



INDEPENDENT FISCAL OFFICE

**Second Floor, Rachel Carson State Office Building
400 Market Street
Harrisburg, Pennsylvania 17105**

March 7, 2017

The Honorable Patrick M. Browne
Chairman
Senate Appropriations Committee
281 Main Capitol Building
Harrisburg, PA 17120

Dear Chairman Browne:

This letter responds to a request for additional information raised by Senator Vulakovich at the recent budget hearing for the Independent Fiscal Office (IFO). Specifically, Senator Vulakovich inquired about the treatment of corporate net operating losses (NOLs) in other states as compared to Pennsylvania.

Current federal law allows 20 years of NOL carryforwards and 2 years of NOL carrybacks. Thirty states (including Pennsylvania) and the District of Columbia conform to the federal standard of offering 20 years of NOL carryforwards. Twelve states conform to the federal standard of offering 2 years of NOL carrybacks. Pennsylvania, twenty-eight other states and the District of Columbia do not allow NOL carrybacks. Eight states limit the amount that can be carried forward or back in any tax year. Tables presenting the treatment of NOLs for each state are enclosed. (Please refer to Tables A and B).

As indicated during the IFO's budget hearing, our office plans to release an analysis of the Executive Budget proposals in late March and will be available for further discussion with your committee once that report has been released.

Thank you for the opportunity to submit additional information on these topics. If you have further questions, please do not hesitate to contact my office.

Sincerely,

A handwritten signature in blue ink that reads "Matthew J. Knittel".

Matthew J. Knittel
Director

Enclosures

Table A
Corporate Net Operating Loss Carryforward and Carryback Periods
Number of Years by State¹

State	Carryforward/back	State	Carryforward/back
Alabama	15/0	Minnesota	15/0
Alaska	20/2	Mississippi	20/2
Arizona	20/0	Missouri	20/2
Arkansas	5/0	Montana	7/3
California	20/2	Nebraska	20/0
Colorado	20/0	New Hampshire	10/0
Connecticut	20/0	New Jersey	20/0
Delaware	20/2	New Mexico	20/0
Florida	20/0	New York	20/3
Georgia	20/2	North Carolina	15/0
Hawaii	20/2	North Dakota	20/0
Idaho	20/2	Oklahoma	20/2
Illinois	12/0	Oregon	15/0
Indiana	20/0	Pennsylvania	20/0
Iowa	20/0	Rhode Island	5/0
Kansas	10/0	South Carolina	20/0
Kentucky	20/0	Tennessee	15/0
Louisiana	20/0	Utah	15/3
Maine	20/0	Vermont	10/0
Maryland	20/2	Virginia	20/2
Massachusetts	20/0	West Virginia	20/2
Michigan	10/0	Wisconsin	20/0

¹Nevada, Ohio, South Dakota, Texas, Washington and Wyoming do not levy a corporate net income tax. However, Ohio, Texas and Washington levy a gross receipts tax on business activities.

Sources: Tax Foundation. Wolters Kluwer CCH *IntelliConnect*.

Table B
Corporate Net Operating Loss Deduction Caps by State¹

State	Cap
Connecticut	50% of taxable income on carryforwards
Delaware	\$30,000 on carrybacks
Idaho	\$100,00 on carrybacks
Louisiana	72% of carryforward amount which cannot exceed 72% of taxable income on carryforwards
New Hampshire	\$10 million on carryforwards
Pennsylvania	Greater of \$5 million or 30% of taxable income on carryforwards
Utah	\$1 million on carrybacks
West Virginia	\$300,000 on carrybacks
All Others	None on carryforwards or carrybacks

¹Nevada, Ohio, South Dakota, Texas, Washington and Wyoming do not levy a corporate net income tax. However, Ohio, Texas and Washington levy a gross receipts tax on business activities.

Sources: Tax Foundation. Wolters Kluwer CCH *IntelliConnect*.