

## Income/Franchise:

### Minnesota DOR Says that Effective Date on Reduced NOL Deduction Limitation May Change

*Net Operating Losses for Businesses*, Minn. Dept. of Rev. (7/24/23); *Net Operating Loss (NOL) for Unrelated Business Income Tax: How does the NOL Provision Work*, Minn. Dept. of Rev. (8/1/23). Pursuant to law changes enacted earlier this year that limit the amount of Minnesota's corporate income/franchise tax net operating loss (NOL) deduction to 70% (previously, 80%) of taxable net income in a single taxable year for taxable years beginning after December 31, 2022 [see H.F. 1938 (2023) and previously issued Multistate Tax Alert (May 30, 2023) for more details on these recent law changes], the Minnesota Department of Revenue (Department) explains that for tax years beginning after December 31, 2022, the Minnesota NOL deduction is limited to 70% of a corporate or an Unrelated Business Income Tax (UBIT) filer's taxable income. However, "[f]or your tax preparation purposes, the effective date for the 70% NOL limitation might change to tax years beginning after December 31, 2023." According to the Department, the Minnesota Legislature provided the Minnesota Commissioner of Revenue with a letter of intent to change the effective date – to this end, the Department states that it will continue to "monitor the legislative process and provide updates as information is available." Lastly, the Department notes that Minnesota law does not distinguish between NOL carryovers generated before or after this law change. Please contact us with any questions.

**URL:** <https://www.revenue.state.mn.us/net-operating-losses>

**URL:** [https://www.revenue.state.mn.us/net-operating-loss-nol#:~:text=%E2%80%8BFor%20Unrelated%20Business%20Income%20Tax&text=A%20net%20operating%20loss%20\(NOL,tax%20liability%20in%20future%20years](https://www.revenue.state.mn.us/net-operating-loss-nol#:~:text=%E2%80%8BFor%20Unrelated%20Business%20Income%20Tax&text=A%20net%20operating%20loss%20(NOL,tax%20liability%20in%20future%20years)

**URL:** <https://www.revisor.mn.gov/bills/bill.php?b=House&f=HF1938&ssn=0&y=2023>

**URL:** <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-multistate-tax-alert-minnesota-enacts-several-changes-to-its-income-and-franchise-tax-laws.pdf>

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