



# LGT

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## FINANCIAL FOCUS



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## Your Accounting for a New Economy

### Worker, Homeownership and Business Assistance Act of 2009: New Rules for Net Operating Loss Carry Back

On November 6, 2009 President Obama signed into law the Worker, Homeownership and Business Assistance Act of 2009. Section 13 of the new law extends the favorable 5-year carry back net operating loss rules that had been originally established in the American Recovery and Reinvestment Act to net operating losses sustained in 2009. The gross recipient test that was included in the earlier law has been eliminated, so the new law will apply to most taxpayers.

The law states that taxpayers can elect to apply new provisions to one loss year, either 2008 or 2009, which allows the taxpayer to carry back the loss either 3, 4 or 5 years. However the election must be made before the due date (including extensions) of the 2009 tax return.

Taxpayers who elected to carry back a net operating loss under the American Recovery and Reinvestment Act are still eligible to make an election to carry back a 2009 net operating loss under the new law as well. Keep in mind that if the taxpayer elects to carry back the net operating loss to the 5th year, then it can only be used to off-set 50% of the taxable income, in accordance with the new law.

Additionally, the new law suspends the previous 90% limitation on alternate minimum tax net operating loss.

If you have any questions about the new law and how it affects you or your business contact your trusted advisors on the LGT tax team at (214) 871-7500.

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