

Checkpoint Contents

2020 COVID-19 Guidance

New Law Special Study

Highlights of the CARES Act

Chapter 7 LOSSES (04/2020)

702 Modification of rules relating to net operating loss (NOL) carrybacks.

Tax Planning & Practice Guides

¶702. Modification of rules relating to net operating loss (NOL) carrybacks.

Background. Under pre-Act **Code Sec. 172(b)(1)**, except for farming losses and losses of property and casualty insurance companies, an NOL for any tax year was carried forward to each tax year following the tax year of the loss but isn't carried back to any tax year preceding the tax year of the loss.

New law. The CARES Act provides that NOLs arising in a tax year beginning after Dec. 31, 2017 and before Jan. 1, 2021 can be carried back to each of the five tax years preceding the tax year of such loss. The provision also temporarily disregards NOL carrybacks for purposes of the **Code Sec. 965** transition tax and contains special rules for real estate investment trusts (REITs) and insurance companies. (**Code Sec. 172(b)(1)(D)** as amended by Act Sec. 2303(b)(1))

Effective date. The amendments made by Act Sec. 2303(b) apply to NOLs arising in tax years beginning after Dec. 31, 2017 and to tax years beginning before, on or after such date to which such NOLs are carried. (Act Sec. 2303(d)(2))