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STATEMENT OF AUDIT PROCEDURE

STATEMENT OF AUDIT PROCEDURE NET OPERATING LOSS CARRYBACKS

I. BACKGROUND

The City's general corporation tax ("GCT") and unincorporated business tax ("UBT") laws differ significantly from federal tax law regarding the carryback of net operating losses. This statement reminds the auditor about those differences.

II. PROCEDURE

Net operating losses sustained during tax years ending after June 30, 1989, will not be permitted to be carried back for GCT and UBT purposes, with the exception that a carryback will be allowed for the first \$10,000 of each of such losses. Losses which are not permitted to be carried back can be carried forward subject to certain other limitations and claimed as a deduction in future years.