

STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY
DIVISION OF TAXATION

Form 500
(R. 11/18)

NEW JERSEY CORPORATION BUSINESS TAX



Net Operating Loss Deduction Forms and Instructions

This Packet Contains:

Form 500

Computation of the 2018 Net Operating Loss Deduction

Worksheet 500-P

Prior Net Operating Loss Conversion Worksheet

General Information

P.L. 2002, C.40 (Business Tax Reform Act) disallows Net Operating Loss deductions for tax years beginning during calendar years 2002 and 2003. For any portion of NOLs which would have been deducted in such tax years, but were disallowed by the Business Tax Reform Act, and would have expired in such tax years, the expiration is extended by two years.

P.L. 2004, C.47 allows for a limited Net Operating Loss (NOL) deduction during tax years 2004 and 2005. The deduction permits a reduction of entire net income by up to 50%. To the extent that any NOL is disallowed by reason of this limiting provision, the date on which the disallowed deduction would otherwise expire is extended by a period equal to the period of disallowance. A full NOL deduction is allowed for tax years beginning on or after January 1, 2006.

P.L. 2008, C.102, signed into law November 24, 2008, created a new net operating loss carryover under the Corporation Business Tax. The law provides that a net operating loss for any tax year ending after June 30, 2009, shall be a net operating loss carryover to each of the twenty tax periods following the period of the loss. This new twenty year carryover applies only to net operating losses accruing for tax years ending after June 30, 2009. Net operating losses accruing for tax years ending before June 30, 2009, continue to have a net operating loss carryover to each of the seven tax periods following the period of the loss.

P.L. 2014, C. 13, requires that a net operating loss for any tax year ending after June 30, 2014, and any net operating loss carryover to such tax period, must be reduced by the amount excluded from Federal taxable income under subparagraph (A), (B), or (C) of paragraph (1) of subsection (a) of IRC section 108, for the tax period of the discharge of indebtedness.

P.L. 2018, C. 48, as amended and supplemented by P.L. 2018, C. 131, changes the net operating loss carryover calculation to a post-allocation basis for tax years ending on and after July 31, 2019. The acts collectively provide a method for converting unused unexpired prior net operating losses which had been calculated on a pre-allocation basis to a post-allocation net operating loss carryovers using the allocation factor from the last tax year of the taxpayer prior to the change to post-allocation net operating loss computation. The acts collectively also enacted combined reporting and methods for the use of net operating losses within a combined group context for tax years ending on and after July 31, 2019. Worksheet 500-P is included and must be completed for the taxpayer's convenience to calculate the conversion of the balance of the unexpired unused pre-allocation net operating loss carryovers to post-allocation net operating loss carryovers for use in tax years ending on and after July 31, 2019. For a taxpayer with a full twelve-month tax year that begins on or after August 1, 2018, and ends on or after July 31, 2019, the taxpayer should complete Worksheet 500-P with their 2018 CBT-100, 2018 BFC-1, or 2018 CBT-100S, respectively, and use the allocation factor determined on Schedule J.

FORM 500

COMPUTATION OF THE 2018 NOL DEDUCTION

Return period beginning _____, and ending _____

READ THE INSTRUCTIONS BEFORE COMPLETING THIS FORM

1. Return period				
2. Entire net loss				
3. Portion of line 2 previously deducted				
4. Portion of line 2 that expired				
5. Amount excluded from Federal taxable income				
6. Current period NOL available - line 2 minus line 3 minus line 4 minus line 5				

7. Total of the amounts reported on line 6* 7. _____
8. Enter the current period's entire net income..... 8. _____
9. Current period's NOL deduction – enter the lesser of line 7 or line 8 here and on Schedule A, line 35 of the CBT-100 or the BFC-1, or line 39 of the CBT-100S 9. _____

* Include amounts reported on line 6 from any additional pages attached.

FORM 500**COMPUTATION OF THE 2018 NOL DEDUCTION**

Return period beginning _____, and ending _____

1. Return period				
2. Entire net loss				
3. Portion of line 2 previously deducted				
4. Portion of line 2 that expired				
5. Amount excluded from Federal taxable income				
6. Current period NOL available - line 2 minus line 3 minus line 4 minus line 5				

1. Return period				
2. Entire net loss				
3. Portion of line 2 previously deducted				
4. Portion of line 2 that expired				
5. Amount excluded from Federal taxable income				
6. Current period NOL available - line 2 minus line 3 minus line 4 minus line 5				

INSTRUCTIONS

- Line 1** – Beginning with return periods ending on or after July 31, 1995, enter the return periods that have a loss reported on Schedule A, line 34 of the CBT-100 or the BFC-1, or on Schedule A, line 38 of the CBT-100S. If space is insufficient to report all return periods, an additional page is included in this packet. The additional page may be reproduced as needed.
- Line 2** – Enter the amount of the loss reported on Schedule A, line 34 of the CBT-100 or the BFC-1, or on Schedule A, line 38 of the CBT-100S for each return period listed on line 1.
- Line 3** – Enter that portion of the loss reported on line 2 that was deducted in a previous year.
- Line 4** – Enter the amount of the NOL that has previously expired.
- Line 5** – Enter the amount excluded from Federal taxable income under subparagraph (A), (B), or (C) of paragraph (1) of subsection (a) of Internal Revenue Code (26 U.S.C. s.108) for the tax years ending after June 30, 2014.
- Line 6** – Subtract the amounts reported on lines 3 through 5 from the amount on line 2. This is the total amount of NOL available for deduction in the current year.
- Line 7** – Enter the total of all amounts reported on line 6 from all pages completed.
- Line 8** – Enter the amount from Schedule A, line 34 of form CBT-100 or form BFC-1, or line 38 of form CBT-100S.
- Line 9** – Enter the lesser of line 7 or line 8 and report this amount on the appropriate line of the CBT-100, CBT-100S, or BFC-1 form.

Worksheet 500-P

Worksheet 500-P is to help taxpayers transition to the new net operating loss regime.
Answer the follow questions to see whether you need to file the Worksheet this tax year or next.

1. Will your next tax year (privilege period) end on or after July 31, 2019?
 - Yes. Complete Worksheet 500-P on the next page, and enclose a copy with your tax return.
 - No. Continue to Question 2.
2. Is the tax return for which you are filing Form 500 for the taxpayer's last privilege period ending immediately prior to the taxpayer's privilege period that ends on or after July 31, 2019?
 - Yes. Complete Worksheet 500-P on the next page, and enclose a copy with your tax return.
 - No. If you answered no to **both** questions, you do not need to do anything further. You will complete Worksheet 500-P the next time the taxpayer files their return.

Note: For this year, Worksheet 500-P is for informational purposes only. It is used to calculate the converted unexpired unused net operating losses for future use. Taxpayers who complete the worksheet must enclose a copy with their tax return. Be sure to keep a copy Worksheet 500-P for your records as you will need it to substantiate the use of any converted net operating loss carryovers for tax years ending on and after July 31, 2019.

NEW JERSEY CORPORATION BUSINESS TAX Prior Net Operating Loss Conversion Worksheet

Use this worksheet to calculate the converted prior net operating losses for use for tax years ending on and after July 31, 2019.

NAME AS SHOWN ON RETURN	FEDERAL ID NUMBER
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NOTE: This is used to calculate your converted prior net operating losses from pre-allocated net operating loss carryovers to post-allocated net operating loss carryovers for the last tax year ending before July 31, 2019. The converted net operating loss carryovers for tax years ending on or after July 31, 2019. Use the allocation factor calculated on the Schedule J in the last tax year ending prior to July 31, 2019, for Column 3. This is the taxpayer's base year allocation factor for the last tax year ending before July 31, 2019, pursuant to N.J.S.A. 54:10A-4(u). **Keep a copy of this worksheet to substantiate calculations and to determine usable amounts for future years.** If more space is needed, enclose a rider listing the information.

Part I

1. Allocation Factor For The Last Tax Year Ending Prior to July 31, 2019 (from Schedule J).....

Part II

Column 1	Column 2	Column 3
Tax Year Ending	Unexpired Unused Net Operating Losses	Converted Prior Net Operating Loss Carryover Multiply line 1, Part I by amount in Column 2, Part II
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		
16.		
17.		
18.		
19.		
20.		

Enclose a Copy with Tax Return