

SECTION 3-8.9-APPENDIX-SUBPART 3-8

PRIOR NET OPERATING LOSS CONVERSION (PNOLC) EXAMPLES

Example 1:

2014 Calendar Year (Base Year)

Corporations L, M, N and O are properly included in a combined report. The combined group's base year BAP is 12.50% and the group's base year tax rate is 7.1%.

2015 Calendar Year (First 2015 Taxable Year)

Corporation O files on a separate basis. It is not a small business taxpayer. To compute its PNOLC subtraction pool, Corporation O first multiplies its UNOL by its base year combined group's base year BAP and base year tax rate (\$7,325 x 12.50 % x 7.1%). The result of \$65 is divided by the 6.5% conversion percentage to arrive at a PNOLC subtraction pool of \$1,000. Since Corporation O properly elected to use the 50% allotment method, its PNOLC subtraction pool is multiplied by 50% to determine its tax period PNOLC subtraction allotment of \$500 for the first 2015 taxable year. In the first 2015 taxable year, the PNOLC subtraction available for use is \$500, which is equal to its tax period PNOLC subtraction allotment for that year.

Corporation	UNOL	Base Year BAP	Base Year Tax Rate	Conversion Percentage	PNOLC Subtraction Pool	PNOLC Subtraction Allotment Method	Tax Period PNOLC Subtraction Allotment	2015 Calendar Year PNOLC Subtraction Available for Use
O	\$7,325	12.50%	7.10%	6.50%	\$1,000	50%	\$500	\$500

Corporations L, M, and N are properly included in a combined report. The combined group is not a small business taxpayer and it does not elect to use the 50% allotment method. Each member of the combined group computes its own PNOLC subtraction pool by multiplying its own UNOL by the base year combined group's base year BAP and base year tax rate. The result is then divided by the 6.5% conversion percentage to compute the member's PNOLC subtraction pool. Since the combined group is utilizing the 10% allotment method, each member's PNOLC subtraction pool is multiplied by 10% to arrive at the member's PNOLC subtraction allotment for the first 2015 taxable year. The combined group's tax period PNOLC subtraction allotment for the first 2015 taxable year of \$3,505 is the sum of L, M, and N's tax period PNOLC subtraction allotments for that year. The combined group's PNOLC subtraction available for use in the first 2015 taxable year is \$3,505, which is equal to the combined group's tax period PNOLC subtraction allotment for that year.

2015 Group Member	Member's UNOL	Base Year BAP	Base Year Tax Rate	Conversion Percentage	Member's PNOLC Subtraction Pool	PNOLC Subtraction Allotment Method	Tax Period PNOLC Subtraction Allotment	2015 Calendar Year PNOLC Subtraction Available for Use
L	\$70,000	12.50%	7.10%	6.50%	\$9,558	10%	\$956	\$956
M	\$186,700	12.50%	7.10%	6.50%	\$25,492	10%	\$2,549	\$2,549
N	0	12.50%	7.10%	6.50%	-	--	-	-
Totals	\$256,700				\$35,050		\$3,505	\$3,505

Example 2 (page i of ii):

2014 Calendar Year (Base Year)

Corporations E, F, and G are properly included in a combined report. The combined group's base year BAP is 9.5% and the group's base year tax rate is 7.1%. Corporation H is a small business taxpayer and files on a separate basis, with a base year BAP of 4.8250% and a base year tax rate of 6.5%. Corporation I was not subject to tax in New York State in the base year. Corporation J files on a separate basis, with base year BAP of 9.75% and a base year tax rate of 7.1%.

2015 Calendar Year (First 2015 Taxable Year)

Corporations E, F, G, H, and I are properly included in a combined report. Even though Corporation H qualified as a small business taxpayer in 2014, the combined group does not qualify as one in 2015. The designated agent of the combined group does not elect to use the 50% allotment method. Each member computes its own PNOLC subtraction pool by multiplying its own UNOL by the base year BAP and base year tax rate. Corporations E, F, and G have the same base year BAP and base year tax rate as they were included in the same base year combined group. Corporation H must use its separately filed base year BAP and base year tax rate. As Corporation I was not subject to tax in the base year, it has a 0% base year BAP and 0% base year tax rate. The result is then divided by the 6.5% conversion percentage to compute the member's PNOLC subtraction pool. Since the combined group is utilizing the 10% allotment method, each member's PNOLC subtraction pool is multiplied by 10% to arrive at the member's PNOLC subtraction allotment for the first 2015 taxable year. The combined group's PNOLC subtraction allotment for the first 2015 taxable year is \$2,900, which is the sum of E, F, G, H, and I's tax period PNOLC subtraction allotments for that year. The combined group's PNOLC subtraction available for use in the first 2015 taxable year is \$2,900, which is equal to the tax period PNOLC subtraction allotment for that year. The combined group is able to utilize the entire PNOLC subtraction available for use so there is no carryforward of PNOLC subtraction from the first 2015 taxable year.

2015 Group Member	Member's UNOL	Base Year BAP	Base Year Tax Rate	Conversion Percentage	Member's PNOLC Subtraction Pool	PNOLC Subtraction Allotment Method	PNOLC Subtraction Allotment	2015 Calendar Year PNOLC Subtraction Available for Use
E	\$115,600	9.50%	7.10%	6.50%	\$11,996	10%	\$1,200	\$1,200
F	\$28,900	9.50%	7.10%	6.50%	\$2,999	10%	\$300	\$300
G	\$57,800	9.50%	7.10%	6.50%	\$5,998	10%	\$600	\$600
H	\$165,800	4.83%	6.50%	6.50%	\$8,000	10%	\$800	\$800
I	\$0	-	-	-	-	-	-	-
Total	\$368,100				\$28,993		\$2,900	\$2,900

Example 2 (page ii of ii):

Corporation J files on a separate basis and properly elects to use the 50% allotment method. To compute its PNOLC subtraction pool, Corporation J first multiplies its UNOL by its base year BAP and base year tax rate (\$16,000 x 9.750 % x 7.1%). The result of \$111 is divided by the 6.5% conversion percentage to arrive at a PNOLC subtraction pool of \$1,704. Since Corporation J properly elected to use the 50% allotment method, its PNOLC subtraction pool is multiplied by 50% to determine its tax period PNOLC subtraction allotment of \$852 for the first 2015 taxable year. In the first 2015 taxable year, the PNOLC subtraction available for use is \$852, which is equal to its tax period PNOLC subtraction allotment for that year. Corporation J is able to use the entire PNOLC subtraction available for use so there is no carryforward of PNOLC subtraction from the first 2015 taxable year.

Corporation	UNOL	Base Year BAP	Base Year Tax Rate	Conversion Percentage	PNOLC Subtraction Pool	PNOLC Subtraction Allotment Method	Tax Period PNOLC Subtraction Allotment	2015 Calendar Year PNOLC Subtraction Available for Use
J	\$16,000	9.75%	7.10%	6.50%	\$1,704	50%	\$852	\$852

2016 Calendar Year (Second Year Following the Base Year)

Corporations E, F, G, H, I, and J are properly included in a combined report. The group has \$3,752 of PNOLC subtraction available for use, which is the sum of each member's PNOLC subtraction available for use for the tax period.

2016 Group Member	Member's PNOLC Subtraction Pool	PNOLC Subtraction Allotment Method	Tax Period PNOLC Subtraction Allotment	Unused PNOLC Subtraction Carryforward from 2015 Calendar Year	2016 Calendar Year PNOLC Subtraction Available for Use
E	\$11,996	10%	\$1,200	\$0	\$1,200
F	\$2,999	10%	\$300	\$0	\$300
G	\$5,998	10%	\$600	\$0	\$600
H	\$8,000	10%	\$800	\$0	\$800
I	-	-	-	\$0	\$0
J	\$1,704	50%	\$852	\$0	\$852
Total	\$30,697		\$3,752	\$0	\$3,752

Even though combined group E, F, G, H, I elected in 2015 to use the 10% allotment method, Corporation J is required to continue to use the 50% allotment method elected on its original, timely filed return for the first 2015 taxable year when it joined the combined group in 2016. However, if Corporation J properly revokes such election in accordance with the rules in this Subpart, it would then use the 10% allotment method in the 2016 taxable year.

Example 3 (page i of v):

2014 Calendar Year (Base Year)

In the base year, Taxpayer X files a separate report. Taxpayer X's base year BAP is 15 percent and its base year tax rate is 7.1 percent.

2015 Short Period 1/1/2015 - 5/31/15 (First 2015 Taxable Year)

To compute its PNOLC subtraction pool, Taxpayer X first multiplies its UNOL by its base year BAP and base year tax rate (\$97,650 x 15 percent x 7.1 percent). The result of \$1,040 is then divided by the 6.5 percent conversion percentage to arrive at its PNOLC subtraction pool of \$16,000. Since taxpayer X properly elected to use the 50 percent allotment method, it multiplies its PNOLC subtraction pool by 50 percent to determine its tax period PNOLC subtraction allotment of \$8,000 for the first 2015 taxable year. In the first 2015 taxable year, the PNOLC subtraction available for use is \$8,000, which is equal to the tax period PNOLC subtraction allotment for that year.

	UNOL	Base Year BAP	Base Year Tax Rate	Conversion Percentage	PNOLC Subtraction Pool	PNOLC Subtraction Allotment Method	Tax Period PNOLC Subtraction Allotment	First 2015 Taxable Year PNOLC Subtraction Available for Use
X	\$97,650	15.00%	7.10%	6.50%	\$16,000	50%	\$8,000	\$8,000

Taxpayer X computes its maximum amount of PNOLC subtraction to be deducted in the first 2015 taxable year of \$1,408 as follows:

Apportioned Business Income Before PNOLC Subtraction and NOLD	\$5,900,000
2015 Business Income Tax Rate	7.10%
Product of Apportioned Business Income Before PNOLC Subtraction and NOLD and the 2015 Business Income Tax Rate	\$418,900
Capital Base Tax	\$418,800
FDM	\$5,000
Greater of Capital Base Tax and FDM	\$418,800
Difference Between (a) Greater of Capital Base Tax and FDM and (b) the Product of Apportioned Business Income Before PNOLC Subtraction and NOLD and the 2015 Business Income Tax Rate	\$100
2015 Business Income Tax Rate	7.10%
Maximum Amount of PNOLC Subtraction to be Deducted (\$100/7.1%)	\$1,408

Example 3 (page ii of v):

The lesser of Taxpayer X's PNOLC subtraction available for use (\$8,000) and its maximum PNOLC subtraction to be deducted (\$1,408) is \$1,408. Since this value is less than 50 percent of its PNOLC subtraction pool, \$1,408 is Taxpayer X's PNOLC subtraction in the first 2015 taxable year. The difference between the PNOLC subtraction available for use and the PNOLC subtraction is Taxpayer X's unused PNOLC subtraction carryforward of \$6,592:

PNOLC Subtraction Available for Use in First 2015 Taxable Year	\$8,000
Maximum PNOLC Subtraction to be Deducted in First 2015 Taxable Year	\$1,408
PNOLC Subtraction in First 2015 Taxable Year	\$1,408
Unused PNOLC Subtraction Carryforward from First 2015 Taxable Year	\$6,592

2015 Short Period 6/1/2015 - 12/31/15 (Second taxable year following the base year)

Taxpayer X's tax period allotment is \$8,000 in the second taxable year following the base year, which is 50 percent of its PNOLC subtraction pool. Taxpayer X's PNOLC subtraction available for use in the second taxable year following the base year is the sum of its unused PNOLC subtraction carryforward from the first 2015 taxable year and its current tax period PNOLC subtraction allotment:

Tax Period PNOLC Subtraction Allotment	\$8,000
Unused PNOLC Subtraction Carryforward from First 2015 Taxable Year	\$6,592
PNOLC Subtraction Available for Use in Second Taxable Year Following the Base Year	\$14,592

Example 3 (page iii of v):

Taxpayer X computes its maximum amount of PNOLC subtraction to be deducted in the second year following the base year of \$2,113 as follows:

Apportioned Business Income Before PNOLC Subtraction and NOLD	\$4,900,000
2015 Business Income Tax Rate	7.10%
Product of Apportioned Business Income Before PNOLC Subtraction and NOLD and the 2015 Business Income Tax Rate	\$347,900
Capital base tax	\$347,750
FDM	\$5,000
Greater of Capital Base Tax and FDM	\$347,750
Difference Between (a) Greater of Capital Base Tax and FDM and (b) Product of Apportioned Business Income Before PNOLC Subtraction and NOLD and the 2015 Business Income Tax Rate	\$150
2015 Business Income Tax Rate	7.10%
Maximum Amount of PNOLC Subtraction to be Deducted (\$150/7.1%)	\$2,113

The lesser of Taxpayer X's PNOLC subtraction available for use (\$14,592) and its maximum PNOLC subtraction to be deducted (\$2,113) is \$2,113. Since it is less than 50 percent of Taxpayer X's PNOLC subtraction pool, its PNOLC subtraction is \$2,113 in the second taxable year following the base year.

Since its PNOLC subtraction is less than its PNOLC subtraction available for use, the difference between these two items is taxpayer X's unused PNOLC subtraction carryforward of \$12,479:

PNOLC Subtraction Available for Use in Second 2015 Taxable Year	\$14,592
Maximum PNOLC Subtraction to be Deducted in Second 2015 Taxable Year	\$2,113
PNOLC Subtraction in Second 2015 Taxable Year	\$2,113
Unused PNOLC Subtraction Carryforward from Second 2015 Taxable Year	\$12,479

Example 3 (page iv of v):

2016 Calendar Year (Third Taxable Year Following the Base Year)

Taxpayer X's PNOLC subtraction available for use in the third taxable year following the base year is its unused PNOLC subtraction carryforward from the second 2015 taxable year because it has no tax period PNOLC subtraction allotment in its third taxable year following the base year:

Tax Period PNOLC Subtraction Allotment in 2016 Calendar Year	\$0
Unused PNOLC Subtraction Carryforward from the Second Taxable Year Following the Base Year	\$12,479
PNOLC Subtraction Available for Use in 2016 Calendar Year	\$12,479

Taxpayer X computes its maximum PNOLC subtraction to be deducted in the third year following the base year of \$1,323,944 as follows:

Apportioned Business Income Before PNOLC Subtraction and NOLD	\$14,000,000
2015 Business Income Tax Rate	7.10%
Product of Apportioned Business Income Before PNOLC Subtraction and NOLD and the 2015 Business Income Tax Rate	\$994,000
Capital base tax	\$900,000
FDM	\$10,000
Greater of Capital Base Tax and FDM	\$900,000
Difference Between (a) Greater of Capital Base Tax and FDM and (b) the Product of Apportioned Business Income Before PNOLC Subtraction and NOLD and the 2015 Business Income Tax Rate	\$94,000
2015 Business Income Tax Rate	7.10%
Maximum Amount of PNOLC Subtraction to be Deducted (\$94,000/7.1%)	\$1,323,944

Example 3 (page v of v):

The lesser of Taxpayer X's PNOLC subtraction available for use (\$12,479) and its maximum PNOLC subtraction to be deducted (\$1,323,944) is \$12,479. However, its PNOLC subtraction for the year cannot exceed 50 percent of its PNOLC subtraction pool. As a result, Taxpayer X's PNOLC subtraction in the third year following the base year is limited to \$8,000, which is 50 percent of its PNOLC subtraction pool.

Finally, although its PNOLC subtraction is less than its PNOLC subtraction available for use, Taxpayer X is required to forfeit any unused amounts of PNOLC subtraction carryforward since such amounts cannot be carried forward to any tax year that begins on or after January 1, 2017.

NOTE: Taxpayers that have properly elected to use the 50 percent allotment method have the option of revoking the election in accordance with the rules found in section 3-8.7(b)(2) of this Subpart.

Example 4 (page i of vii):

2014 Calendar Year (Base Year).

Corporations A, B, and C are properly included in a combined report. The combined group's base year BAP is 55% and the group's base year tax rate is 7.1%.

2015 Calendar Year (First 2015 Taxable Year).

Corporations A, B, and C continue to be properly included in a combined report. The group is not a small business taxpayer and the designated agent properly elects to use the 50% allotment method. Each member computes its own PNOLC subtraction pool by multiplying its own UNOL by the base year combined group's base year BAP and base year tax rate. The result is then divided by the 6.5% conversion percentage to compute each member's PNOLC subtraction pool. Since the combined group is utilizing the 50% allotment method, each member's PNOLC subtraction pool is multiplied by 50% to arrive at the member's PNOLC subtraction allotment for the first 2015 taxable year. The combined group's tax period PNOLC subtraction allotment is the sum of A, B, and C's tax period PNOLC subtraction allotments for the year. The combined group's PNOLC subtraction available for use in the first 2015 taxable year is \$36,046, which is also its tax period PNOLC subtraction allotment and 50% of its PNOLC subtraction pool.

Member	Member's UNOL	Base Year BAP	Base Year Tax Rate	Conversion Percentage	Member's PNOLC Subtraction Pool	PNOLC Subtraction Allotment Method	Tax Period PNOLC Subtraction Allotment	2015 Calendar Year PNOLC Subtraction Available for Use
A	\$40,000	55%	7.10%	6.50%	\$24,031	50%	\$12,015	\$12,015
B	\$50,000	55%	7.10%	6.50%	\$30,038	50%	\$15,019	\$15,019
C	\$30,000	55%	7.10%	6.50%	\$18,023	50%	\$9,012	\$9,012
Totals	\$120,000				\$72,092		\$36,046	\$36,046

Example 4 (page ii of vii):

Combined group ABC computes the maximum PNOLC subtraction to be deducted in the first 2015 taxable year of \$50,000 as follows:

Apportioned Business Income Before PNOLC Subtraction and NOLD	\$11,317,606
2015 Business Income Tax Rate	7.10%
Product of Apportioned Business Income Before PNOLC Subtraction and NOLD and the 2015 Business Income Tax Rate	\$803,550
Capital base tax	\$800,000
FDM	\$10,000
Greater of Capital Base Tax and FDM	\$800,000
Difference Between (a) Greater of Capital Base Tax and FDM and (b) the Product of Apportioned Business Income Before PNOLC Subtraction and NOLD and the 2015 Business Income Tax Rate	\$3,550
2015 Business Income Tax Rate	7.10%
Maximum Amount of PNOLC Subtraction to be Deducted (\$3,550/7.1%)	\$50,000

Example 4 (page iii of vii):

Since combined group ABC's PNOLC subtraction available for use (\$36,046) is less than its maximum PNOLC subtraction (\$50,000) and does not exceed 50% of its PNOLC subtraction pool (\$36,046), combined group ABC's PNOLC subtraction in the first taxable year following the base year is \$36,046. Since combined group ABC will be able to deduct its entire PNOLC subtraction available for use, it does not have an unused PNOLC subtraction carryforward.

PNOLC Subtraction Available for Use in First Year 2015 Taxable Year	\$36,046
Maximum Amount of PNOLC Subtraction to be Deducted in First 2015 Taxable Year	\$50,000
PNOLC Subtraction in First Year 2015 Taxable Year	\$36,046
Unused PNOLC Subtraction Carryforward from First 2015 Taxable Year	\$0

2016 Calendar year (second taxable year following the base year).

Corporations A and B are properly included in a combined report but Corporation C files on a separate basis.

Combined group AB.

Combined group AB's tax period allotment is \$27,034 in the second taxable year following the base year, which is the sum of 50% of member A's PNOLC subtraction pool and 50% of member B's PNOLC subtraction pool. As combined group AB has no unused PNOLC subtraction carryforward from the first 2015 taxable year following the base year, its PNOLC subtraction available for use is \$27,034. There is no limitation on this amount as it does not exceed 50% of the PNOLC subtraction pool.

Member	Member's PNOLC Subtraction Pool	PNOLC Subtraction Allotment Method	Tax Period PNOLC Subtraction Allotment	Unused PNOLC Subtraction Carryforward from First 2015 Calendar Year	2016 Calendar Year PNOLC Subtraction Available for Use
A	24,031	50%	\$12,015	\$0	\$12,015
B	30,038	50%	\$15,019	\$0	\$15,019
Total	\$54,069		\$27,034	\$0	\$27,034

Example 4 (page iv of vii):

Combined group AB computes the maximum PNOLC subtraction to be deducted in the second year following the base year of \$20,000 as follows:

Apportioned Business Income Before PNOLC Subtraction and NOLD	\$7,062,254
2015 Business Income Tax Rate	7.10%
Product of Apportioned Business Income Before PNOLC Subtraction and NOLD and the 2015 Business Income Tax Rate	\$501,420
Capital base tax	\$500,000
FDM	\$10,000
Greater of Capital Base Tax and FDM	\$500,000
Difference Between (a) Greater of Capital Base Tax and FDM and (b) the Product of Apportioned Business Income Before PNOLC Subtraction and NOLD and the 2015 Business Income Tax Rate	\$1,420
2015 Business Income Tax Rate	7.10%
Maximum Amount of PNOLC Subtraction to be Deducted (\$1,420/7.1%)	\$20,000

Example 4 (page v of vii):

The lesser of Combined group AB's PNOLC subtraction available for use (\$27,043) and its maximum amount of PNOLC subtraction to be deducted (\$20,000) is \$20,000. As this value is less than 50% of its PNOLC subtraction pool, Combined group AB's PNOLC subtraction in the second taxable year following the base year is \$20,000. Finally, although its PNOLC subtraction is less than its PNOLC subtraction available for use, Combined group AB is required to forfeit any unused amounts of PNOLC subtraction carryforward since such amounts cannot be carried forward to any tax year beginning on or after January 1, 2017.

PNOLC Subtraction Available for Use	\$27,034
Maximum Amount of PNOLC Subtraction to be Deducted	\$20,000
50% of PNOLC Subtraction Pool	\$27,035
PNOLC Subtraction	\$20,000
Difference between PNOLC Subtraction Available for Use and PNOLC Subtraction	\$7,034
Unused PNOLC Subtraction Carryforward	\$0

NOTE: Taxpayers that have properly elected to use the 50% allotment method have the option of revoking such election in accordance with the rules found in section 3-8.7(b)(2).

Taxpayer C.

Taxpayer C's tax period allotment is \$9,012 in the second taxable year following the base year, which is 50% of its PNOLC subtraction pool. As Taxpayer C has no unused PNOLC subtraction carryforward from the first 2015 taxable year following the base year, its PNOLC subtraction available for use is \$9,012. There is no limitation on this amount as it does not exceed 50% of the PNOLC subtraction pool.

Taxpayer	PNOLC Subtraction Pool	PNOLC Subtraction Allotment Method	Tax Period PNOLC Subtraction Allotment	Unused PNOLC Subtraction Carryforward from 2015 Calendar Year	2016 Calendar Year PNOLC Subtraction Available for Use
C	\$18,023	50%	\$9,012	\$0	\$9,012

Example 4 (page vi of vii):

Taxpayer C computes the maximum PNOLC subtraction to be deducted in the second year following the base year of \$10,000 as follows:

Apportioned Business Income Before PNOLC Subtraction and NOLD	\$1,418,451
2015 Business Income Tax Rate	7.10%
Product of Apportioned Business Income Before PNOLC Subtraction and NOLD and the 2015 Business Income Tax Rate	\$100,710
Capital base tax	
Capital base tax	\$100,000
FDM	\$5,000
Greater of Capital Base Tax and FDM	\$100,000
Difference Between (a) Greater of Capital Base Tax and FDM and (b) the Product of Apportioned Business Income Before PNOLC Subtraction and NOLD and the 2015 Business Income Tax Rate	
Difference Between (a) Greater of Capital Base Tax and FDM and (b) the Product of Apportioned Business Income Before PNOLC Subtraction and NOLD and the 2015 Business Income Tax Rate	\$710
2015 Business Income Tax Rate	7.10%
Maximum Amount of PNOLC Subtraction to be Deducted (\$710/7.1%)	\$10,000

Example 4 (page vii of vii):

The lesser of Taxpayer C's PNOLC subtraction available for use (\$9,012) and its maximum PNOLC subtraction to be deducted (\$10,000) is \$9,012. As this amount does not exceed 50% of Taxpayer C's PNOLC subtraction pool, Taxpayer C's PNOLC subtraction in the second taxable year following the base year is \$9,012. Since its PNOLC subtraction exhausts the entire amount of its PNOLC subtraction available for use, Taxpayer C does not have an unused PNOLC subtraction carryforward.

PNOLC Subtraction Available for Use	9,012
Maximum Amount of PNOLC Subtraction to be Deducted	10,000
50% of PNOLC Subtraction Pool	9,012
PNOLC Subtraction	9,012
Difference between PNOLC Subtraction Available for Use and PNOLC Subtraction	\$0
Unused PNOLC Subtraction Carryforward	\$0