

Municipal Net Profit Tax Information Release¹

MNP 2018-04: Net Operating Loss Deductions—October 2018

This information release explains how the net operating loss (NOL) deductions available for the municipal net profit tax for taxable years 2018 and thereafter are calculated. This is not intended to be a comprehensive guide to NOLs; rather it is an explanation of how two separate categories of NOLs will operate in the calculation of municipal net profit tax liability. This guidance only applies to taxpayers that have opted in for state administration of the municipal net profit tax.

A. Introduction

House Bill 5 (H.B. 5), as passed by the 130th General Assembly, established uniformity in the administration and calculation of the municipal income tax. As part of this municipal income tax reform, all municipal corporations are required to allow an NOL deduction with a five-year carryforward period. The H.B. 5 provision requiring the NOL deduction is effective for losses incurred in taxable years beginning on or after January 1, 2017. To lessen the revenue impact for those municipal corporations that had not previously allowed an NOL deduction, H.B. 5 included a five-year phase-in period wherein the amount of newly-permitted NOLs claimed in taxable years 2018 through 2022 may not exceed “more than [50%] of the amount of the deduction otherwise allowed[.]” R.C. 718.01(D)(3).² In effect, this ensures that the mandatory NOL deduction, on its own, cannot reduce taxpayers’ municipal taxable income to zero during the phase-in period. For taxable years 2023 and beyond, the phase-limitation does not apply. In addition to the NOL deduction available for losses incurred in 2017 and thereafter, taxpayers are also permitted to claim NOLs incurred in prior years to the extent such NOLs were permitted by resolution or ordinance of a municipal corporation.

In House Bill 49 (H.B. 49), the 132nd General Assembly passed additional municipal income tax reform, and with it, offered business taxpayers the ability to opt-in for state administration of the municipal net profit tax. Under the authority granted to the tax commissioner in H.B. 49 as an administrator of the municipal net profit tax, this information release is intended to offer clarification of the law in Ohio Revised Code (R.C.) Chapter 718 as it relates to the two NOL deductions available to taxpayers for taxable years beginning in 2018 and thereafter.

B. NOL Deductions

There are two categories of NOL deductions applicable to the calculation of the municipal net profit tax. The first category is the **pre-2017 NOL deduction**, which includes any NOL incurred in a taxable year beginning prior to January 1, 2017, to the extent such a deduction was permitted by a municipal corporation. R.C. 718.01(SS)(1). The pre-2017 NOL deduction is apportioned to the municipal corporation and the carryforward period is determined by the applicable municipal corporation’s resolution or ordinance. R.C. 718.01(SS)(2). Throughout this information release, the “pre-2017” NOL deduction will be referred to as the

¹ An information release does not create legal obligations by its own force. Only an administrative rule can “confer the force of law on a requirement.” See *Progressive Plastics, Inc. v. Testa*, 133 Ohio St.3d 490, 2012-Ohio-4759.

² Note that the phase-in provision does not apply to taxpayers filing in municipal corporations that first levy a tax on or after January 1, 2016. See R.C. 718.01(D)(3)(c)(i).

“old NOL” deduction. The second category of NOL deduction is the **post-2016 NOL deduction**³ (referred to on the state-issued tax return as “NOLs for 2017 and after”). All municipal corporations are required to allow an NOL deduction with a five-year carryforward period for NOLs incurred in taxable years beginning on or after January 1, 2017. The post-2016 NOL deduction is calculated and deducted on a pre-apportionment basis, meaning that the post-2016 NOL is not apportioned to the municipal corporation prior to being deducted from adjusted federal taxable income. R.C. 718.01(D). Throughout this information release, the “post-2016” NOL deduction will be referred to as the **“new NOL” deduction**.

C. Old NOL Deduction

The old NOL deductions available to taxpayers in municipal corporations that permitted such deductions by resolution or ordinance adopted prior to January 1, 2016, are **not subject** to any phase-in provisions. R.C. 718.01(D)(3)(d) states that “[a]ny [old NOL] deduction that is available **may** be utilized before a taxpayer may deduct any amount pursuant to division (D)(3) of this section.” (Emphasis added.) This provision indicates that a taxpayer may choose to use the balance of its old NOL deduction before or after using the balance of its new NOL deduction within the context of calculating its municipal taxable income. The taxpayer may also choose not to use its old NOL deduction at all. Regardless of the taxpayer’s decision, the old NOL deduction is still subject to the carryforward limitations provided by the municipal ordinance or resolution.

D. New NOL Deduction

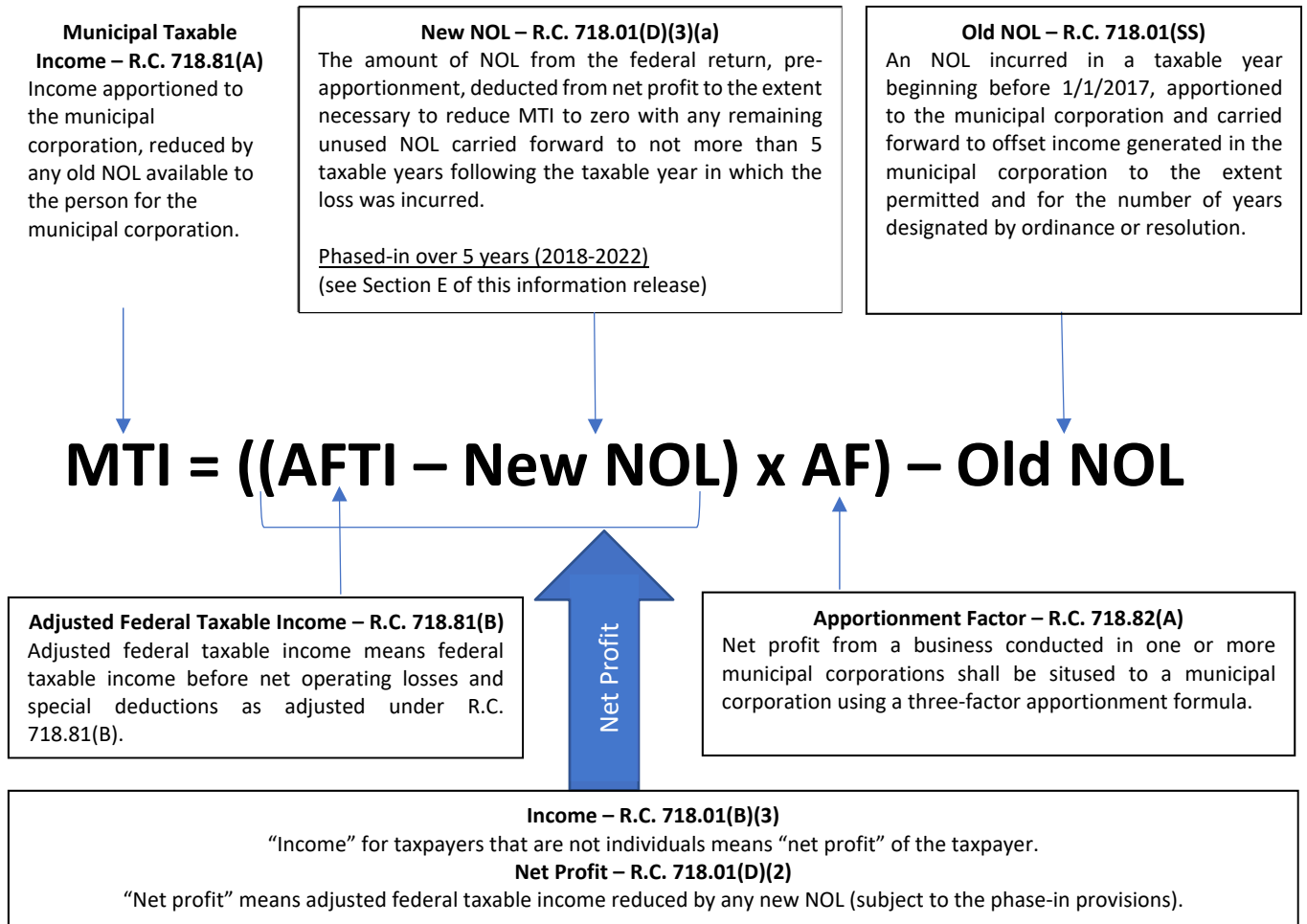
The new NOL deduction available to all municipal net profit taxpayers beginning in taxable year 2018 is described in R.C. 718.01(D). The new NOL deduction is calculated and applied on a pre-apportionment basis, which is a significant departure from the treatment of old NOLs. For persons other than individuals, R.C. 718.01(D)(2) states, in pertinent part, that net profit “means adjusted federal taxable income reduced by any net operating loss incurred by the person in a taxable year beginning on or after January 1, 2017, subject to the limitations of division (D)(3) of this section.” The new NOL deduction is further explained in R.C. 718.01(D)(3)(a):

The amount of such net operating loss shall be deducted from net profit to the extent necessary to reduce municipal taxable income to zero, with any remaining unused portion of the net operating loss carried forward to not more than five consecutive taxable years following the taxable year in which the loss was incurred, but in no case for more years than necessary for the deduction to be fully utilized.

(Emphasis added.) In short, this provision generally limits the amount of the new NOL deduction to the amount necessary to reduce municipal taxable income to zero.

³ For purposes of the post-2016 NOL deduction, an NOL is defined as “a loss incurred by a person in the operation of a trade or business. ‘Net operating loss’ does not include unutilized losses resulting from basis limitations, at-risk limitations, or passive activity loss limitations.” R.C. 718.01(GG).

For purposes of the Ohio Department of Taxation’s administration of the municipal net profit tax, “municipal taxable income” is defined in R.C. 718.81(A) to mean “income apportioned or situated to the municipal corporation under section 718.82 of the Revised Code, as applicable, reduced by any [old NOL] available to the person for the municipal corporation.” Under R.C. 718.01(B)(3), “income” for persons other than individuals is the taxpayer’s net profit. “Net profit” is a taxpayer’s adjusted federal taxable income reduced by any new NOL available to the taxpayer. R.C. 718.01(D)(2). Reading these three definitions together, municipal taxable income can be expressed in the following formula:



As shown in the formula, the new NOL is deducted from adjusted federal taxable income *prior to apportionment*, and the old NOL (which is an amount apportioned to the municipal corporation) is deducted *after* the adjusted federal taxable income is apportioned to the municipal corporation. The amount of new NOL that may be claimed is equal to that which would **reduce the taxpayer’s municipal taxable income to zero**. As illustrated in the formula above, the amount of new NOL that may be deducted will depend on a taxpayer’s adjusted federal taxable income as well as the taxpayer’s apportionment factor and available old NOL in each municipality. Because the limit on the new NOL deduction will vary from municipality-to-municipality, the amount of new NOL that may be claimed will also vary from municipality-to-municipality, and as a result, **the new NOL carryforward will need to be tracked on a municipality-by-municipality basis**.

E. New NOL Deduction Phase-In Period

For tax years 2018 through 2022, Ohio law provides a phase-in limitation that applies to the new NOL deduction and complicates the calculation of the available new NOL deduction. R.C. 718.01(D)(3)(c)(i) states the following:

For taxable years beginning in 2018, 2019, 2020, 2021, or 2022, **a person may not deduct**, for purposes of an income tax levied by a municipal corporation that levies an income tax before January 1, 2016, **more than [50%] of the amount of the deduction otherwise allowed** by division (D)(3) of this section.

(Emphasis added.) This provision limits the amount of new NOL deduction that a taxpayer may claim to 50% of the deduction otherwise allowed. As explained in Section D of this information release, the “deduction otherwise allowed” is the amount of new NOL “necessary to reduce [a taxpayer’s] municipal taxable income to zero.” R.C. 718.01(D)(3)(a). Thus, a taxpayer may not deduct more than 50% of the new NOL deduction that it otherwise could have claimed during taxable years 2018 through 2022.

Stated another way, the amount of new NOL deduction allowed during taxable years 2018 through 2022 is **the lesser of** either:

- 50% of the taxpayer’s available new NOL
- OR–
- 50% of the amount of new NOL necessary to reduce the taxpayer’s municipal taxable income to zero.

During the phase-in period, a taxpayer may not eliminate all its tax liability in any municipal corporation that levied a tax prior to January 1, 2016 by using the new NOL deduction alone. The phase-in provisions only apply to the new NOL deduction and do not apply to the old NOL carryforwards. A taxpayer that has available old NOL carryforwards may use the old NOL deduction alone or in conjunction with the new NOL deduction to reduce its tax liability to zero during the phase-in period.

Any unused new NOLs that are limited by the application of the phase-in provisions may be carried forward for use on future returns but are still subject to the 50% limitation and the five-year carry forward period. R.C. 718.01(D)(3)(e). The 50% limitation does not apply to the new NOL deduction for taxable years 2023 and beyond. R.C. 718.01(D)(3)(c)(ii).

F. Exception to the Phase-In Limitation:

The 50% phase-in limitation does not apply to any municipal corporation that levies a new tax beginning on or after January 1, 2016. R.C. 718.01(D)(3)(c)(i). For taxpayers paying municipal net profit tax in municipal corporations that first impose a tax on or after January 1, 2016, the new NOL deduction allowed may be calculated as explained in Section D of this information release, without regard to the limitation described in Section E.

G. Examples

The following examples illustrate the general rules and concepts described in this information release. While other tax considerations may apply, each example assumes that the cities involved all levied taxes prior to January 1, 2016, that the taxpayer will claim the maximum amount of old NOL possible, and that the phase-in limitation applies to the new NOL. Note that amounts of unused new NOL may be carried forward to future taxable years but are still subject to the 50% phase-in limitation for taxable years 2019 through 2022.

EXAMPLE 1:

Taxable Year 2018	
CITY A	
Taxpayer's AFTI in 2018 = \$50,000	
Taxpayer's Old NOL Carryforward to 2018 in City A = \$4,000	
Taxpayer's New NOL Carryforward to 2018 = \$5,000	
Apportionment Factor in 2018 in City A= 0.25	
New NOL During Phase-In = Lesser of:	<i>To determine the amount of new NOL the taxpayer may claim in city A during the phase-in period, compare 50% of the amount of available new NOL deduction to 50% of the amount of new NOL deduction necessary to reduce the taxpayer's municipal taxable income to zero. Taxpayer may claim the lesser of the two amounts.</i>
New NOL x 50%	
OR	
[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%	
New NOL x 50% \$5,000 x 50%	<i>To determine 50% of the available new NOL deduction, multiply the available new NOL deduction by 50%.</i>
\$2,500	
[AFTI - ((MTI + Old NOL) ÷ AF)] x 50% [\$50,000 - ((\$0 + \$4,000) ÷ 0.25)] x 50% [\$50,000 - (\$4,000 ÷ 0.25)] x 50% [\$50,000 - \$16,000] x 50% \$34,000 x 50%	<i>To determine 50% of the amount of new NOL deduction necessary to reduce the taxpayer's municipal taxable income to zero, use the formula for municipal taxable income (MTI=((AFTI - New NOL) x AF) - Old NOL) rearranged to solve for the new NOL (New NOL = AFTI - ((MTI + Old NOL) ÷ AF)) assuming municipal taxable income is \$0. Multiply the result by 50%.</i>
\$17,000	
\$2,500 < \$17,000	<i>Then compare 50% of the amount of Taxpayer's available new NOL deduction (\$2,500) to 50% of the amount of new NOL deduction necessary to reduce the taxpayer's municipal taxable income to zero (\$17,000). Taxpayer may claim the lesser of the two figures as its new NOL deduction on its taxable year 2018 return.</i>
Taxpayer may claim a \$2,500 new NOL deduction on its taxable year 2018 return in City A.	
MTI= ((AFTI - New NOL) x AF) - Old NOL MTI = ((\$50,000 - \$2,500) x 0.25) - \$4,000 MTI = (\$47,500 x 0.25) - \$4,000 MTI = \$11,875 - \$4,000 MTI = \$7,875	<i>Taxpayer's municipal taxable income in City A can be calculated using the new NOL determined above.</i>
Old NOL Carryforward to 2019 in City A \$0	<i>To determine taxpayer's old NOL carryforward and new NOL carryforward, deduct the amounts claimed in taxable year 2018 from the beginning balances listed above.</i>
New NOL Carryforward to 2019 in City A \$2,500	

EXAMPLE 2:

Taxable Year 2018	
CITY B	
Taxpayer's AFTI in 2018 = \$50,000	
Taxpayer's Old NOL Carryforward to 2018 in City B = \$8,000	
Taxpayer's New NOL Carryforward to 2018 = \$30,000	
Apportionment Factor in 2018 in City B= 0.25	
New NOL During Phase-In = Lesser of:	<i>To determine the amount of new NOL the taxpayer may claim in city B during the phase-in period, compare 50% of the amount of available new NOL deduction to 50% of the amount of new NOL deduction necessary to reduce the taxpayer's municipal taxable income to zero. Taxpayer may claim the lesser of the two amounts.</i>
New NOL x 50%	
OR	
[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%	
New NOL x 50% \$30,000 x 50%	<i>To determine 50% of the available new NOL deduction, multiply the available new NOL deduction by 50%.</i>
\$15,000	
[AFTI - ((MTI + Old NOL) ÷ AF)] x 50% [\$50,000 - ((\$0 + \$8,000) ÷ 0.25)] x 50% [\$50,000 - (\$8,000 ÷ 0.25)] x 50% [\$50,000 - \$32,000] x 50% \$18,000 x 50%	<i>To determine 50% of the amount of new NOL deduction necessary to reduce the taxpayer's municipal taxable income to zero, use the formula for municipal taxable income (MTI=((AFTI - New NOL) x AF) - Old NOL) rearranged to solve for the new NOL (New NOL = AFTI - ((MTI + Old NOL) ÷ AF)) assuming municipal taxable income is \$0. Multiply the result by 50%.</i>
\$9,000	
\$15,000 > \$9,000	<i>Then compare 50% of the amount of Taxpayer's available new NOL deduction (\$15,000) to 50% of the amount of new NOL deduction necessary to reduce the taxpayer's municipal taxable income to zero (\$9,000). Taxpayer may claim the lesser of the two figures as its new NOL deduction on its taxable year 2018 return.</i>
Taxpayer may claim a \$9,000 new NOL deduction on its taxable year 2018 return in City B.	
MTI= ((AFTI - New NOL) x AF) - Old NOL MTI = ((\$50,000 - \$9,000) x 0.25) - \$8,000 MTI = (\$41,000 x 0.25) - \$8,000 MTI = \$10,250 - \$8,000 MTI = \$2,250	<i>Taxpayer's municipal taxable income in City B can be calculated using the new NOL determined above.</i>
Old NOL Carryforward to 2019 in City B \$0	<i>To determine taxpayer's old NOL carryforward and new NOL carryforward, deduct the amounts claimed in taxable year 2018 from the beginning balances listed above.</i>
New NOL Carryforward to 2019 in City B \$21,000	

EXAMPLE 3:

This example assumes that the carryforward period applicable to the old NOL amounts available to Taxpayer do not expire until after 2020. Taxpayer owes municipal net profit tax to cities C, D, and E for taxable years 2018 and 2019 as follows:

Taxable Year 2018		
CITY C	CITY D	CITY E
<i>Taxpayer's AFTI in 2018 = \$50,000</i>	<i>Taxpayer's AFTI in 2018 = \$50,000</i>	<i>Taxpayer's AFTI in 2018 = \$50,000</i>
<i>City C does not permit an Old NOL</i>	<i>Old NOL Carryforward to 2018 in City D = \$40,000</i>	<i>Old NOL Carryforward to 2018 in City E = \$17,000</i>
<i>New NOL Carryforward to 2018 in City C= \$30,000</i>	<i>New NOL Carryforward to 2018 in City D= \$30,000</i>	<i>New NOL Carryforward to 2018 in City E= \$30,000</i>
<i>Apportionment Factor in 2018 in City C = 0.25</i>	<i>Apportionment Factor in 2018 in City D = 0.25</i>	<i>Apportionment Factor in 2018 in City E = 0.50</i>
New NOL During Phase-In = Lesser of:	New NOL During Phase-In = Lesser of:	New NOL During Phase-In = Lesser of:
New NOL x 50%	New NOL x 50%	New NOL x 50%
OR	OR	OR
[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%	[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%	[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%
New NOL x 50%	New NOL x 50%	New NOL x 50%
\$30,000 x 50%	\$30,000 x 50%	\$30,000 x 50%
\$15,000	\$15,000	\$15,000
[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%	[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%	[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%
[\$50,000 - ((\$0 + \$0) ÷ 0.25)] x 50%	[\$50,000 - ((\$0 + \$40,000) ÷ 0.25)] x 50%	[\$50,000 - ((\$0 + \$17,000) ÷ 0.50)] x 50%
[\$50,000 - (\$0 ÷ 0.25)] x 50%	[\$50,000 - (\$40,000 ÷ 0.25)] x 50%	[\$50,000 - (\$17,000 ÷ 0.50)] x 50%
[\$50,000 - \$0] x 50%	[\$50,000 - \$160,000] x 50%	[\$50,000 - \$34,000] x 50%
\$50,000 x 50%	(\$110,000) x 50%	\$16,000 x 50%
\$25,000	\$0*	\$8,000
\$15,000 < \$25,000	The negative number indicates that Taxpayer has enough old NOL in City D to bring its MTI in City D to zero and does not need to use any of its new NOL.	\$15,000 > \$8,000
Taxpayer may claim a \$15,000 new NOL deduction on its 2018 return in City C.	If Taxpayer deducts \$12,500** of old NOL, its MTI in City D will be zero for 2018.	Taxpayer may claim an \$8,000 new NOL deduction on its 2018 return in City E.
MTI= ((AFTI - New NOL) x AF) - Old NOL	MTI= ((AFTI - New NOL) x AF) - Old NOL	MTI= ((AFTI - New NOL) x AF) - Old NOL
MTI = ((\$50,000 - \$15,000) x 0.25) - \$0	MTI = ((\$50,000 - \$0) x 0.25) - \$12,500	MTI = ((\$50,000 - \$8,000) x 0.50) - \$17,000
MTI = (\$35,000 x 0.25) - \$0	MTI = (\$50,000 x 0.25) - \$12,500	MTI = (\$42,000 x 0.50) - \$17,000
MTI = \$8,750 - \$0	MTI = \$12,500 - \$12,500	MTI = \$21,000 - \$17,000
MTI = \$8,750	MTI = \$0	MTI = \$4,000
Old NOL Carryforward to 2019 in City C	Old NOL Carryforward to 2019 in City D	Old NOL Carryforward to 2019 in City E
N/A	\$27,500	\$0
New NOL Carryforward to 2019 in City C	New NOL Carryforward to 2019 in City D	New NOL Carryforward to 2019 in City E
\$15,000	\$30,000	\$22,000

* Though the result of this calculation is negative, an NOL deduction may not be less than zero.

**To determine the amount of old NOL required to bring MTI to zero, multiply the taxpayer's AFTI by the apportionment factor. Here, AFTI is \$50,000 and the apportionment factor in City D for taxable year 2018 is 0.25.

\$50,000 x 0.25 = \$12,500.

Taxable Year 2019		
CITY C	CITY D	CITY E
<i>Taxpayer's AFTI in 2019 = \$50,000</i>	<i>Taxpayer's AFTI in 2019 = \$50,000</i>	<i>Taxpayer's AFTI in 2019 = \$50,000</i>
<i>City C does not permit an Old NOL</i>	<i>Old NOL Carryforward to 2019 in City D = \$27,500</i>	<i>Old NOL Carryforward to 2019 in City E = \$0</i>
<i>New NOL Carryforward to 2019 in City C = \$15,000</i>	<i>New NOL Carryforward to 2019 in City D = \$30,000</i>	<i>New NOL Carryforward to 2019 in City E = \$22,000</i>
<i>Apportionment Factor in 2019 in City C = 0.30</i>	<i>Apportionment Factor in 2019 in City D = 0.25</i>	<i>Apportionment Factor in 2019 in City E = 0.45</i>
New NOL During Phase-In = Lesser of:	New NOL During Phase-In = Lesser of:	New NOL During Phase-In = Lesser of:
New NOL x 50%	New NOL x 50%	New NOL x 50%
OR	OR	OR
[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%	[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%	[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%
New NOL x 50%	New NOL x 50%	New NOL x 50%
\$15,000 x 50%	\$30,000 x 50%	\$22,000 x 50%
\$7,500	\$15,000	\$11,000
[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%	[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%	[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%
[\$50,000 - ((\$0 + \$0) ÷ 0.30)] x 50%	[\$50,000 - ((\$0 + \$27,500) ÷ 0.25)] x 50%	[\$50,000 - ((\$0 + \$0) ÷ 0.45)] x 50%
[\$50,000 - (\$0 ÷ 0.30)] x 50%	[\$50,000 - (\$27,500 ÷ 0.25)] x 50%	[\$50,000 - (\$0 ÷ 0.45)] x 50%
[\$50,000 - \$0] x 50%	[\$50,000 - \$110,000] x 50%	[\$50,000 - \$0] x 50%
\$50,000 x 50%	(\$60,000) x 50%	\$50,000 x 50%
\$25,000	\$0*	\$25,000
\$7,500 < \$25,000	The negative number indicates that Taxpayer has enough old NOL in City D to bring its MTI in City D to zero and does not need to use any of its new NOL.	\$11,000 < \$25,000
Taxpayer may claim a \$7,500 new NOL deduction on its 2019 return in City C.	If Taxpayer deducts \$12,500** of old NOL, its MTI in City D will be zero for 2019.	Taxpayer may claim an \$11,000 new NOL deduction on its 2019 return in City E.
MTI = ((AFTI - New NOL) x AF) - Old NOL	MTI = ((AFTI - New NOL) x AF) - Old NOL	MTI = ((AFTI - New NOL) x AF) - Old NOL
MTI = ((\$50,000 - \$7,500) x 0.30) - \$0	MTI = ((\$50,000 - \$0) x 0.25) - \$12,500	MTI = ((\$50,000 - \$11,000) x 0.45) - \$0
MTI = (\$42,500 x 0.30) - \$0	MTI = (\$50,000 x 0.25) - \$12,500	MTI = (\$39,000 x 0.45) - \$0
MTI = \$12,750 - \$0	MTI = \$12,500 - \$12,500	MTI = \$17,550 - \$0
MTI = \$12,750	MTI = \$0	MTI = \$17,550
Old NOL Carryforward to 2020 in City C	Old NOL Carryforward to 2020 in City D	Old NOL Carryforward to 2020 in City E
N/A	\$15,000	\$0
New NOL Carryforward to 2020 in City C	New NOL Carryforward to 2020 in City D	New NOL Carryforward to 2020 in City E
\$7,500	\$30,000	\$11,000

* Though the result of this calculation is negative, an NOL deduction may not be less than zero.

**To determine the amount of old NOL required to bring MTI to zero, multiply the taxpayer's AFTI by the apportionment factor. Here, AFTI is \$50,000 and the apportionment factor in City D for taxable year 2019 is 0.25.

\$50,000 x 0.25 = \$12,500.

EXAMPLE 4:

This example assumes that the carryforward period applicable to the old NOL amounts available to Taxpayer do not expire until after 2020. Taxpayer owes municipal net profit tax to cities F, G, and H for taxable years 2018 and 2019 as follows:

Taxable Year 2018		
CITY F	CITY G	CITY H
<i>Taxpayer's AFTI in 2018 = \$50,000</i>	<i>Taxpayer's AFTI in 2018 = \$50,000</i>	<i>Taxpayer's AFTI in 2018 = \$50,000</i>
<i>Old NOL Carryforward to 2018 in City F = \$5,000</i>	<i>City G does not permit an Old NOL</i>	<i>Old NOL Carryforward to 2018 in City H = \$5,000</i>
<i>New NOL Carryforward to 2018 in City F = \$100,000</i>	<i>New NOL Carryforward to 2018 in City G = \$100,000</i>	<i>New NOL Carryforward to 2018 in City H = \$100,000</i>
<i>Apportionment Factor in 2018 in City F = 0.25</i>	<i>Apportionment Factor in 2018 in City G = 0.70</i>	<i>Apportionment Factor in 2018 in City H = 0.05</i>
New NOL During Phase-In = Lesser of:	New NOL During Phase-In = Lesser of:	New NOL During Phase-In = Lesser of:
New NOL x 50%	New NOL x 50%	New NOL x 50%
OR	OR	OR
[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%	[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%	[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%
New NOL x 50%	New NOL x 50%	New NOL x 50%
\$100,000 x 50%	\$100,000 x 50%	\$100,000 x 50%
\$50,000	\$50,000	\$50,000
[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%	[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%	[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%
[\$50,000 - ((\$0 + \$5,000) ÷ 0.25)] x 50%	[\$50,000 - ((\$0 + \$0) ÷ 0.70)] x 50%	[\$50,000 - ((\$0 + \$5,000) ÷ 0.05)] x 50%
[\$50,000 - (\$5,000 ÷ 0.25)] x 50%	[\$50,000 - (\$0 ÷ 0.70)] x 50%	[\$50,000 - (\$5,000 ÷ 0.05)] x 50%
[\$50,000 - \$20,000] x 50%	[\$50,000 - \$0] x 50%	[\$50,000 - \$100,000] x 50%
\$30,000 x 50%	\$50,000 x 50%	(\$50,000) x 50%
\$15,000	\$25,000	\$0*
\$50,000 > \$15,000	\$50,000 > \$25,000	The negative number indicates that Taxpayer has enough old NOL in City H to bring its MTI in City H to zero and does not need to use any of its new NOL.
Taxpayer may claim a \$15,000 new NOL deduction on its 2018 return in City F.	Taxpayer may claim a \$25,000 new NOL deduction on its 2018 return in City G.	If Taxpayer deducts \$2,500** of old NOL, its MTI in City H will be zero for 2018.
MTI= ((AFTI - New NOL) x AF) - Old NOL	MTI= ((AFTI - New NOL) x AF) - Old NOL	MTI= ((AFTI - New NOL) x AF) - Old NOL
MTI = ((\$50,000 - \$15,000) x 0.25) - \$5,000	MTI = ((\$50,000 - \$25,000) x 0.70) - \$0	MTI = ((\$50,000 - \$0) x 0.05) - \$2,500
MTI = (\$35,000 x 0.25) - \$5,000	MTI = (\$25,000 x 0.70) - \$0	MTI = (\$50,000 x 0.05) - \$2,500
MTI = \$8,750 - \$5,000	MTI = \$17,500 - \$0	MTI = \$2,500 - \$2,500
MTI = \$3,750	MTI = \$17,500	MTI = \$0
Old NOL Carryforward to 2019 in City F	Old NOL Carryforward to 2019 in City G	Old NOL Carryforward to 2019 in City H
\$0	N/A	\$2,500
New NOL Carryforward to 2019 in City F	New NOL Carryforward to 2019 in City G	New NOL Carryforward to 2019 in City H
\$85,000	\$75,000	\$100,000

* Though the result of this calculation is negative, an NOL deduction may not be less than zero.

**To determine the amount of old NOL required to bring MTI to zero, multiply the taxpayer's AFTI by the apportionment factor. Here, AFTI is \$50,000 and the apportionment factor in City H for taxable year 2018 is 0.05.

$\$50,000 \times 0.05 = \$2,500.$

Taxable Year 2019		
CITY F	CITY G	CITY H
<i>Taxpayer's AFTI in 2019 = \$40,000</i>	<i>Taxpayer's AFTI in 2019 = \$40,000</i>	<i>Taxpayer's AFTI in 2019 = \$40,000</i>
<i>Old NOL Carryforward to 2019 in City F = \$0</i>	<i>City G does not permit an Old NOL</i>	<i>Old NOL Carryforward to 2019 in City H = \$2,500</i>
<i>New NOL Carryforward to 2019 in City F = \$85,000</i>	<i>New NOL Carryforward to 2019 in City G = \$75,000</i>	<i>New NOL Carryforward to 2019 in City H = \$100,000</i>
<i>Apportionment Factor in 2019 in City F = 0.25</i>	<i>Apportionment Factor in 2019 in City G = 0.50</i>	<i>Apportionment Factor in 2019 in City H = 0.25</i>
New NOL During Phase-In = Lesser of:	New NOL During Phase-In = Lesser of:	New NOL During Phase-In = Lesser of:
New NOL x 50%	New NOL x 50%	New NOL x 50%
OR	OR	OR
[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%	[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%	[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%
New NOL x 50%	New NOL x 50%	New NOL x 50%
\$85,000 x 50%	\$75,000 x 50%	\$100,000 x 50%
\$42,500	\$37,500	\$50,000
[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%	[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%	[AFTI - ((MTI + Old NOL) ÷ AF)] x 50%
[\$40,000 - ((\$0 + \$0) ÷ 0.25)] x 50%	[\$40,000 - ((\$0 + \$0) ÷ 0.50)] x 50%	[\$40,000 - ((\$0 + \$2,500) ÷ 0.25)] x 50%
[\$40,000 - (\$0 ÷ 0.25)] x 50%	[\$40,000 - (\$0 ÷ 0.50)] x 50%	[\$40,000 - (\$2,500 ÷ 0.25)] x 50%
[\$40,000 - \$0] x 50%	[\$40,000 - \$0] x 50%	[\$40,000 - \$10,000] x 50%
\$40,000 x 50%	\$40,000 x 50%	\$30,000 x 50%
\$20,000	\$20,000	\$15,000
\$42,500 > \$20,000	\$37,500 > \$20,000	\$50,000 > \$15,000
Taxpayer may claim a \$20,000 new NOL deduction on its 2019 return in City F.	Taxpayer may claim a \$20,000 new NOL deduction on its 2019 return in City G.	Taxpayer may claim a \$15,000 new NOL deduction on its 2019 return in City H.
MTI= ((AFTI - New NOL) x AF) - Old NOL	MTI= ((AFTI - New NOL) x AF) - Old NOL	MTI= ((AFTI - New NOL) x AF) - Old NOL
MTI = ((\$40,000 - \$20,000) x 0.25) - \$0	MTI = ((\$40,000 - \$20,000) x 0.50) - \$0	MTI = ((\$40,000 - \$15,000) x 0.25) - \$2,500
MTI = (\$20,000 x 0.25) - \$0	MTI = (\$20,000 x 0.50) - \$0	MTI = (\$25,000 x 0.25) - \$2,500
MTI = \$5,000 - \$0	MTI = \$10,000 - \$0	MTI = \$6,250 - \$2,500
MTI = \$5,000	MTI = \$10,000	MTI = \$3,750
Old NOL Carryforward to 2020 in City F	Old NOL Carryforward to 2020 in City G	Old NOL Carryforward to 2020 in City H
\$0	N/A	\$0
New NOL Carryforward to 2020 in City F	New NOL Carryforward to 2020 in City G	New NOL Carryforward to 2020 in City H
\$65,000	\$55,000	\$85,000

Please contact the Business Tax Division, Municipal Net Profit Tax Section, at (844) 238-0403 or MNPTax@tax.state.oh.us with any questions. For persons using TTY/TDD, please contact the Ohio Relay Service at 1-800-750-0750 and give the communication assistant the Ohio Department of Taxation telephone number.