

GENERAL INSTRUCTIONS FOR FORM 500-NOLD

NOTE: For a capital loss carryback, file an Amended Virginia Corporation return, Form 500X.

Net Operating Loss Deduction Computations

There is no Virginia net operating loss, as such, available for carry back or carry over. However, since the starting point (Line 1, Form 500) is federal taxable income, there is statutory provision for net operating loss deductions to the extent that such losses are included in federal taxable income.

Note: Virginia tax law conforms to the Internal Revenue Code as it existed on January 7, 2005. Virginia will continue to disallow any bonus depreciation allowed for certain assets under federal income taxation and any 5 year carry-back of net operating losses ("NOL") allowed for NOLs generated in either taxable year 2001 or 2002. Refer to Virginia Tax Bulletins 03-1, 04-02 and 05-01 for more information. For copies of Tax Bulletins and Fixed Date Conformity updates, visit our web site at www.tax.virginia.gov. Lines 2(b) and 5(b) are used to adjust the federal NOL and federal taxable income based on Virginia's fixed date conformity with federal tax law. For 2001 and 2002, taxpayers were allowed to carry back a net operating loss 5 years for federal purposes, however, for Virginia purposes the loss could only be carried back 2 years. This resulted in varying amounts of NOLD being used in different years, thus requiring a special adjustment. Similar adjustments may be necessary in current and future years due to the different amounts used.

Since federal taxable income must be modified for Virginia additions and subtractions, the additions and subtractions of the loss year follow the federal loss to the year the loss is utilized.

Thus, if the federal net operating loss is fully used in carry back or carry over to one year, the net amount of additions and subtractions will be applied to such year. If, however, the federal net operating loss is partially utilized in each of several years, the net amount of additions and subtractions will be applied in the same ratio to the applicable years.

The federal net operating loss deduction may be used only to reduce federal taxable income, and a federal net operating loss deduction cannot create or increase a federal operating loss. For a copy of the Virginia regulations, write the **Virginia Department of Taxation, Forms Request Unit, P.O. Box 1317, Richmond, VA 23218-1317 or call (804) 440-2541.**

For additional information, call (804) 367-8037 or write the Department of Taxation, P.O. Box 1115, Richmond, VA 23218-1115. You can obtain most Virginia income tax forms at www.tax.virginia.gov. Tenemos servicios disponible en Español.

Note: Multistate corporations — If federal taxable income is reduced to zero, allocable income is not considered.

Consolidated and combined filers must compute the amount of net operating loss deduction according to Virginia Corporation Income Tax Regulation 23 Virginia Administrative Code (VAC) 10-120-320 through 327.

To avoid processing delays, mail Form 500 NOLD to the address shown on the form in the upper left-hand corner. Do not mail with your corporate return. Always attach a copy of federal Form 1139.

LINE INSTRUCTIONS

1. Enter the taxable year for which the loss was sustained.
2. (a) Enter the amount of federal net operating loss.
(b) Enter the net Virginia Fixed Date Conformity Modifications (additions and subtractions).
(c) Enter the amount of Virginia Fixed Date Conformity NOL available for carry back. [Subtract Lines 2(b) from 2(a)]
3. Enter the net amount of the Virginia additions and subtractions from the loss year return. **DO NOT** include Fixed Date Conformity Modifications. For taxable year 2004 and beyond,

if you made any payments to an affiliated corporation or related individual or other related entity for interest, royalties or other expenses related to intangible property, include with other modifications. If the net amount is positive it may not exceed the amount of the loss on Line 2.

4. Enter the taxable year to which the loss was taken. This must correspond to the same year that the loss was taken for federal tax purposes (unless a five year carryback was used for federal purposes for 2001 and 2002 in which case years will differ since Virginia only allows a two-year carryback), or would be required to be taken if no federal carryback is applicable.
5. (a) Enter the federal taxable income for the year being amended.
(b) Enter the net Virginia Fixed Date Modifications for the year(s) being amended (additions and subtractions).
(c) Enter the Fixed Date Conformity federal taxable income for Virginia purposes. [Line 5(a) plus or minus Line 5(b)]
6. Enter the amount of net operating loss (after adjustment for fixed date conformity as shown on Line 2(c)). Do not exceed the amount of income shown on Line 5(c). Any portion of Line 2(c) that is not deducted on this Form 500-NOLD may be available for deduction in a taxable year subsequent to the year of loss.
7. Subtract Line 6 from Line 5(c).
8. Divide Line 6 by Line 2(c). Compute percentage to one decimal place.
9. Enter the net additions and subtractions from the year being amended on Line 4. **DO NOT** include Fixed Date Conformity Modifications. For taxable year 2004 and beyond, if you made any payments to an affiliated corporation or related individual or other related entity for interest, royalties or other expenses related to intangible property, include the modification here. Please include any prior modifications from NOLD's absorbed previously.
10. Multiply Line 3 by the percentage on Line 8.
11. Add Lines 7, 9, and 10. If the corporation is a multi-state corporation, complete Lines 12 through 17. If not, go to Line 18 for the tax computation.
12. Enter the total allocable income. If federal taxable income has been reduced to zero (Line 7), make no entry as there is no income to be allocated.
13. Subtract Line 12 from Line 11.
14. Enter the apportionment % from Schedule 500A for the year shown on Line 4.
15. Multiply the amount on Line 13 by the % on Line 14.
16. Enter the income allocated to Virginia. If federal taxable income has been reduced to zero (Line 7), make no entry as there is no income to be allocated.
17. Add Lines 15 and 16.
18. Multiply the amount on Line 11 or Line 17 by 6% and enter the result.
19. (a) Enter the nonrefundable credits from any Telecommunications Companies Income Tax Credit along with any other nonrefundable credits reported on Form 500CR.
(b) Enter any refundable credits from Real Property Improvement Tax Credit from Enterprise Zone or Coalfield Employment Enhancement Tax Credit. Check the Coalfield Credit Claimed or Earned box in the upper left corner on Form 500-NOLD if claiming a refundable Coalfield Employment Enhancement Tax Credit.
(c) Enter the total of Line 19(a) and Line 19(b).
20. Subtract Line 19 from Line 18 and enter the result.
21. Enter the tax paid for the year shown on Line 4.
22. Subtract Line 20 from Line 21. This is the refund amount.