

Name: _____ Social Security Number: _____

Spouse's name: _____ Social Security Number: _____

For additional information, see the Iowa Administrative Code rules 701—40.18 and 40.38. (While not comprehensive, this may be helpful.)

Important Notices:

- Iowa did not conform with the federal changes to the carryback rules provided by the Tax Cuts and Jobs Act of 2017 or the CARES Act of 2020.
• For 2019 and later, the Qualified Business Income deduction and DPAD 199A(g) deduction taken on IA 1040 lines 32 and 33 are not allowed in the computation of the Iowa NOL.
• For 2019 and later, an excess business loss disallowed under section 461(l) of the Internal Revenue Code for Iowa tax purposes is not permitted to be included in the calculation of an Iowa NOL.
• For 2020, 2021, and 2022, taxpayers engaged in a small business or in a farming business may be required to carry any related NOL back three years. See instructions.

What caused the NOL? Check all that apply. Farming [] Casualty/Theft [] Business []

Other []: Explain _____

Taxpayer Elections: For tax years beginning on or after January 1, 2020, the following elections must be made, when applicable, by the due date of your return, including extensions of time to file.

- A. Do you irrevocably elect to waive your entire carryback period? Yes [] No []
B. Is this a Farming NOL? Yes [] No []
C. Do you irrevocably elect to carry farming NOL back five taxable years? Yes [] No []

Note: The above referenced elections must be made by the due date of your return, including extensions of time.

Calculation of the Iowa NOL (Nonresidents and part-year residents see instructions.)

- 1. Net Income for loss year _____ (fill in year) from IA 1040, line 26.1. _____
2. Additions to Net Income
a. NOL claimed from previous year.....2a. _____
b. Net capital loss from IA 1040, line 6 or capital gain deduction from IA 1040, line 23. See instructions.....2b. _____
c. Nonbusiness Adjustments to Income.....2c. _____
d. Federal tax refunds (business and nonbusiness) from IA 1040, line 27.2d. _____
e. Self-employment/household employment/other federal taxes from IA 1040, line 28.....2e. _____
3. Total Additions. Add lines 2a through 2e and enter here.....3. _____
4. Subtotal. Add lines 1 and 3 and enter here.....4. _____



2041123019999

- 5. Deductions from Net Income
 - a. Federal tax payments (business related only). See instructions. 5a. _____
 - b. Business deductions included in itemized deductions 5b. _____
 - c. Nonbusiness itemized deductions/adjustments/federal tax payments, to the extent of nonbusiness income. See instructions. 5c. _____
- 6. Total subtractions from Net Income. Add lines 5a through 5c and enter here 6. _____
- 7. Computed NOL. Subtract line 6 from line 4 and enter here 7. _____

Note: If line 7 is a negative amount, continue to Application of the IA NOL.
 If line 7 is a positive amount, you do not have a NOL.

Application of the IA NOL. See instructions.

Complete Part I if the NOL is not completely used up and a balance is available for carryforward from line 14.

Complete Part II if the NOL is used in its entirety. ■

Part I: IA NOL is greater than taxable income in the carryback or carryover year

- 8. Iowa Taxable Income for carryback or carryover year _____ (fill in year).
 From IA 1040, line 38 for years 2013 forward, if applicable, or IA 1040, line 42 for years 2012 and prior. 8. _____
- 9. Additions to Iowa Taxable Income, if applicable.
 - a. Capital loss from IA 1040, line 6 or capital gain deduction from IA 1040, line 23.... 9a. _____
 - b. For 2019 and later, the Qualified Business Income deduction and DPAD 199A(g) deduction from IA 1040 lines 32 and 33 9b. _____
 - c. Itemized deductions decrease due to 9a per amended federal return.
 Applies only if a federal NOL is filed 9c. _____
- 10. Add lines 9a through 9c and enter here 10. _____
- 11. If applicable, increase in Iowa standard deduction. See instructions 11. _____
- 12. Subtract line 11 from line 10 and enter here 12. _____
- 13. Adjusted Taxable Income. Add lines 8 and 12 and enter here 13. _____
- 14. NOL carryforward. Add lines 7 (less any prior applications) and 13, and enter here 14. _____

Part II: IA NOL is less than taxable income in the carryback or carryover year

- 15. Net Income for carryback or carryover year _____ (fill in year) from the IA 1040, line 26. Include capital gain deduction to the extent of the NOL. 15. _____
- 16. NOL deduction less any prior applications. 16. _____
- 17. Adjusted Iowa Net Income. Subtract line 16 from line 15 and enter here 17. _____
- 18. Enter all federal tax refund(s) and other federal taxes from IA 1040, lines 27 and 28 18. _____
- 19. Total. Add lines 17 and 18 and enter here 19. _____
- 20. Deductions:
 - a. Federal tax paid from IA 1040. See instructions 20a. _____
 - b. Itemized deductions per original return or revised standard deduction 20b. _____
 - c. Additional itemized deductions per amended federal return. Applies only if a federal NOL is filed 20c. _____
- 21. Total Subtractions. Add lines 20a through 20c and enter here 21. _____
- 22. Taxable Income. Subtract line 21 from line 19 and enter here 22. _____

Include this form with your Iowa income tax return for each year an NOL is attributable to Iowa.



2041123029999

Application of the NOL for Iowa Purposes:

For tax years beginning after August 5, 1997, the NOL attributable to Iowa is subject to a two-year carryback and up to a 20-year carryover provision. Different carryback provisions apply to certain casualty losses and farming losses.

For tax years beginning after August 5, 1997 but before January 1, 2020.

Effective for tax years beginning on or after January 1, 1998, Iowa NOLs from farming may be carried back five years and forward 20 years. However, taxpayers with NOLs from farming for tax years beginning in 1998 or after can elect to forego the five-year carryback provision and can carry back the loss two years (three years for a loss in a national disaster area or due to a casualty, storm, or theft.) This federal election can be made on the federal original return or on an amended federal return within the six-month period after the due date. (Note: For tax years beginning prior to January 1, 2020 the Iowa NOL carryback period is only waived if you elected to waive the same federal NOL carryback period.) Iowa does not conform with federal changes to the carryback rules provided by the CARES Act of 2020.

For tax years beginning on or after January 1, 2020.

Effective January 20, 2020, and still in effect as of the date of publication, a presidentially declared [federal disaster declaration](#) applies to all counties in Iowa due to the COVID-19 pandemic. Since all counties in Iowa are part of the presidentially-declared disaster area for the COVID-19 pandemic, all Iowa NOLs incurred between January 20, 2020, and the end of the disaster declaration in Iowa by a taxpayer engaged in a small business or a farming business must be carried back three years unless an election to waive the carryback period is made.

Taxpayers engaged in a small business or a farming business with an NOL incurred in a presidentially-declared disaster area should, in addition to any other applicable boxes, check the "Other" box on the line "What caused the NOL" of the IA 123, and write "COVID-19 pandemic" in the explanation section.

Taxpayers may elect to waive the Iowa carryback period regardless of any federal NOL election. The election shall be made by the due date for filing the taxpayer's Iowa income tax return, including the extension of time to file. After the election is made for any taxable year the election shall be irrevocable. When the election has been properly made the Iowa NOL shall be carried forward 20 taxable years.

If you do not elect to waive your carryback period farmers may elect to carry the farming NOL back five years and forward 20 years. The election shall be made by the due date for filing the taxpayer's Iowa income tax return, including the extension of time to file.

Election:**For tax years beginning prior to January 1, 2020.**

If there is both a federal NOL and an Iowa NOL and a timely election is made to forego the carryback period for federal purposes, that election is binding for Iowa purposes. If an NOL occurs for Iowa purposes but not for federal purposes, the loss must first be carried back and then carried forward for the carryback and carryforward periods applicable to that tax year. No election to forego the carryback period is allowable.

The federal Tax Cuts and Jobs Act of 2017 eliminated federal NOL carrybacks for taxpayers other than certain farmers or insurance companies for tax years ending on or after January 1, 2018. Taxpayers who are not permitted to carry back a federal NOL have not elected to waive a federal carryback period, and may not waive the applicable Iowa carryback period on their Iowa NOL. Iowa does not conform with federal changes to the carryback rules provided by the CARES Act of 2020.

For tax years beginning on or after January 1, 2020.

Any federal election which is made to forego a NOL carryback period is not binding for Iowa purposes. Taxpayers may elect to waive the Iowa NOL carryback period. The election applies to the entire Iowa NOL and shall be made by the due date for filing the taxpayer's Iowa income tax return, including the extension of time to file. After the election is made for any taxable year the election shall be irrevocable. When the election has been properly made the Iowa NOL shall be carried forward 20 taxable years.

If you do not elect to waive your carryback period farmers may elect to carry the farming NOL back five years and forward 20 years. The election shall be made by the due date for filing the taxpayer's Iowa income tax return, including the extension of time to file.

Classification of Income:

For purposes of identifying business and nonbusiness deductions, refer to the federal guidelines since they are applicable for Iowa NOL purposes. In order to allow nonbusiness deductions, a schedule showing all such nonbusiness deductions must be provided.

Nonbusiness Adjustment to Income:

Nonbusiness adjustments to income which are most common, but not limited to: IRA, Keogh, early withdrawal penalty, alimony paid, disability income exclusion, and pension exclusion.

Note: The health insurance deduction claimed on your federal return as a business adjustment to income can be classified as a business deduction. Beginning with tax year 2014, Social Security and military retirement pay are not used to calculate Iowa Net Income. Therefore, for years involving 2014 or later, Social Security benefits and military retirement pay are not income for Iowa purposes and should not be used to calculate the NOL.

Capital Gain and Loss Regarding NOL Computation:

An individual or other non-corporate taxpayer can deduct nonbusiness capital loss only to the extent of nonbusiness capital gain. Beginning with tax year 1994, any Iowa capital gain deduction must be added back in the computation of the Iowa NOL. Further, when applying an NOL from tax year 1994 or later, the capital gain deduction is not allowed in the carryback or carryover tax year and must be added back to income to the extent of the NOL.

Line 5a: For tax years prior to 2019, include only the amount of federal tax payments from the IA 1040, lines 31-33 that are defined as business tax payments for federal purposes.

For tax year 2019 and later, include only the amount of federal tax payments from the IA 1040, line 31 that are defined as business tax payments for federal purposes.

Note: For 2019 and later, the Qualified Business Income deduction and DPAD 199A(g) deduction taken on IA 1040 lines 32 and 33 are not allowed in the computation of the Iowa NOL.

Line 5c: The total of nonbusiness itemized deductions, nonbusiness adjustments, and nonbusiness federal tax payments are allowed only to the extent of nonbusiness Iowa income. An itemized deduction schedule (Schedule A) for the loss year must be included with the IA 1040X amended return when making an itemized deduction entry on this line. The federal tax payment must be separated between business and nonbusiness. While the business portion of the federal tax payment is reported on line 5a, the nonbusiness portion of the federal tax payment is reported as an adjustment on line 5c subject to the nonbusiness income limitation.

Note: For 2019 and later, the Qualified Business Income deduction and DPAD 199A(g) deduction taken on IA 1040 lines 32 and 33 are not allowed in the computation of the Iowa NOL.

Note: For 2019 and later, an excess business loss disallowed under section 461(l) of the Internal Revenue Code for Iowa tax purposes is not permitted to be included in the calculation of an Iowa NOL. These disallowed losses are not deductible in a later tax year and are lost for Iowa purposes.

Part I: IA NOL is greater than taxable income in the carryback or carryover year

Line 9a: Your deduction for the excess of capital loss over capital gain is not allowed, and you are not permitted the capital gain deduction for the tax years that the exclusion/deduction applies. If the loss year in the calculation of the Iowa NOL section of this schedule is 1994 or later, then any capital gain deduction must be added back to taxable income.

Line 9b: For tax year 2019 and later enter the Qualified Business Income deduction and DPAD 199A(g) deduction taken on IA 1040 lines 32 and 33.

Line 9c: If you have filed a federal NOL carryback or carryover for this same year, and due to capital loss or capital gain exclusions in the application year you were required to decrease your medical expense deduction, casualty and theft losses, and miscellaneous deductions, enter the total amount of those decreases on line 9c.

Line 11: If you claimed the Iowa standard deduction in the carryback or carryover year and you made an entry on line 9a, you may recalculate your Iowa standard deduction and enter the appropriate increase, if any, on line 11.

Lines 13-14: If an NOL is greater than the adjusted taxable income in a carryback or carryover year, an IA 1040X amended return for the carryback year (IA 1040 for carryover year) must be included showing no taxable income. The remaining NOL on line 14 is to be carried forward to the next tax year.

Part II: IA NOL is less than taxable income in the carryback or carryover year

Line 20a: For tax years 2018 and prior, report federal taxes from IA 1040, lines 31-33. For tax years 2019 and later, report federal taxes from IA 1040, line 31.

Line 20b: Enter the itemized deductions allowed on your original Iowa income tax return or the revised Iowa standard deduction due to line 16. The Iowa standard deduction must be recalculated after application of the NOL carryback/carryover in any year in which the NOL is carried and fully absorbed.

Line 20c: If you also filed a federal NOL carryback claim for this tax year and were allowed to increase your itemized deductions for medical expenses, casualty and theft losses, and miscellaneous deductions due to the NOL application, enter the increase in those deductions on line 20c.

Line 22: Enter this amount directly on the "Taxable Income" line of your IA 1040X and include this schedule with the IA 1040X return. No entry is necessary on the IA 1040X return above the "Taxable Income" line in the corrected computation column, but you must continue your amended tax calculation after that line.

Nonresidents and Part-Year Residents:

In order for nonresidents and part-year residents to carry back or carry over an NOL, that loss must be from Iowa sources. A loss which is not from Iowa sources cannot be reported anywhere on the Iowa return or Schedule IA 126.

Nonresident or part-year resident taxpayers should begin calculation of an Iowa NOL with their Iowa-source Net Income from Schedule IA 126. Additions on lines 2a, 2b, and 2c should be made only if these items are allocable to Iowa.

Federal tax refunds (line 2d) need be added only in ratio with the taxpayer's Iowa income percentage in the tax year generating the refund. Self-employment tax (line 2e) is added only to the extent it is deducted on line 5a.

Federal tax payments (line 5a) may be deducted only if the tax payment was directly attributable to Iowa-source income. This includes federal taxes withheld from Iowa-source income, or the amount of additional federal tax paid for a prior year in the current tax year prorated by the Iowa income percentage for the prior year for which the tax was paid.

Entries should be made on lines 5b and 5c only as these items relate directly to income allocated to Iowa on Schedule IA 126.

The Iowa-source NOL should be applied to the Iowa-source income on Schedule IA 126 for the carryback/carryover year. This will decrease the Iowa-source Net Income for that tax year, creating a lower Iowa income percentage, an increase in the nonresident/part-year resident tax credit, and may result in an overpayment for the carryback/carryover tax year.