

# 2015 Instructions for Form FTB 3805V

## Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Individuals, Estates, and Trusts

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2015**, and the California Revenue and Taxation Code (R&TC).

### What's New

**Governor Declared Disasters** - For taxable years beginning on or after January 1, 2014, and before January 1, 2024, taxpayers may deduct a disaster loss for any loss sustained in any city, county, or city and county in California that is proclaimed by the Governor to be in a state of emergency. For these Governor-only declared disasters, subsequent state legislation is not required to activate the disaster loss provisions. Any law that suspends, defers, reduces, or otherwise diminishes the deduction of a net operating loss (NOL) shall not apply to a NOL attributable to these specified disaster losses. The President's declaration continues to activate the disaster loss provisions. For a complete list of all disasters declared by the President and/or the Governor, see the Declared Disasters list in Specific Line Instructions. Get FTB Pub 1034, Disaster Loss How to Claim a State Tax Deduction, for more information.

**NOL Carryback** - For NOLs incurred in taxable years beginning on or after January 1, 2015, the carryback amount shall be 100% of the NOL. For more information, see Specific Line Instructions for Parts I, II, III and IV.

### General Information

In general, for taxable years beginning on or after January 1, 2015, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2015. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **conformity**. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, the instructions for California Schedule CA (540 or 540NR), and the Business Entity tax booklets.

The instructions provided with California tax forms are a summary of California tax law and are only intended to aid taxpayers in preparing their state income tax returns. We include information that is most useful to the greatest number of taxpayers in the limited space available. It is not possible to include all requirements of the California Revenue and Taxation Code (R&TC) in the tax booklets. Taxpayers should not consider the tax booklets as authoritative law.

For taxable years beginning in 2010 and 2011, California suspended the NOL carryover deduction. Taxpayers continued to compute and carryover NOLs during the suspension period. **However**, taxpayers with a modified adjusted gross income of less than \$300,000 or with disaster loss carryovers were not affected by the NOL suspension rules.

For taxable years beginning in 2008 and 2009, California suspended the NOL carryover deduction. Taxpayers continued to compute and carryover their NOL during the suspension period. **However**, taxpayers with a net business income of less than \$500,000 or with disaster loss carryovers were not affected by the NOL suspension rules.

The carryover period for any NOL or NOL carryover, for which a deduction is disallowed because of the 2008-2011 suspension, are extended by:

- One year for losses incurred in taxable years beginning on or after January 1, 2010, and before January 1, 2011.
- Two years for losses incurred in taxable years beginning before January 1, 2010,
- Three years for losses incurred in taxable years beginning before January 1, 2009.
- Four years for losses incurred in taxable years beginning before January 1, 2008.

For more information, get FTB Legal Ruling 2011-04.

For NOLs incurred in taxable years beginning on or after January 1, 2008, California has extended the NOL carryover period from 10 taxable years to 20 taxable years following the year of the loss.

For taxable years that began in 2002 and 2003, California suspended the NOL carryover deduction. Taxpayers continued to compute and carryover an NOL during the suspension period. **However**, the deduction for disaster losses was not affected by the NOL suspension rules.

The carryover period for an NOL incurred in taxable years:

- Beginning before January 1, 2002, have been extended for two years.
- Beginning on or after January 1, 2002, and before January 1, 2003, have been extended for one year.

For more information, get FTB Legal Ruling 2011-4.

For taxable years beginning on or after January 1, 2004, the NOL carryover percentage is 100%. The NOL carryover percentage varies for NOLs incurred prior to January 1, 2004. See the chart on page 6 for more information.

### A Purpose

Individuals, estates, or trusts use form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations - Individuals, Estates, and Trusts, to figure the current year NOL and to limit the NOL carryback/carryover and disaster loss deductions.

Form FTB 3805V is divided into four parts:

- Part I: Computation of Current Year NOL.
- Part II: Determine Modified Taxable Income (MTI). MTI is the amount of your taxable income that can be offset by your prior years' NOL carryover.
- Part III: NOL Carryover and Disaster Loss Carryover Limitations.
- Part IV: NOL Carryback.

Corporations use form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations.

### B Types of NOLs

**NOLs and Disaster Losses** - If your deductions for the year exceed your income, you may have an NOL carryover. The California NOL is generally figured the same way as the federal NOL. However under California law:

- Carryover/carryback periods and percentages vary with the type of California NOL. The tables on page 5 and page 6 show the types of NOLs available, a description, the taxable year the NOLs were incurred, the percentages and carryover/carryback periods for each type of loss.
- An NOL may be carried over to future years. No carrybacks are allowed for NOLs incurred in taxable years beginning before January 1, 2013. **Note:** California will allow NOLs incurred in taxable years beginning on or after January 1, 2013, to be carried back to each of the preceding two taxable years. For more information, see the NOL Carryback table on page 5.
- Prior to the 2014 taxable year, if you elected an NOL from an activity within the following areas or zones to offset income earned solely within those areas or zones:
  - 1) Enterprise Zone (EZ). Get FTB 3805Z, Enterprise Zone Business Booklet, for more information.
  - 2) Local Agency Military Base Recovery Area (LAMBRA). Get FTB 3807, Local Agency Military Base Recovery Area Business Booklet, for more information.

### C Nonresidents and Part-Year Residents

**Do not** complete Part I, Section A.

**Nonresidents:** Complete Part I, Section B, column A and column B.

**Part-Year Residents:** Complete Part I, Section B, column A through column E.

**NOL Carryover Computation.** For taxable years beginning on or after January 1, 2002, the NOL carryover computation for the California taxable income of a nonresident or part-year resident is no longer limited by the amount of net operating loss from all sources. Only

your California sourced income and losses are considered in determining if you have a California NOL.

#### **Change of Residency to California.**

For taxable years beginning on or after January 1, 2002, if you have NOL carryovers and were a nonresident of California in prior years, the NOL carryovers must be restated as if you had been a California resident for all prior years.

#### **Change of Residency from California.**

For taxable years beginning on or after January 1, 2002, if you have NOL carryovers and you become a nonresident of California, your NOL carryovers must be restated as if you had been a nonresident of California for all prior years.

If your residency status changes from the time you generate the NOL carryover to the time you apply the NOL deduction, you will need to recompute the NOL carryover amount. For more information, get FTB Pub. 1100, Taxation of Nonresidents and Individuals Who Change Residency.

## **Specific Line Instructions**

### **Part I – Current Year NOL**

Use Part I to figure your current year NOL, if any, to carry back to the preceding two years or to carry over to future years.

If you have losses from more than one source and/or more than one type, it may be necessary to compute the allowable NOL carryover for each loss separately.

If you **do not** have a current year NOL, skip Part I and go to Part II.

#### **Section A – California Residents**

**Line 3** – Estates or trusts, enter the amount from your 2015 Form 541, line 20a or Form 109, line 9.

**Line 4 through Line 7** – You may deduct nonbusiness capital losses up to the amount of nonbusiness capital gains. You may not deduct any excess nonbusiness capital losses over nonbusiness capital gains.

Nonbusiness capital losses and gains are losses and gains from other than a trade or business. These include sales of stock, metals, and other appreciable assets as well as any recognized gain from the sale of your principal residence.

**Line 8** – Enter deductions that are not related to a trade or business and are not related to your employment (such as taxes, medical expenses, alimony, charitable contributions, and your contributions to individual retirement plans). If you do not itemize your deductions, your nonbusiness deductions include the standard deduction. A casualty loss is considered a “business expense” regardless of whether it is connected with a trade or business; do not include it as a nonbusiness deduction.

**Line 9** – Enter income that is not related to a trade or business (such as dividends, pensions, annuities, income from an endowment, or interest earned on investments).

**Line 11 and Line 12** – You may subtract nonbusiness deductions only from nonbusiness income, including any nonbusiness capital gains that remain after deducting nonbusiness capital losses. If your nonbusiness deductions are larger than your nonbusiness income, you may not deduct the excess.

**Line 16** – You may deduct business capital losses only up to the total of business capital gains and any nonbusiness capital gains that remain after deducting nonbusiness capital losses and other nonbusiness deductions.

**Line 23** – Enter the amount of your prior year NOL and disaster loss carryover from your 2014 form FTB 3805V, Part III, line 5 and line 6.

**Line 25** – Enter the current year NOL on line 25. California will allow NOLs incurred in the current year to be carried back to each of the preceding two taxable years.

**NOL carryback general rule:** The taxpayers must first carry back the entire NOL incurred in 2015 to the preceding two years. Any loss not applied in the preceding two years can be carried forward up to 20 years. To determine the amount of NOL incurred in 2015 that can be carried back, complete Part IV, NOL Carryback, **before** completing Part I, Section A, lines 26-28.

**Amended return** – Individuals, estates, and trusts claim the NOL carryback by amending the 2013 and/or 2014 tax return using Form 540X, Amended Individual Income Tax Return, or Form 541, California Fiduciary Income Tax Return.

**Note:** Individuals, estates and trusts claiming the NOL as a carryback in any of the previous two years, must first file the applicable 2015 tax return and attach the completed 2015 form FTB 3805V to the tax return. After the 2015 tax return is filed, file an amended tax return for 2013 and/or 2014 to claim the NOL carryback deduction. Individuals will provide the following explanation on Form 540X, Part II, Explanation of Changes, line 5: “2015 NOL carryback deduction”. Estates and trusts provide the following explanation on a statement attached to the amended Form 541: “2015 NOL carryback deduction”. **Do not** attach the 2015 form FTB 3805V to the 2013 or 2014 amended tax return. Attaching form FTB 3805V may delay processing of the amended tax return.

#### **Election to waive/relinquish NOL carryback:**

If the taxpayer would like to make the election to waive the two-year carryback period for an NOL incurred in 2015, check the box under Part I, Section C, Election to Waive Carryback. By making the election, the taxpayer is electing to carry an NOL forward instead of carrying it back in previous two years. Once the election is made, it’s **irrevocable**.

If the taxpayer elects to waive the two-year carryback period and **carry the NOL forward**, enter the amount from line 25 on Part III, line 4, column (d) and column (h). If you have an NOL from more than one source/type, list each loss separately.

If you have an NOL or disaster loss from prior years (line 23), complete Part II and Part III, to determine the loss carryover to future years.

**Line 28** – Go to Part III, Current Year NOLs, line 4, to record your 2015 NOL carryover to 2016. Complete line 4, column (d) and column (h), for each type of loss that you incurred. See Part IV, line 3, column (c) and column (i) for each type of loss that the Individuals, estates, and trusts incurred.

### **Section B – Nonresidents and Part-Year Residents**

**Full-Year Nonresidents:** Complete Part I, Section B, column A and column B.

**Line 25** – Enter the current year NOL on line 25. California will allow NOLs incurred in the current year to be carried back to each of the preceding two taxable years.

**NOL carryback general rule:** Taxpayers must first carry back the entire NOL incurred in 2015 to the preceding two years. Any loss not applied in the preceding two years can be carried forward up to 20 years. To determine the amount of NOL incurred in 2015 that can be carried back, complete Part IV, NOL Carryback, **before** completing Part I, Section B, lines 26-28.

**Amended return** – Individuals, estates, and trusts claim the NOL carryback by amending the 2013 and/or 2014 tax return using Form 540X, Amended Individual Income Tax Return, or Form 541, California Fiduciary Income Tax Return.

**Note:** Individuals, estates and trusts claiming the NOL as a carryback in any of the previous two years, must first file the applicable 2015 tax return and attach the completed 2015 form FTB 3805V to the tax return. After the 2015 tax return is filed, file an amended tax return for 2013 and/or 2014 to claim the NOL carryback deduction. Individuals will provide the following explanation on Form 540X, Part II, Explanation of Changes, line 5: “2015 NOL carryback deduction”. Estates and trusts provide the following explanation on a statement attached to the amended Form 541: “2015 NOL carryback deduction”. **Do not** attach the 2015 form FTB 3805V to the 2013 or 2014 amended tax return. Attaching form FTB 3805V may delay processing of the amended tax return.

#### **Election to waive/relinquish NOL carryback:**

If the taxpayer would like to make the election to waive the two-year carryback period for an NOL incurred in 2015, check the box under Part I, Section C, Election to Waive Carryback. By making the election, the taxpayer is electing to carry an NOL forward instead of carrying it back in previous two years. Once the election is made, it’s **irrevocable**.

If the taxpayer elects to waive the two-year carryback period and **carry the NOL forward**, enter amounts from line 25 on Part III, line 4, column (d) and column (h).

**Line 28** – Go to Part III, Current Year NOLs, line 4, to record your 2015 NOL carryover to 2016. Complete line 4, column (d) and column (h), for each type of loss that you incurred. See Part IV, line 3, column (c) and column (i) for each type of loss that individuals, estates, and trusts incurred.

**Part-Year Residents:** Complete Part I, Section B, column A through column E.

Enter the number of days during the year you were a California resident: \_\_\_\_\_

Enter the number of days during the year you were a nonresident: \_\_\_\_\_

**Complete column A**, line 1 through line 25 as if you were a California resident for the entire year.

**Line 1** – Enter the amount from 2015 Long Form 540NR, line 17.

**Line 2** – Enter the amount from 2015 Long Form 540NR, line 18.

**Line 3a** – If negative, use brackets. If positive, enter -0- here and on line 25. Complete Part II and Part III if you have a carryover from prior years.

**Line 18** – If you do not have a loss on Schedule D (540NR), line 4 worksheet for nonresidents and part-year residents, skip line 18 through 21 and enter on line 22 the amount from line 17.

**Complete column B**, line 1 through line 25 if you were a nonresident for the entire year.

**Line 1** – Enter the amount from 2015 Long Form 540NR, line 32.

**Line 2** – Enter the amount from 2015 Schedule CA (540NR), line 48.

**Complete columns C and D**, line 1 through line 25 using the dates of transactions. If the dates are unknown because they were not specifically reported to you, then you will need to prorate the amounts. For column C, multiply the amount in column A by the number of days you were a resident divided by 365 days. For column D, multiply the amount in column B by the number of days you were a nonresident divided by 365 days.

**Column E, line 25**, Enter the current year NOL on line 25. California will allow NOLs to be carried back to each of the preceding two taxable years.

**NOL carryback general rule:** Taxpayers must first carry back the entire NOL incurred in 2015 to the preceding two years. Any loss not applied in the preceding two years can be carried forward up to 20 years. To determine the amount of NOL incurred in 2015 that can be carried back, complete Part IV, NOL Carryback, **before** completing Part I, Section B, lines 26-28.

**Amended return** – Individuals, estates, and trusts claim the NOL carryback by amending the 2013 and/or 2014 tax return using Form 540X, Amended Individual Income Tax Return, or Form 541, California Fiduciary Income Tax Return.

**Note:** Individuals, estates and trusts claiming the NOL as a carryback in any of the previous two years, must first file the applicable 2015 tax return and attach the completed 2015 form FTB 3805V to the tax return. After the 2015 tax return is filed, file an amended tax return for 2013 and/or 2014 to claim the NOL carryback deduction. Individuals will provide the following explanation on Form 540X, Part II, Explanation of Changes, line 5: “2015 NOL carryback deduction”. Estates and trusts provide the following explanation on a statement attached to the amended Form 541: “2015 NOL carryback deduction”. **Do not** attach the 2015 form FTB 3805V to the 2013 or 2014 amended tax return. Attaching form FTB 3805V may delay processing of the amended tax return.

#### **Election to waive/relinquish NOL carryback:**

If the taxpayer would like to make the election to waive the two-year carryback period for an NOL incurred in 2015, check the box under Part I, Section C, Election to Waive Carryback. By making the election, the taxpayer is electing to carry an NOL forward instead of carrying it back in previous two years.

If the taxpayer elects to waive the two-year carryback period and carry the NOL forward, enter this amount on Part III, line 4, column (d) and column (h).

**Line 28** – Go to Part III, Current Year NOLs, line 4, to record your 2015 NOL carryover to 2016. Complete line 4, column (d) and column (h), for each type of loss that you incurred. See Part IV, line 3, column (c) and column (i) for each type of loss that the Individuals, estates, and trusts incurred.

## **Part II – Modified Taxable Income (MTI)**

Use this part if:

- You are carrying over an NOL from years prior to 2015.
- You are carrying over a disaster loss from years prior to 2015.
- You have an unused 2015 disaster loss to carry over.

The purpose of this part is to figure your MTI. You must make certain modifications to your taxable income to determine how much you can carry over to next year. Your carryover to next year is the excess of your NOL deduction over your MTI.

Use this part to determine what your 2015 income (loss) was before taking any NOL carryover disaster loss, or disaster loss carryover deductions. This adjusted amount is called your MTI.

**Line 1 – Form 540 filers:** Subtract 2015 Form 540, line 18 from Form 540, line 17. If negative, use brackets.

**Form 541 filers:** Subtract 2015 Form 541, line 18 from Form 541, line 17. If negative, use brackets.

**Long Form 540NR filers:** Subtract 2015 Schedule CA (540NR), line 48 from Schedule CA (540NR), line 45. If negative, use brackets.

**Line 2** – Enter as a positive number the net capital loss deduction from your 2015 Schedule D (540NR), line 9 or Schedule D (541), line 10.

**Long Form 540NR filers:** To figure your MTI, enter your net capital loss from your 2015 Schedule CA (540NR), line 13, column E, determined in accordance with Schedule D (540NR).

**Line 3** – Enter as a positive number the disaster loss carryover deduction from your 2015 Schedule CA (540), line 21b, column B or Form 541, line 15a.

**Long Form 540NR filers:** To figure your MTI, enter the disaster loss carryover deduction amount from your 2015 Schedule CA (540NR), line 21, column E.

**Line 4** – Enter as a positive number the NOL carryover deduction from your 2015 Schedule CA (540), line 21d, column B or Form 541, line 15a.

**Long Form 540NR filers:** To figure your MTI, enter the NOL carryover deduction amount from your 2015 Schedule CA (540NR), line 21, column E.

**Line 5** – Enter as a positive number the adjustments to itemized deductions, minus the adjustment to mortgage insurance premiums, used to figure your federal NOL carryover. For more information, see federal Publication 536, Table 1, Worksheet for NOL Carryover.

## **Part III – Limitations**

Keep a copy of form FTB 3805V with your records until you use all losses or they expire. Use this section to:

- Figure the NOL and disaster loss deduction actually taken in 2015 and the total disaster losses and NOL to be carried over to future years.
- Keep track of the expiration and limitations of any unused carryovers.

**Nonresidents or Part-Year Residents:** If you were a nonresident or part-year resident during the year, get FTB Pub. 1100, for more information.

**When to use an NOL carryover** – Use your NOLs and disaster losses in the order the losses were incurred. There is no requirement to deduct NOL carryovers, before disaster loss carryovers.

**Line 1** – Enter the MTI from Part II, line 6. This is the maximum NOL carryover deduction you are allowed for 2015. NOL carryover amounts in excess of MTI may be eligible for carryover to 2016. See General Information B, Types of NOLs.

**Line 2**

**Column (a)** – Enter the years, earliest first, the loss was incurred.

**Column (b)** – If the loss is from a new business or eligible small business, enter the SIC Code for the new business or eligible small business from the Standard Industrial Classification Manual.

If this is a farming enterprise, enter the agricultural activity code from federal Schedule F.

If the loss is from a pass-through entity, such as a partnership, S corporation, or limited liability company (LLC), enter the partnership's FEIN, the California corporation number, or the LLC's California Secretary of State file number from Schedules K-1 (100S, 565, or 568).

If the loss is due to a disaster, enter the disaster code from the list of declared disasters on this page.

**Declared Disasters**

Year	Code	Event
2015	68	Inyo, Kern, and Los Angeles Counties Rainstorms 10/15*
2015	67	Valley Fire (Lake and Napa Counties) 09/15*
2015	66	Butte Fire (Amador and Calaveras Counties) 09/15*
2015	65	Imperial, Kern, Los Angeles, Riverside, San Bernardino, and San Diego Counties Severe Storms 07/15*
2015	64	Lake and Trinity Counties Wildfires 07/15*
2015	63	Butte, El Dorado, Humboldt, Lake, Madera, Napa, Nevada, Sacramento, San Bernardino, San Diego, Shasta, Solano, Tulare, Tuolumne, and Yolo Counties Wildfires 06/15*
2015	62	Santa Barbara County Oil Spill 05/15*
2015	61	Humboldt, Mendocino, and Siskiyou Counties Severe Rainstorms 02/15*
2015	60	Mono County Wildfire 02/15*
2014	59	Severe Winter Storms (Alameda, Contra Costa, Del Norte, Humboldt, Lake, Los Angeles, Marin, Mendocino, Monterey, Orange, San Francisco, San Mateo, Santa Clara, Shasta, Sonoma, Tehama, Ventura, and Yolo Counties) 11/14*
2014	58	King and Boles Wildfires (El Dorado and Siskiyou Counties) 09/14*
2014	57	Napa, Solano, and Sonoma Counties Earthquake 08/14 to 09/14*
2014	56	Siskiyou County Wildfires 08/14*
2014	55	Northern California Wildfires (Amador, Butte, El Dorado, Humboldt, Lassen, Madera, Mariposa, Mendocino, Modoc, Shasta, and Siskiyou Counties) 07/14*
2014	54	San Diego County Wildfires 05/14***
2014	53	Los Angeles County Severe Rainstorms 02/14*
2013	52	Tuolumne, Mariposa, and San Francisco Counties Rim Fire 08/13 to 10/13***
2011	51	Los Angeles and San Bernardino County Severe Winds 11/11***
2011	50	Santa Cruz County Severe Storms 03/11***
2011	49	Mendocino County Tsunami Wave Surge 03/11
2011	48	Del Norte and Santa Cruz County Tsunami Wave Surge 03/11**
2011	47	Severe Winter Storms, Flooding, Debris and Mud Flows 12/10, 01/11**
2010	46	San Bruno Explosion
2010	45	Kern County Wildfires
2010	44	CA Winter Storms, 01/10, 02/10
2009	43	Los Angeles, Monterey, Placer County Wildfires
2010	42	Baja California (Imperial County) Earthquake
2010	41	Humboldt County Earthquake
2009	40	Santa Barbara Wildfires
2008	39	Southern California Wildfires 10/08, 11/08

2008	38	Humboldt County Wildfire
2008	37	California Wildfires 2008
2007	36	Riverside County Winds
2008	35	Inyo Complex fire
2007	34	Southern California Wildfires
2007	33	Santa Barbara and Ventura County Fires
2007	32	El Dorado County Wildfires
2007	31	California Severe Freeze: 01/07
2006	30	Riverside and Ventura County Wildfires
2006	29	San Bernardino County Wildfires
2006	28	Northern California flooding, mudslides, and landslides 03/06 to 04/06
2006	27	Northern California flooding, mudslides, and landslides 12/05 to 01/06
2004	26	Shasta County Wildfires
2005	25	Southern California flooding, debris flows, and mudslides
2004	24	San Joaquin Levee Break
2003	23	San Simeon Earthquake
2003	22	Southern California Fires and other related casualties
2000	21	Napa County earthquake (expired)****

\* For taxable years beginning on or after January 1, 2014, and before January 1, 2024, taxpayers may deduct a disaster loss for Governor declared disasters. For these Governor declared disasters, subsequent state legislation is not required to activate the disaster loss provisions. Any law that suspends, defers, reduces, or otherwise diminishes the deduction of a NOL shall not apply to a NOL attributable to these specified disaster losses. For more information, see R&TC Section 17207.14 or the NOL Carryover table.

\*\* Carryover period and percentage are limited to the NOL rules. No special legislation was enacted.

\*\*\* The Santa Cruz County Severe Storms (occurred in March 2011), the Los Angeles and San Bernardino County Severe Winds (occurred in November 2011), and the San Diego County Wildfires (occurred in May 2014), disaster loss deductions are allowed at 100% in the year the loss was incurred or taxpayers can elect to deduct the disaster loss in the prior year return under IRC Section 165(i). Any provision of law that suspends, defers, reduces, or otherwise diminishes the deduction of a NOL does not apply to a NOL attributable to the Santa Cruz County Severe Storms that occurred in March 2011, the Los Angeles and San Bernardino County Severe Winds that occurred in November 2011 and the San Diego County Wildfires that occurred in May 2014. See R&TC Sections 17207.11, 17207.12, and 17207.13 for more information.

If the Santa Cruz County Severe Storms, the Los Angeles and San Bernardino County Severe Winds disaster loss deduction creates an NOL (whether in the year of the loss or the prior year), the applicable NOL carryforward rule for the taxable year the NOL was created would apply. The NOL can be carried over for 20 years.

If the San Diego County Wildfires disaster loss deduction creates an NOL (whether in the year

of the loss or the prior year), the applicable NOL carryback and carryforward rules for the taxable year the NOL was created would apply. The taxpayer must carryback the NOL attributable to the disaster loss for two years or elect to carryforward the NOL for 20 years.

\*\*\*\* Taxpayers who elected to deduct the disaster loss in the prior year under IRC Section 165(i), the final year to deduct the disaster loss carryover was last year. Taxpayers who did not elect IRC Section 165(i), the final year to deduct the disaster loss carryover is this year.

**Column (c)** – Enter the type of NOL from the NOL Carryover table, on page 6. If using Pierce's Disease or an economic development area (EDA) NOL, get the applicable form for the NOL type.

**Column (d)** – Enter the Current Year NOL amount related to the Year of loss you entered in column (a) on the same line. If you are a resident, this is the amount from your FTB 3805V, Part I, Section A, line 25. If you are a nonresident or part-year resident, this is the amount from Part I, Section B, line 25.

**Column (e)** – Enter the amount from your 2014 form FTB 3805V, Part III, column (h). You should have already applied the applicable percentage to any remaining disaster loss carryover. See General Information B, Types of NOLs for more information.

**Column (f)** – Enter the smaller of the amount in column (e) or the balance in column (g). If column (g) of the previous line has been reduced to zero, your remaining NOL carryover may be eligible for carryover to 2016. See General Information B, Types of NOLs.

**Column (g)** – Subtract column (f) from the balance in column (g) of the previous line and enter the result.

**Column (h)** – Subtract the amount in column (f) from the amount in column (e) and enter the result. After the initial five year disaster loss carryover, apply the applicable percentage to any remaining disaster loss carryover. See General Information B, Types of NOLs for more information.

**Current Year NOLs**

If a disaster loss occurs between the date of the publication and the end of the taxable year, go to [ftb.ca.gov](http://ftb.ca.gov) for an updated version of this form, which will include information for any subsequent disaster loss. Then follow the line 3 instructions.

**Line 3 – Current Year Disaster Loss**

If you deduct the current year disaster loss on the current year tax return (**did not elect IRC Section 165(i)**), use line 3 to claim your 2015 disaster loss in the current taxable year.

**Column (b)** – Enter the disaster loss code.

**Column (d)** – Enter your 2015 disaster loss from Part I, line 3b.

**Column (f)** – Enter the smaller of the amount in column (d) or the balance in column (g) of the previous line.

**Column (h)** – Subtract the amount in column (f) from the amount in column (d) and enter the result in column (h). Any remaining disaster loss amount would create an NOL for that taxable year. If the disaster loss deduction creates an NOL in the year of the loss, the applicable NOL carryback and carryforward rules for the taxable year the NOL was created would apply. The taxpayer must carryback the 2015 NOL attributable to the disaster loss for two years or elect to waive the carryback period and carryforward the NOL for 20 years. The taxpayer computes the NOL carryback in Part IV or makes the election to waive the carryback period and carryforward the NOL in Part I, Section C. If the taxpayer still has remaining disaster NOL after applying the two-year carryback, replace the amount in column (h) with the disaster NOL carryover amount from Part IV, line 3, column (i).

However, if you elected under **IRC Section 165(i)** to claim your 2015 disaster loss on your 2014 return and had a remaining disaster loss amount after the disaster loss deduction, the remaining disaster loss amount would create an NOL to which the applicable NOL carryback and carryforward rules for the taxable year the NOL was created would apply. You must carryback the remaining NOL attributable to the disaster loss for two years or elect to waive the carryback period and carryforward the NOL for 20 years. If you elected to waive the two year carryback period and carry the NOL forward, enter the remaining disaster loss on your 2015 form FTB 3805V in Part III, line 2, column (e).

**Line 4** – If you have a current year NOL from more than one source/type, list each loss separately.

If you operate one or more new businesses and one or more eligible small businesses, the following rules apply. Determine the amount of the loss attributable to the new business(es) and to the eligible small business(es). Then take the NOL in the following order:

- The new business NOL.
- The eligible small business NOL.
- Any remaining NOL (treat as an NOL under the general rules).

**Column (b) and Column (c)** – See the instructions for line 2. Do not enter Current Year Disaster NOLs on line 4.

**Line 5 – NOL carryover** – Total the carryover amounts from column (h) that are NOT the result of a disaster loss.

## Part IV – NOL Carryback

### Line 3

**General rule:** The 2015 NOL must be carried back to the second taxable year before the loss year. Any loss not used in the second preceding taxable year is then carried to the first preceding taxable year. Any loss not applied in the two preceding years is carried forward.

**Column (b)** – If the loss is from a new business or eligible small business, enter the SIC Code for the new business or eligible small business from the Standard Industrial Classification Manual.

If this is a farming enterprise, enter the agricultural activity code from federal Schedule F.

If the loss is from a pass-through entity, such as a partnership, S corporation, or limited liability company (LLC), enter the partnership's FEIN, the California corporation number, or the LLC's California Secretary of State file number from Schedules K-1 (100S, 565, or 568).

If the loss is due to a disaster, enter the disaster code from the list of Declared Disasters on page 4.

**Column (d)** – If you are a resident, enter the Current year NOL amount from Part I, Section A, line 25. If you are a nonresident or part-year resident, enter the amount from Part I, Section B, line 25(e).

**Column (e)** – Enter the amount from line 3, column (d) or line 1, whichever is less. This is the amount of the 2015 NOL carryback used for 2013. Also, enter this amount on the 2013 Form 540X, line 2e and on the 2013 amended schedules/return: Schedule CA (540), line 21(d); Schedule CA (540NR), line 21(d); or Form 541, line 15a. If the NOL carryback is attributable to a disaster loss, enter this amount on Schedule CA (540), line 21(b) or Schedule CA (540NR), line 21(b).

If the current year NOL is comprised of more than one type of loss, list each loss separately. To compute the amount of taxable income available for offset by the NOL carryback, reduce the amount on line 1, 2013 taxable income, by the amount of column (e) carryback used for the first type of loss and all subsequent types of losses. The total amount of NOL carryback used in column (e) should not exceed the 2013 taxable income from line 1.

**Column (f)** – Subtract column (e) from column (d).

**Column (g)** – Enter the amount from line 3, column (f) or line 2, whichever is less. This is the amount of 2015 NOL carryback used for 2014. Also, enter this amount on the 2014 Form 540X, line 2e and on the 2014 amended schedules/return: Schedule CA (540), line 21(d); Schedule CA (540NR), line 21(d); or Form 541, line 15a. If the NOL carryback is attributable to a disaster loss, enter this amount on Schedule CA (540), line 21(b) or Schedule CA (540NR), line 21(b).

If the current year NOL is comprised of more than one type of loss, list each loss separately. To compute the amount of taxable income available for offset by the NOL carryback, reduce the amount on line 2, 2014 taxable income, by the amount of column (g) carryback used for the first type of loss and all subsequent types of losses. The total amount of NOL carryback used in column (g) should not exceed the 2014 taxable income from line 2.

**Column (h)** – Subtract column (g) from column (f).

**Column (i)** – Subtract the sum of column (e) and column (g) from column (d).

## NOL Carryback

Type of NOL and Description	Taxable Year NOL Incurred	NOL Carried Back shall not exceed	Carryback Period
<b>GEN, NB, and ESB NOL</b> NOLs incurred in taxable years beginning on or after January 1, 2013, shall be carried back to each of the preceding two taxable years. The allowable NOL carryback percentage varies. For more information, see R&TC Section 17276.20 and get FTB Legal Ruling 2011-04 (see Situation 3).	On or after 01/01/2013 and before 01/01/2014	50%	2 Years
	On or after 01/01/2014 and before 01/01/2015	75%	2 Years
<b>DIS NOL</b> For taxable years beginning on or after January 1, 2013, if the disaster loss deduction creates an NOL (whether in the year of the loss or the prior year), the applicable NOL carryback rules for the taxable year the NOL was created would apply.	On or after 01/01/2015	100%	2 Years

Type of NOL and Description	Taxable Year NOL Incurred	NOL Carried Over	Carryover* Period
<p><b>*Note:</b> The carryover period for any NOL or NOL carryover, for which a deduction is disallowed because of the 2008-2011 suspension, is extended. For more information, see General Information.</p>			
<p><b>General NOL (GEN)</b></p> <p>Available as a result of a loss incurred in years after 1986 and allowed under R&amp;TC Section 17276.20. Does not include losses incurred from activities that qualify as a new business, an eligible small business, an EZ, LARZ, LAMBRA, TTA, disaster loss, or to Pierce's disease.</p>	<p>On or after 01/01/2008</p> <p>2004-2007</p> <p>2002-2003</p> <p>2000-2001</p> <p>1987-1999</p>	<p>100%</p> <p>100%</p> <p>60%</p> <p>55%</p> <p>None</p>	<p>20 Years</p> <p>10 Years</p> <p>10 Years</p> <p>10 Years</p> <p>Expired</p>
<p><b>Disaster Losses (DIS)</b></p> <p>Casualty losses sustained as the result of a disaster, not reimbursed by insurance or otherwise, and declared by the President of the United States or the Governor of California to warrant assistance. For taxable years beginning on or after January 1, 2014, and before January 1, 2024, if the disaster is declared by the Governor only, no subsequent state legislation is required for the disaster loss provisions to be activated. For taxable years before 2014, if the disaster was declared by the Governor only, subsequent state legislation was required for the disaster provision to be activated.</p> <p>If the loss qualifies under IRC Section 165(i), the taxpayer may elect to deduct the loss from the previous year's income. If the taxpayer made this election, see Part III, Current Year NOLs, line 3 and federal Form 4684 instructions for when the election must be filed.</p> <p>If special legislation is enacted under the R&amp;TC, 100% of the excess loss may be carried over for up to five years. If any excess loss remains after the five year period, 50% of that remaining loss may be carried over for up to ten additional taxable years for losses incurred in any taxable year beginning before January 1, 2000; 55% for losses incurred in any taxable year beginning on or after January 1, 2000, and before January 1, 2002; 60% for losses incurred in any taxable year beginning on or after January 1, 2002, and before January 1, 2004; or 100% for losses incurred in any taxable year beginning on or after January 1, 2004.</p> <p>The following rules would apply if state legislation is enacted; <b>or</b> the President declared an area a major disaster; <b>or</b> the Governor declared an area a major disaster for taxable years beginning on after January 1, 2014:</p> <p>A taxpayer can claim 100% of the disaster loss deduction in the year the loss was incurred, or make an election under IRC Section 165(i) to claim the disaster loss deduction against the previous year's income. For taxable years beginning on or after January 1, 2011, if the disaster loss deduction creates an NOL (whether in the year of the loss or the prior year), the applicable NOL carryforward rule for the taxable year the NOL was created would apply. The NOL can be carried over for 20 years. See Specific Line Instructions for more information.</p> <p>For taxable years beginning on or after January 1, 2013, if the disaster loss deduction creates an NOL (whether in the year of the loss or the prior year), the applicable NOL carryback and carryforward rules for the taxable year the NOL was created would apply. The taxpayer must carryback the NOL attributable to the disaster loss for two years or elect to carryforward the NOL for 20 years. See NOL Carryback Table and Specific Line Instructions for more information.</p>	<p>See "Declared Disasters" list on page 4</p> <p>On or after 01/01/2011</p>	<p>100%</p> <p>See Description</p> <p>See Description</p>	<p>First 5 Years</p> <p>10 Years Thereafter</p> <p>See Description</p>
<p><b>New Business NOL (NB)</b> Get FTB Legal Ruling 96-5 issued August 19, 1996, for more information.</p> <p>New Business means any trade or business that first commenced in California on or after January 1, 1994. 100% of an NOL may be carried over, but only to the extent of the net loss from the new business. If a taxpayer's NOL exceeds the net loss from the new business, the excess may be carried over as a general NOL.</p> <p>If a taxpayer acquires assets of an existing trade or business which is doing business in California, the trade or business thereafter conducted by the taxpayer or related persons (IRC Sections 267 or 318) is not a new business if the fair market value (FMV) of the acquired assets exceeds 20% of the FMV of the total assets of the trade or business.</p> <p>If a taxpayer or related person has been engaged in a trade or business in California within the preceding 36 months and thereafter commences an additional trade or business in California, the additional trade or business qualifies as a new business only if the activity is classified under a different division of the Standard Industrial Classification (SIC) Manual, 1987 Edition. Business activities conducted by the taxpayer or related persons wholly outside California are disregarded in determining whether the trade or business conducted within California is a new business.</p> <p>The term "new business" includes any taxpayer engaged in biopharmaceutical activities or other biotechnology activities described in Codes 2833 to 2836 of the SIC Manual, 1987 Edition. It also includes any taxpayer that has not received regulatory approval for any product from the United States Food and Drug Administration. See R&amp;TC Section 17276.20(f)(7)(A) for more information.</p>	<p>On or after 01/01/2008</p> <p>On or after 01/01/2000 and before 01/01/2008</p> <p>On or after 01/01/1994 and before 01/01/2000</p> <p>Year of Business</p> <p>Year 1</p> <p>Year 2</p> <p>Year 3</p>	<p>100%</p> <p>100%</p> <p>For the first three years of business</p> <p>None</p> <p>None</p> <p>None</p>	<p>20 Years</p> <p>10 Years</p> <p>Expired</p> <p>Expired</p> <p>Expired</p>
<p><b>Eligible Small Business NOL (ESB)</b> Get FTB Legal Ruling 96-5 issued August 19, 1996, for more information.</p> <p>An ESB NOL is an NOL incurred in operating a trade or business activity that has gross receipts, less returns and allowances, of less than \$1 million during the taxable year.</p> <p>100% of an ESB NOL may be carried over, but only to the extent of the net loss from the eligible small business. If a taxpayer's NOL exceeds the net loss from an eligible small business, the excess may be carried over as a general NOL.</p> <p>Taxpayers should use the same SIC Code tests described in the "New Business NOL," above, to group trade or business activities for the eligible small business NOL.</p>	<p>On or after 01/01/2008</p> <p>On or after 01/01/2000 and before 01/01/2008</p> <p>On or after 01/01/1994 and before 01/01/2000</p>	<p>100%</p> <p>100%</p> <p>None</p>	<p>20 Years</p> <p>10 Years</p> <p>Expired</p>