



Net Operating Losses for Individuals, Estates, and Trusts

TABLE OF CONTENTS

	Page
1. INTRODUCTION	3
2. DEFINITIONS	3
3. DO YOU HAVE A FEDERAL NOL?.....	3
4. HOW TO COMPUTE THE WISCONSIN NOL FOR THE LOSS YEAR	4
5. WHEN TO USE A WISCONSIN NOL.....	5
A. For an NOL Incurred for a Tax Year Beginning Prior to January 1, 2014.....	5
B. For an NOL Incurred for a Tax Year Beginning On or After January 1, 2014.....	5
C. Waiving the Carryback Period	6
6. HOW TO COMPUTE YOUR WISCONSIN NOL CARRYBACK OR CARRYFORWARD	6
A. Wisconsin NOL Computed for a Year Prior to 2014	6
B. Wisconsin NOL Computed for 2018.....	6
C. Wisconsin Modified Taxable Income.....	7
D. Special Situations	7
(1) Reduction of NOL when debt is cancelled	7
(2) Carryforward or carryback of NOL from a late filed return.....	8
(3) Carryback of NOL to a closed year	8
(4) Carryforward or carryback of NOL incurred while a nonresident.....	8
7. HOW TO REPORT A WISCONSIN NOL DEDUCTION	8
8. CHANGES IN MARITAL AND FILING STATUS.....	9
A. Change in Marital Status.....	9
B. Refund Limit	9
(1) Figuring your share of a joint tax liability.....	9
(2) Figuring your contribution toward tax paid.....	9
C. Change in Filing Status	10
(1) Separate to joint return	10
(2) Joint to separate returns.....	10
D. Joint Return in NOL Year	10
E. Joint Return in Previous Carryback or Carryforward Year	10
9. DEDUCTING AN NOL CARRYBACK	11
10. HOW LONG MUST NOL RECORDS BE KEPT?.....	11
11. ADDITIONAL INFORMATION.....	12
APPENDIX.....	13

IMPORTANT CHANGES

This publication has been revised to remove Worksheets 1 through 4 as a result of the new Schedules NOL1, NOL2, and NOL3 for 2018. For years prior to 2018, continue to use Worksheets 1 through 4 which are available as attachments on our publications page at revenue.wi.gov/Pages/HTML/taxpubs.aspx.

CAUTION

The information in this publication reflects the position of the Wisconsin Department of Revenue of laws enacted by the Wisconsin Legislature effective December 1, 2018. Laws effective after that date, administrative rules, and court decisions may change the interpretations in this publication. Guidance issued prior to December 1, 2018, is superseded by this publication, pursuant to sec. 73.16(2)(a), Wis. Stats.

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 (NOLs) for Individuals, Estates, and Trusts*, and [Form 1045](#), *Application for Tentative Refund*, from the Internal Revenue Service (IRS).

2. DEFINITIONS

Throughout this publication, the following definitions will apply:

- "NOL" – Net operating loss
- "Federal NOL" – Federal net operating loss as computed under the federal Internal Revenue Code (IRC) in effect for Wisconsin tax purposes
- "Loss year" – The year in which the NOL occurred

For example, the Wisconsin definition of the IRC does not include the federal provision allowing a deduction for special depreciation allowance. A taxpayer who was allowed a deduction for special depreciation allowance on a 2018 federal return was required to file Wisconsin Schedule I to include in Wisconsin income the amount of the federal special depreciation allowance deduction and deduct the amount of depreciation allowed for Wisconsin. The Schedule I adjustment is considered when computing the "federal NOL" for Wisconsin.

In addition, the IRC 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.

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 IRS, 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 NOLs. However, unlike other Wisconsin NOLs, Wisconsin tax-option (S) corporation losses may be claimed even if the shareholder has no federal NOL.

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 page 13 of the Appendix for a listing of the various addition and subtraction modifications that may affect your 2018 Wisconsin NOL.

If either of these adjustments apply to you, complete Schedule NOL1 (Worksheet 1 for years 2014 through 2017) to determine your Wisconsin NOL.

If you claimed the federal standard deduction on your federal return (line 8 of 2018 Form 1040) and your federal adjusted gross income (line 7 of 2018 Form 1040) is the same as your Wisconsin income (line 13 of 2018 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 Schedule NOL1.

5. WHEN TO USE A WISCONSIN NOL

A. 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, an NOL 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.

B. 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 Part 5.C. 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 2017 and had a \$42,000 NOL for the year. You begin using your NOL in 2015, the second year before the NOL year, as shown in the chart below.

Year	Amount of NOL Used	Unused Loss
2015	\$2,000	\$40,000
2016	3,000	37,000
2017	(NOL loss year)	
2018	5,500	31,500
2019	9,000	22,500
2020	9,800	12,700
2021	8,700	4,000
2022	4,000	-0-

If your loss were larger, you could carry it forward until the year 2037. If you still had an unused 2017 carryforward after the year 2037, you would not be allowed to deduct it.

If you choose to waive the 2-year carryback period, the NOL computed for 2017 would first be carried forward to 2018.

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

- An NOL 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.

C. 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

A. 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 2018 is the Wisconsin NOL computed for the year of the loss less the amount used in any year between the loss year and 2018. The amount used each year is equal to your "Wisconsin modified taxable income." (See "Wisconsin Modified Taxable Income" on page 7.) 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 \$20,000 for 2014 through 2017. The amount of Wisconsin NOL carried forward to 2018 is \$30,000 (\$50,000 less \$20,000).

If you have a Wisconsin NOL carryforward from more than one year, the amount of your carryforward to 2018 is the total of all carryforwards. The NOLs are used in the order in which they occurred, starting with the earliest.

B. Wisconsin NOL Computed for 2018

If you computed a Wisconsin NOL for 2018, you may carry the NOL back to 2016 or 2017 and then forward for up to 20 years.

The entire 2018 NOL would be carried back to either 2016 or 2017. If you chose to carry back the NOL to 2016, any unused portion is carried forward to 2017. Any unused portion from 2017 is carried forward to 2019. 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" on the next page.)

Example: You computed a Wisconsin NOL for 2018 of \$40,000. Your Wisconsin modified taxable income was \$8,000 for 2016 and \$10,000 for 2017. The amount of Wisconsin NOL carried forward to 2019 is \$22,000 (\$40,000 less \$18,000).

If you chose not to carry back the 2018 NOL, you may carry the entire NOL forward to 2019.

Note: The 2-year carryback and the 20-year carryforward also applied for NOLs computed for 2014 through 2017.

C. Wisconsin Modified Taxable Income

Your Wisconsin modified taxable income is your Wisconsin income (for example, line 13 of 2018 Form 1) with the following adjustments:

- You cannot claim an NOL deduction
- You cannot claim the 30% or 60% capital gain exclusion or the exclusion for capital gain on the sale of investments held for 5 years in a qualified Wisconsin business
- You cannot claim a deduction for a net capital loss
- Wisconsin modified taxable income cannot be less than zero

Complete Part II of Schedule NOL2 to compute your Wisconsin modified taxable income.

You must keep accurate records to show all of the following:

- The amount of Wisconsin NOL for each loss year
- The amount of Wisconsin NOL used in each year to which it can be carried forward or back
- The amount of Wisconsin NOL remaining to be carried forward to future years

Complete 2018 Schedule NOL3 if the NOL is incurred in 2018. Schedule NOL3 provides a record of the above information.

Note: For NOLs incurred in years prior to 2018, complete Worksheet 3, which is provided in the attachments for Publication 120.

D. Special Situations

(1) 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 IRS.

(2) Carryforward or carryback of NOL from a late filed return

For returns filed on or after September 23, 2017, an NOL 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 2011. You filed your 2011 Wisconsin income tax return on July 1, 2017. Your 2011 return was due April 17, 2012. The return shows an NOL of \$30,000. You may not carry forward the \$30,000 NOL from the 2011 return.

(3) 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 2015 Wisconsin income tax return late on November 30, 2018. Your return shows an NOL of \$20,000. You may not carry back the NOL to 2013 since it is past the four-year statute of limitations for filing the 2013 return. You may carry the 2015 NOL back to 2014 if you file the 2014 amended return (Form X-NOL) by April 15, 2019.

(4) 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 2016 and 2017 or carryforward to 2018 (see Part 6), the next step is to determine the amount that may be deducted on your 2016, 2017, or 2018 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 2018 Wisconsin income tax return, use Schedule NOL2 to compute the amount of NOL carryforward that you can deduct on your 2018 Wisconsin income tax return.

Caution: It is important to complete Schedule NOL2 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 Schedules NOL2 and NOL3 with your tax return for each carryback year or each year following the loss year until your NOL is completely used up or can no longer be carried forward.

Enclose Schedule NOL1 in each year you incur an NOL. If you did not complete Schedule NOL1 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 11 summarizes when allocations of the Wisconsin NOL or income must be made.

A. 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 2018](#), from any Department of Revenue office. You may also download this publication from the department's website at revenue.wi.gov.

B. 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.

(1) 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 steps 1. and 2.
4. Divide the amount in step 1. by the amount in step 3.
5. Multiply the refigured tax on your joint return by the amount figured in step 4. This is your share of the joint tax liability.

(2) 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.

C. 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.

(1) 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.

(2) 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.

D. 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 2018. They have an NOL of \$5,000. They carry the NOL back to 2016, 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 ($\$5,000 - \$1,875$).

E. 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 (NOLs) for Individuals, Estates, and Trust*.

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 2018 and will carry the NOL back to 2016 and 2017. To claim the refunds you must file both a 2016 Form X-NOL and a 2017 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, 2021, for 2016 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 2002 Wisconsin income tax return. You used the NOL carryforward to offset income on your 2003 through 2014 Wisconsin income tax returns. Your 2014 Wisconsin return was filed April 15, 2015. You must keep your tax records for the 2002 through 2014 returns until April 15, 2019 (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 . . . Mail Stop 5-77
 Wisconsin Department of Revenue
 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 2018 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, electronic and information technology manufacturing zone credit, and employee college savings account contribution 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 States 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

Illustrated Schedule NOL1

The following example illustrates how to compute a Wisconsin NOL.

Example: In 2018, James Johnson started a retail business. He is single and claims a federal standard deduction of \$12,000. His 2018 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 2018 Wisconsin NOL is \$2,675. The computation is shown on the filled-in Schedule NOL1 on page 15.

Schedule
NOL1

Wisconsin
Department of Revenue

**Wisconsin Net Operating Loss
Deduction**

File with Wisconsin Form 1, 1NPR, or 2

2018

Name(s) shown on Form 1, 1NPR, or 2

Your social security number

Note: Enter all amounts as positive numbers unless otherwise indicated. Use a minus (-) sign for negative amounts.

1	Wisconsin income from 2018 Form 1, line 13. Estates and trusts, skip lines 1 and 2 (see instructions for Form 1NPR).....	1	<u>-3120.00</u>	
2	Allowable federal standard deduction. Enter this amount as a negative number.....	2	<u>-12000.00</u>	
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 you federal tax return	3	<u>-15120.00</u>	
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	<u>270.00</u>	
5	Estates and trusts, fill in as a positive number the exemption amount from your federal tax return.....	5	<u>.00</u>	
6	Total nonbusiness capital losses disregarding capital loss deduction limitation. Fill in as a positive number.....	6	<u>1000.00</u>	
7	Total nonbusiness capital gains.....	7	<u>.00</u>	
8	If line 6 is more than line 7, fill in difference; otherwise, fill in -0-.....	8	<u>1000.00</u>	
9	If line 7 is more than line 6, fill in difference..... otherwise, fill in -0-.....	9	<u>.00</u>	
10	Nonbusiness deductions. Fill in as a positive number.....	10	<u>12000.00</u>	
11	Nonbusiness income other than capital gains.....	11	<u>825.00</u>	
12	Add lines 9 and 11.....	12	<u>825.00</u>	
13	If line 10 is more than line 12, fill in difference; otherwise, fill in -0-.....	13	<u>11175.00</u>	
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	<u>.00</u>	
15	Total business capital losses disregarding capital loss deduction limitation. Fill in as a positive number.....	15	<u>.00</u>	
16	Total business capital gains disregarding capital gain exclusion.....	16	<u>1900.00</u>	
17	Add lines 14 and 16.....	17	<u>1900.00</u>	
18	If line 15 is more than line 17, fill in difference; otherwise, fill in -0-.....	18	<u>.00</u>	
19	Add lines 8 and 18.....	19	<u>1000.00</u>	
20	Fill in as a positive number the loss, if any, from line 18 of Schedule WD (line 18 of Schedule 2WD (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	<u>.00</u>	
21	Fill in as a positive number the loss from line 28 of Schedule WD (line 28 of Schedule 2WD (Form 2) for estates and trusts).....	21	<u>.00</u>	
22	Subtract line 21 from line 20.....	22	<u>.00</u>	
23	Subtract line 22 from line 19. If zero or less, fill in -0-.....	23	<u>1000.00</u>	
24	Net operating loss deduction for losses from other years. Fill in as a positive number.....	24	<u>.00</u>	
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	<u>-2675.00</u>	