

Instructions for 2018 Schedule NOL1

Purpose of Schedule NOL1

The 2018 Schedule NOL1 is used by an individual, estate, or trust to compute your net operating loss (NOL) based on your 2018 tax return. If your trade or business deductions for the year are more than your income for the year, you may have a Wisconsin NOL. Attach Schedule NOL1 to your Wisconsin return for any year you compute an NOL. 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, see federal Form 1045, *Application for Tentative Refund*, and the instructions.

For NOLs incurred in taxable years beginning in 2018, you may carry the NOL back two years and then forward for up to 20 years. Or, you may elect to waive the carryback period and only carry the NOL forward for up to 20 years. If you choose to carry your NOL back, complete 2016 and/or 2017 Form X-NOL, Carryback of Wisconsin Net Operating Loss (NOL).

Schedule NOL2 is used to compute your Wisconsin modified taxable income and allowable deduction for a Wisconsin NOL carryforward. Schedule NOL3 is a record of your carryforwards and carrybacks. These schedules are required to be submitted with your return each year you claim a Wisconsin NOL carryforward or carryback.

Who Must File Schedule NOL1

Schedule NOL1 must be filed by individuals, estates, and trusts who incur an NOL for the taxable year and will claim an NOL carryback or carryforward in other years. Enclose Schedule NOL1 with your Form 1 or 1NPR in the year you incur a loss.

General Instructions

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.

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.

Specific Instructions

Line 1 Fill in your Wisconsin income from 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 Form 1NPR, less the amount on line 30, 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 2018, this generally is:

- Single – \$12,000
- Married filing joint return or qualifying widow(er) – \$24,000
- Married filing separate return – \$12,000
- Head of household – \$18,000

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 (1) you can be claimed as a dependent on another person's return, (2) you (and/or your spouse) are 65 years of age or older or legally blind, (3) you are filing a tax return with a short tax year, (4) you are a nonresident or dual status alien during the year, or (5) you incurred a net disaster loss 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 Schedule WD (line 26 of Schedule 2WD (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 Schedule 1 (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 (1) 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 (2) 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 (1) nonbusiness deductions are allowed only to the extent of nonbusiness income, and (2) 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. The following is a list of examples of nonbusiness income:

- Dividends
- Pensions and annuities
- Alimony
- Interest on investments

Some examples of business income you receive from your trade or business or employment include:

- 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
- Unemployment compensation

Nonbusiness deductions that are unrelated to your trade or business. Some examples include:

- Alimony paid
- The Wisconsin deduction for medical care insurance
- Contributions to an IRA, Keogh, or other retirement plan
- Child care expenses
- The federal standard deduction

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

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 (lines 1 through 5 and 7 through 11 of 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. Enter this amount on Schedule NOL3, line 1a.