 2013

Worksheet 1 — 2017 Wisconsin NOL

1	Wisconsin income from 2017 Form 1, line 13. Estates and trusts, skip lines 1 and 2	1		
2	Allowable federal standard deduction	2	()	
3	Combine lines 1 and 2. Estates and trusts, fill in your Wisconsin taxable income increased by the sum of the charitable deduction and income distribution deduction allowed on your federal tax return.....			3
Note: If line 3 is zero or more, do not complete rest of worksheet. You do not have an NOL				
Adjustments:				
4	Fill in Wisconsin capital gain exclusion and the amount of long-term capital gain deferred or excluded due to investment in a qualified Wisconsin business.			4
5	Estates and trusts, fill in as a positive number the exemption amount from your federal tax return.....			5
6	Total nonbusiness capital losses disregarding capital loss deduction limitation. Fill in as a positive number	6		
7	Total nonbusiness capital gains.....	7		
8	If line 6 is more than line 7, fill in difference; otherwise, fill in -0-.....	8		
9	If line 7 is more than line 6, fill in difference; otherwise, fill in -0-.....	9		
10	Nonbusiness deductions. Fill in as a positive number	10		
11	Nonbusiness income other than capital gains	11		
12	Add lines 9 and 11	12		
13	If line 10 is more than line 12, fill in difference; otherwise, fill in -0-.....			13
14	If line 12 is more than line 10, fill in difference; otherwise, fill in -0-. Do not fill in more than line 9	14		
15	Total business capital losses disregarding capital loss deduction limitation. Fill in as a positive number	15		
16	Total business capital gains disregarding capital gain exclusion	16		
17	Add lines 14 and 16	17		
18	If line 15 is more than line 17, fill in difference; otherwise, fill in -0-.....	18		
19	Add lines 8 and 18	19		
20	Fill in as a positive number the loss, if any, from line 18 of Schedule WD (line 18 of Schedule WD (Form 2) for estates and trusts). If you do not have a loss on that line, skip lines 20 through 22 and fill in on line 23 the amount from line 19.....	20		
21	Fill in as a positive number the loss from line 28 of Schedule WD (line 28 of Schedule WD (Form 2) for estates and trusts).....	21		
22	Subtract line 21 from line 20.....	22		
23	Subtract line 22 from line 19. If zero or less, fill in -0-			23
24	Net operating loss deduction for losses from other years. Fill in as a positive number.....			24
25	Net operating loss. Combine lines 3, 4, 5, 13, 23, and 24. If the combined amount is less than zero, this is your Wisconsin NOL. If the combined amount is zero or more, you do not have an NOL.....			25

Instructions for Worksheet 1 — 2017 Wisconsin NOL

Note: Worksheet 1 is designed to use when computing your Wisconsin NOL based on your 2017 tax return.

Line 1 Fill in your Wisconsin income from 2017 Form 1, line 13. For individuals filing Form 1NPR (nonresident and part-year resident return), Wisconsin income is the amount from line 16, column B, of 2017 Form 1NPR, less the amount on line 31, column B, Form 1NPR.

Line 2 Fill in your allowable federal standard deduction regardless of whether you claimed the standard deduction on your federal return. Use the federal standard deduction allowable based on your federal filing status. For 2017, this generally is:

- Single — \$6,350
- Married filing joint return or qualifying widow(er) — \$12,700
- Married filing separate return — \$6,350
- Head of household — \$9,350

In some cases your allowable federal standard deduction may be more or less than the amount indicated above. See the instructions for your federal income tax return to determine your allowable standard deduction if:

- You can be claimed as a dependent on another person's return.
- You (and/or your spouse) are 65 years of age or older or legally blind.
- You are filing a tax return with a short tax year.
- You are a nonresident or dual-status alien during the year.

Line 4 Fill in your Wisconsin capital gain exclusion as a positive number. This will generally be the amount from line 26 of 2017 Schedule WD (line 26 of Schedule WD (Form 2) for estates and trusts). However, if your only capital gain or loss was a capital gain distribution reported on line 13 of federal Form 1040 and you did not file Wisconsin Schedule WD, fill in the amount of capital gain exclusion from line 10 of Form 1 (for Form 1NPR filers, this is the 30% exclusion claimed when completing line 7, column B).

Include on line 4 as a positive number the:

- Amount of any subtraction claimed for deferral of long-term capital gain from the sale of an asset due to the investment of the gain in a qualified Wisconsin business (amount from line 3 of Schedule CG), and
- The capital gain exclusion from the sale of an investment in a qualified Wisconsin business held at least 5 years (amount from line 15a of Schedule WD.)

Lines 6 through 23 The adjustments computed on these lines are required because:

- Nonbusiness deductions are allowed only to the extent of nonbusiness income.
- Capital losses are allowed only to the extent of capital gains.

To complete these lines, you will have to sort your capital gains and losses and your income and deduction items to determine what portion is "business" and what portion is "nonbusiness."

Nonbusiness income is income that is unrelated to your trade or business or your employment. For example, dividends, pensions and annuities, alimony, and interest on investments are nonbusiness income. Income you receive from your trade or business or employment, such as salaries and wages, self-employment income, your share of business income from partnerships and tax-option (S) corporations, rental income, ordinary gain from the sale or disposition of business property, or unemployment compensation, is business income.

Nonbusiness deductions are deductions that are unrelated to your trade or business. For example, alimony paid, the Wisconsin deduction for medical care insurance, contributions to an IRA, Keogh, or other retirement plan, child care expenses and the federal standard deduction are nonbusiness deductions.

Caution: Do not include any federal itemized deductions as nonbusiness deductions.

See federal Publication 536, *Net Operating Losses*, or the instructions for federal Form 1045 for further information on items that are considered “business” or “nonbusiness.”

The amounts filled in on lines 6 through 23 should be the Wisconsin amounts which reflect the related addition and subtraction modifications from lines 2 through 4 and 6 through 11 of Form 1 (Schedule A of Form 2 for estates and trusts). Individuals who file Form 1NPR should use the amounts from column B of Form 1NPR when completing these lines.

Example: When computing your federal NOL, you determine that your total nonbusiness income consisted of \$800 of interest income. You show a subtraction on line 7 of your Form 1 of \$200 for interest from U.S. Government securities. The amount to fill in as nonbusiness income on line 11 of the worksheet is \$600 (\$800 less \$200 U.S. Government interest).

Line 24 If you claimed a Wisconsin NOL carryforward from other years on line 11 of Form 1 or line 15, column B of Form 1NPR (line 11, Schedule A of Form 2 for estates and trusts), fill in the amount of the NOL carryforward on line 24.

Line 25 If the amount on line 25 is less than zero, you have a Wisconsin NOL.

Worksheet 2
Wisconsin Modified Taxable Income

1. Wisconsin income	1.	
2. NOL deduction	2.	
3. Capital gain exclusion (see instructions)	3.	
4. Capital loss deduction	4.	
5. Add lines 1 through 4.....	5.	
6. Wisconsin standard deduction allowable based on the amount on line 5	6.	
7. Subtract line 6 from line 5. If less than zero, fill in -0-	7.	
8. Deduction for exemptions.....	8.	
9. Subtract line 8 from line 7. If less than zero, fill in -0-. This is your Wisconsin modified taxable income	9.	

Instructions for Worksheet 2 — Wisconsin Modified Taxable Income

Note: The worksheet can be used for 2003-2016 by using comparable lines and the appropriate Wisconsin standard deduction for each year. When using this worksheet to determine modified taxable income for a carryback year, the references to Form 1NPR are to the revised Form 1NPR that was attached to Form X-NOL.

Line 1 Fill in your Wisconsin income from Form 1, line 13. For individuals filing Form 1NPR, Wisconsin income is the amount from line 32, column B, of Form 1NPR. Estates and trusts fill in the amount from line 5 of Form 2.

If you are determining modified taxable income for a carryback year, the amount to enter on line 1 is the amount from line 2, Column B, of Form X-NOL; the amount from line 32 of the revised Form 1NPR that was attached to Form X-NOL; or, for estates and trusts, the amount from line 6, Column B of Form X-NOL.

Line 2 Fill in as a positive number the amount of NOL carryback or carryforward deducted on your Wisconsin return.

Line 3 Fill in your Wisconsin capital gain exclusion as a positive number. This will generally be the amount from line 26 of Schedule WD for the appropriate year (line 26 of Schedule WD (Form 2) for estates and trusts).

Note: For taxable years beginning in 2017 and thereafter, include on line 3 the amount of long-term capital gain that qualified for an exclusion because it was from the sale of an investment held at least 5 years in a qualified Wisconsin business.

However, if your only capital gain or loss was a capital gain distribution reported on line 13 of federal Form 1040 and you did not file Wisconsin Schedule WD, fill in the amount of capital gain exclusion from line 10 of Form 1 (for Form 1NPR filers, this is the 30% exclusion claimed when completing line 7, column B).

Line 4 Fill in your Wisconsin capital loss deduction as a positive number. This is the amount from line 28 of your Schedule WD for the appropriate year (line 28 of Schedule WD (Form 2) for estates and trusts).

Line 6 Fill in your Wisconsin standard deduction based on the amount on line 5 for your filing status. Full-year residents use the standard deduction table in the Form 1 instruction booklet for the appropriate year. If you are filing Form 1NPR, use the following formula to determine the standard deduction to fill in on line 6.

Exception: If your federal income from line 33, column A of Form 1NPR is less than the amount on line 5 of Worksheet 2, do not use the following formula. The standard deduction to fill in on line 6 of Worksheet 2 is the amount from line 36c of your Form 1NPR.

$$\begin{array}{r} \text{Amount from line 5} \\ \text{of Worksheet 2} \\ \text{Federal income} \\ \text{from} \\ \text{line 33 of} \\ \text{Form 1NPR} \end{array} \times \begin{array}{r} \text{Standard deduction} \\ \text{from line 36c of} \\ \text{Form 1NPR} \end{array} = \begin{array}{r} \text{Standard} \\ \text{deduction to} \\ \text{fill in on} \\ \text{line 6} \end{array}$$

Estates and trusts fill in -0- on line 6.

Line 8 Fill in your deduction for exemptions. For full-year Wisconsin residents, this is the amount from line 17c of Form 1. If you are filing Form 1NPR, use the following formula to determine your deductions for exemptions.

Exception: If your federal income from line 33, column A of Form 1NPR is less than the amount on line 5 of Worksheet 2, do not use the following formula. The deduction for exemptions amount to fill in on line 8 of Worksheet 2 is the amount from line 38c of your Form 1NPR.

$$\begin{array}{r} \text{Amount from line 5} \\ \text{of Worksheet 2} \\ \text{Federal income} \\ \text{from} \\ \text{line 33 of} \\ \text{Form 1NPR} \end{array} \times \begin{array}{r} \text{Deduction} \\ \text{for exemptions} \\ \text{from line 38c of} \\ \text{Form 1NPR} \end{array} = \begin{array}{r} \text{Deduction for} \\ \text{exemptions} \\ \text{to fill in} \\ \text{on line 8} \end{array}$$

Estates and trusts fill in -0- on line 8.

Line 9 This is your Wisconsin modified taxable income for the applicable year.

Worksheet 3 — Record of Wisconsin NOL Carryback and Carryforward of Losses

NOL Loss Year	_____	_____	_____	_____	_____
Wisconsin NOL	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Loss used — 2nd preceding year.....	- _____	- _____	- _____	- _____	- _____
Carryover to 1st preceding year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Loss used — 1st preceding year	- _____	- _____	- _____	- _____	- _____
Carryover to 1st year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Loss used — 1st year	- _____	- _____	- _____	- _____	- _____
Carryover to 2nd year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Loss used — 2nd year	- _____	- _____	- _____	- _____	- _____
Carryover to 3rd year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Loss used — 3rd year	- _____	- _____	- _____	- _____	- _____
Carryover to 4th year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Loss used — 4th year	- _____	- _____	- _____	- _____	- _____
Carryover to 5th year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Loss used — 5th year	- _____	- _____	- _____	- _____	- _____
Carryover to 6th year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Loss used — 6th year	- _____	- _____	- _____	- _____	- _____
Carryover to 7th year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Loss used — 7th year	- _____	- _____	- _____	- _____	- _____
Carryover to 8th year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Loss used — 8th year	- _____	- _____	- _____	- _____	- _____
Carryover to 9th year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Loss used — 9th year	- _____	- _____	- _____	- _____	- _____
Carryover to 10th year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Loss used — 10th year	- _____	- _____	- _____	- _____	- _____
Carryover to 11th year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Loss used — 11th year	- _____	- _____	- _____	- _____	- _____
Carryover to 12th year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Loss used — 12th year	- _____	- _____	- _____	- _____	- _____
Carryover to 13th year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Loss used — 13th year	- _____	- _____	- _____	- _____	- _____
Carryover to 14th year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Loss used — 14th year	- _____	- _____	- _____	- _____	- _____
Carryover to 15th year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Loss used — 15th year	- _____	- _____	- _____	- _____	- _____
Carryover to 16th year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Loss used — 16th year	- _____	- _____	- _____	- _____	- _____
Carryover to 17th year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Loss used — 17th year	- _____	- _____	- _____	- _____	- _____
Carryover to 18th year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Loss used — 18th year	- _____	- _____	- _____	- _____	- _____
Carryover to 19th year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Loss used — 19th year	- _____	- _____	- _____	- _____	- _____
Carryover to 20th year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Loss used — 20th year	- _____	- _____	- _____	- _____	- _____
Unused loss (No carryforward allowed)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Instructions for Worksheet 3 — Record of Wisconsin NOL Carryback and Carryforward of Losses

Worksheet 3 allows you to record the amount of Wisconsin NOL used each year and the carryback and carryforward available.

Caution: This version of Worksheet 3 can only be used for NOLs incurred in taxable years beginning on or after January 1, 2014. The 2-year carryback period and the 20-year carryforward period do not apply to NOLs incurred in taxable years beginning before January 1, 2014. If you had an NOL from a taxable year beginning before January 1, 2014, continue to use the Worksheet 3 that was included in Publication 120 for an earlier year to determine your carryover to 2017. The carryforward period for an NOL incurred in taxable years beginning before January 1, 2014, is limited to 15 years.

Fill in the Wisconsin NOL loss year. For each loss year, fill in that column, working from the top of the column down. Use a separate column for each loss year.

Fill in as a positive number the amount of your Wisconsin NOL for each loss year.

Next fill in as a positive number the amount of NOL used in the second preceding year. The amount used each year is equal to your Wisconsin modified taxable income (see Worksheet 2 on page 16).

Subtract the loss used from the Wisconsin NOL. The result is the carryover to the first preceding year. For each succeeding year, continue to subtract the loss used from the carryover until the loss is completely used or the loss can no longer be carried forward.

Exceptions:

- If you chose not to carry back your NOL to the preceding two years, you do not have to determine Wisconsin modified taxable income for those years. Fill in -0- as the loss used for the 2nd preceding year and the 1st preceding year.
- If you choose to carry back your NOL to only the first preceding year, fill in your Wisconsin NOL and a zero as loss used for the second preceding year. Fill in your Wisconsin NOL in the space for "Carryover to 1st preceding year."

Caution: If no amount of a Wisconsin NOL is used in any carryforward year, fill in -0- as loss used for that year. You have not used a Wisconsin NOL carryforward only if your modified taxable income (as computed on Worksheet 2) is zero.

If you determine you have a Wisconsin NOL carryover to 2017 from an NOL incurred prior to 2014, the amount of the carryover should be entered on line 8 of Worksheet 4 when determining your 2017 allowable deduction for a Wisconsin NOL carryover.

If you have a Wisconsin NOL carryover from more than one loss year which can be applied to 2017, add all of your Wisconsin NOL carryovers to 2017 together. Fill in the total on line 8 of Worksheet 4 when computing your 2017 allowable deduction for a Wisconsin NOL.

Worksheet 4 — Allowable Deduction for a Wisconsin NOL Carryforward

- | | | |
|--|----|--|
| 1. Amount from line 5 of Wisconsin Form 1 | 1. | |
| 2. Subtractions from income from line 12 of Form 1. (Do not include any amount for the NOL carryforward.) | 2. | |
| 3. Wisconsin income before NOL. (Subtract line 2 from line 1.) | 3. | |
| 4. Standard deduction. (Compute the standard deduction on the income amount on line 3 using the Standard Deduction Table for the appropriate year in the Form 1 booklet and the column which corresponds to your filing status.) | 4. | |
| 5. Subtract line 4 from line 3. If less than zero, fill in -0- | 5. | |
| 6. Deduction for exemptions (see instructions) | 6. | |
| 7. Maximum deduction for NOL. (Subtract line 6 from line 5. If less than zero, fill in -0-) | 7. | |
| 8. Your Wisconsin NOL carryforward. | 8. | |
| 9. Fill in the lesser of line 7 or line 8. This is your allowable Wisconsin NOL deduction. | 9. | |

Instructions for Worksheet 4 — Allowable Deduction for a Wisconsin NOL Carryforward

Line 1 If you are filing Form 1NPR, do not fill in any amount on this line. Instead, see the instructions for line 3. Estates and trusts fill in the amount from line 3 of Wisconsin Form 2.

Line 2 If you are filing Form 1NPR, do not fill in any amount on this line (see line 3 instructions). Estates and trusts fill in the amount from line 4 of Form 2. Do not include any amount of NOL in this figure.

Line 3 If you are filing Form 1NPR, fill in on line 3 the amount from line 16, column B of Form 1NPR (without any amount for the NOL), less the amount on line 31, column B, Form 1NPR.

Line 4 If you are filing Form 1NPR, use the following formula to compute the standard deduction to fill in on line 4.

Exception: If your federal income from line 33, column A of Form 1NPR is less than the amount on line 3 of Worksheet 4, do not use the following formula. The standard deduction to fill in on line 4 of Worksheet 4 is the standard deduction from the table in the Form 1NPR booklet based on your filing status and federal income.

$$\begin{array}{rcccl}
 \text{Amount from line 3} & & \text{Standard deduction} & & \\
 \text{of Worksheet 4} & \times & \text{from table in} & = & \text{Amount to} \\
 \hline
 \text{Federal income from} & & \text{Form 1NPR booklet} & & \text{fill in on} \\
 \text{line 33} & & \text{based on your filing} & & \text{line 4} \\
 \text{of Form 1NPR} & & \text{status and federal income} & &
 \end{array}$$

Estates and trusts do not fill in any amount on line 4.

Line 6 If you are filing Form 1, you will first have to complete line 17a-c of Form 1 before you can complete Worksheet 4. Fill in the amount from line 17c of Form 1 on line 6 of Worksheet 4.

If you are filing Form 1NPR, you will first have to complete line 38a-c of Form 1NPR. Then use the formula on page 21 to determine the amount to fill in on line 6 of Worksheet 4.

Exception: If your federal adjusted gross income from line 33, column A of Form 1NPR is less than the amount on line 3 of Worksheet 4, do not use the following formula. Fill in the amount from line 38c of Form 1NPR on line 6 of Worksheet 4.



$$\begin{array}{rcccl}
 \text{Amount from line 3} & & & & \\
 \text{of Worksheet 4} & & & & \\
 \hline
 \text{Federal adjusted gross income} & & & & \\
 \text{from line 33, column A of} & \times & \text{Deduction} & & \text{Amount to fill in on} \\
 \text{Form 1NPR} & & \text{for exemptions} & = & \text{line 6 of} \\
 & & \text{from line 38c of} & & \text{Worksheet 4} \\
 & & \text{Form 1NPR} & &
 \end{array}$$

Estates and trusts do not fill in any amount on line 6.

Line 9 If you are filing Form 1, fill in the amount from line 9 of Worksheet 4 on line 11 of Form 1 as a positive number (use code number 10). If you are filing Form 1NPR, fill in the amount from line 9 of Worksheet 4 on line 25 of Schedule M-Form 1NPR. Estates and trusts fill in the amount from line 9 of Worksheet 4 on line 25 of Schedule 2M-Form 2 as a positive number. If filing Form X-NOL, see the instructions for line 1 of Form X-NOL.

Illustrated Worksheet 1

The following example illustrates how to compute a Wisconsin NOL.

Example: In 2017, James Johnson started a retail business. He is single and claims a federal standard deduction of \$6,350. His 2017 federal adjusted gross income is as follows:

Wages	\$ 1,225
Interest on savings	425
Net long-term capital gain on sale of real estate used in business	1,900
Net short-term capital loss on sale of stock	(1,000)
Net loss from business	(5,000)
Ordinary loss on small business stock	<u>(800)</u>
Federal Adjusted Gross Income	\$(3,250)

Mr. Johnson's Wisconsin income is as follows:

Federal adjusted gross income	\$(3,250)
Capital gain exclusion (\$900 x 30%)	(270)
U.S. government interest	(200)
State and municipal bond interest	<u>600</u>
Wisconsin income	\$(3,120)

Mr. Johnson's 2017 Wisconsin NOL is \$2,675. The computation is shown on the filled-in Worksheet 1 on page 23.

Worksheet 1 — 2017 Wisconsin NOL

1	Wisconsin income from 2017 Form 1, line 13. Estates and trusts, skip lines 1 and 2.....	1	(3,120)		
2	Allowable federal standard deduction.....	2	(6,350)		
3	Combine lines 1 and 2. Estates and trusts, fill in your Wisconsin taxable income increased by the sum of the charitable deduction and income distribution deduction allowed on your federal tax return.....			3	(9,470)
Note: If line 3 is zero or more, do not complete rest of worksheet. You do not have an NOL					
Adjustments:					
4	Fill in Wisconsin capital gain exclusion and the amount of long-term capital gain deferred or excluded due to Investment in a qualified Wisconsin business.....			4	270
5	Estates and trusts, fill in as a positive number the exemption amount from your federal tax return.....			5	
6	Total nonbusiness capital losses disregarding capital loss deduction limitation. Fill in as a positive number.....	6	1,000		
7	Total nonbusiness capital gains.....	7	- 0 -		
8	If line 6 is more than line 7, fill in difference; otherwise, fill in -0-.....	8	1,000		
9	If line 7 is more than line 6, fill in difference; otherwise, fill in -0-.....	9	- 0 -		
10	Nonbusiness deductions. Fill in as a positive number.....	10	6,350		
11	Nonbusiness income other than capital gains.....	11	825		
12	Add lines 9 and 11.....	12	825		
13	If line 10 is more than line 12, fill in difference; otherwise, fill in -0-.....			13	5,525
14	If line 12 is more than line 10, fill in difference; otherwise, fill in -0-. Do not fill in more than line 9.....	14	- 0 -		
15	Total business capital losses disregarding capital loss deduction limitation. Fill in as a positive number.....	15	- 0 -		
16	Total business capital gains disregarding capital gain exclusion.....	16	1,900		
17	Add lines 14 and 16.....	17	1,900		
18	If line 15 is more than line 17, fill in difference; otherwise, fill in -0-.....	18	- 0 -		
19	Add lines 8 and 18.....	19	1,000		
20	Fill in as a positive number the loss, if any, from line 18 of Schedule WD (line 18 of Schedule WD (Form 2) for estates and trusts). If you do not have a loss on that line, skip lines 20 through 22 and fill in on line 23 the amount from line 19.....	20	- 0 -		
21	Fill in as a positive number the loss from line 28 of Schedule WD (line 28 of Schedule WD (Form 2) for estates and trusts).....	21	- 0 -		
22	Subtract line 21 from line 20.....	22	- 0 -		
23	Subtract line 22 from line 19. If zero or less, fill in -0-.....			23	1,000
24	Net operating loss deduction for losses from other years. Fill in as a positive number.....			24	- 0 -
25	Net operating loss. Combine lines 3, 4, 5, 13, 23, and 24. If the combined amount is less than zero, this is your Wisconsin NOL. If the combined amount is zero or more, you do not have an NOL.....			25	(2,675)