

2021 Schedule NOL2 Instructions

Purpose of Schedule NOL2

The 2021 Schedule NOL2 is used by an individual, estate, or trust to compute your allowable net operating loss (NOL) carryforward deduction and Wisconsin modified taxable income. Part I of Schedule NOL2 is used to figure the amount of NOL that may be deducted on your 2021 Wisconsin tax return. The deduction for a Wisconsin NOL 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, *Carryback of Wisconsin Net Operating Loss (NOL)*, to carry back an NOL, see the instructions for Form X-NOL to determine the allowable deduction for the NOL carryback.

Part II of Schedule NOL2 is used to compute your Wisconsin modified taxable income. Your Wisconsin modified taxable income is your Wisconsin income (for example, line 5 of 2021 Form 1) with the following adjustments:

- (1) You cannot claim an NOL deduction
- (2) You cannot claim a capital gain exclusion for the exclusion for capital gain on the sale of investments held at least 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

Who Must File Schedule NOL2

Schedule NOL2 must be filed by individuals, estates, and trusts who incur an NOL in a taxable year and will claim an NOL deduction in 2021. Enclose Schedule NOL2 with your Form 1, 1NPR, 2, or X-NOL in the year you wish to claim an NOL deduction.

Specific Instructions

Part I - 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 (not including any amount of the NOL deduction), less the amount on line 29, column B, of 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 31, column A, of Form 1NPR is less than the amount on line 3 of Part I, do not use the following formula. The standard deduction to fill in on line 4 of Part I is the standard deduction from the table in the 2021 Form 1NPR booklet based on your filing status and federal income.

$$\begin{array}{r} \text{Amount from line 3} \\ \text{of Part I} \\ \hline \text{Federal income from} \\ \text{line 31} \\ \text{of Form 1NPR} \end{array} \times \begin{array}{l} \text{Standard deduction} \\ \text{from table in} \\ \text{Form 1NPR booklet} \\ \text{based on your filing} \\ \text{status and federal income} \end{array} = \begin{array}{l} \text{Amount} \\ \text{to fill in} \\ \text{on line 4} \end{array}$$

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 8c of Form 1 before you can complete Part I. Fill in the amount from line 8c of Form 1 on line 6 of Part I.

If you are filing Form 1NPR, you will first have to complete lines 36a-c of Form 1NPR. Then use the following formula to determine the amount to fill in on line 6 of Part I.

Exception: If your federal adjusted gross income from line 31, column A, of Form 1NPR is less than the amount on line 3 of Part I, do not use the following formula. Fill in the amount from line 36c of Form 1NPR on line 6 of Part I.

$$\frac{\text{Amount from line 3 of Part I}}{\text{Federal adjusted gross income from line 31, column A, of Form 1NPR}} \times \text{Deduction for exemptions from line 36c of Form 1NPR} = \text{Amount to fill in on line 6 of Part I}$$

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

Line 9 If you are filing Form 1, enter the amount from line 9 of Part I on line 24 of Schedule SB (Form 1) as a positive number. If you are filing Form 1NPR, enter the amount from line 9 of Part I on line 25 of Schedule M, *Additions to and Subtractions from Income*. Estates and trusts fill in the amount from line 9 of Part I on line 25 of Schedule 2M, *Form 2 – Additions to and Subtractions from Income*, as a positive number. If filing Form X-NOL, see the instructions for line 1 of Form X-NOL.

Part II – Wisconsin Modified Taxable Income

Line 1 Fill in your Wisconsin income from Form 1, line 5. For individuals filing Form 1NPR, Wisconsin income is the amount from line 30, 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 30 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 carryforward deducted on your Wisconsin return. If you are determining modified taxable income for a carryback year, the amount to enter on line 2 is the amount from line 1 of Form X-NOL.

Line 3 Fill in your Wisconsin capital gain exclusion as a positive number. This will generally be the amount from line 26 of 2021 Schedule WD (line 26 of Schedule 2WD (Form 2) for estates and trusts).

Note: 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 7 of federal Form 1040 or 1040-SR and you did not file Wisconsin Schedule WD, fill in the amount of capital gain exclusion from line 5 of Schedule SB (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 2021 Schedule WD (line 28 of Schedule 2WD (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 2021 Form 1 instruction booklet. If you are filing Form 1NPR, use the formula below to determine the standard deduction to fill in on line 6.

Exception: If your federal income from line 31, column A, of Form 1NPR is less than the amount on line 5 of Part II, do not use the following formula. The standard deduction to fill in on line 6 of Part II is the amount from line 34c of your Form 1NPR.

$$\frac{\text{Amount from line 5 of Part II}}{\text{Federal income from line 31 of Form 1NPR}} \times \text{Standard deduction from line 34c of Form 1NPR} = \text{Standard deduction to fill in on line 6}$$

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 8c of Form 1. If you are filing Form 1NPR, use the following formula to determine your deduction for exemptions.

Exception: If your federal income from line 31, column A, of Form 1NPR is less than the amount on line 5 of Part II, do not use the following formula. The deduction for exemptions amount to fill in on line 8 of Part II is the amount from line 36c of your Form 1NPR.

$$\begin{array}{r} \text{Amount from line 5} \\ \text{of Part II} \\ \hline \text{Federal income} \\ \text{from line 31} \\ \text{of Form 1NPR} \end{array} \quad \times \quad \begin{array}{l} \text{Deduction for} \\ \text{exemptions} \\ \text{from line 36c} \\ \text{of Form 1NPR} \end{array} \quad = \quad \begin{array}{l} \text{Deduction for} \\ \text{exemptions} \\ \text{to fill in} \\ \text{on line 8} \end{array}$$

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

Line 9 This is your Wisconsin modified taxable income for 2021. Enter this amount on the line for "loss used" on Schedule NOL3 as applicable.

Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations in effect as of October 8, 2021: Chapter 71, Wis. Stats.