SCHEDULE KNOL
42A740-KNOL
Department of Revenue

KENTUCKY NET OPERATING LOSS SCHEDULE

2011

➤ **Attach to Form 740, Form 740-NP or Form 741.**

Enter name(s) as shown on tax return. | Social Security or Federal Identification Number

1.	Enter amount from Form 740, line 9 (Form 740-NP, line 9) (estates and trusts, skip lines 1 and 2)			1
2.	Enter deductions from Form 740, line 10 (Form 740-NP, line 10 or 12)			2 ( )
3.	Combine lines 1 and 2 (estates and trusts, enter taxable income)			3
	Note: *If line 3 is zero or more, do not complete rest of schedule. You do not have a net operating loss.*			
Adjustments				
4.	Enter your nonbusiness capital losses (enter as a positive number)	4		
5.	Enter your nonbusiness capital gains (see federal 1045 instructions)	5		
6.	If line 4 is more than line 5, enter difference; otherwise, enter zero	6		
7.	If line 5 is more than line 4, enter difference; otherwise, enter zero	7		
8.	Nonbusiness deductions	8		
9.	Nonbusiness income (other than capital gains)	9		
10.	Add lines 7 and 9	10		
11.	If line 8 is more than line 10, enter difference; otherwise, enter zero		11	
12.	If line 10 is more than line 8, enter difference (but do not enter more than line 7); otherwise, enter zero	12		
13.	Enter your business capital losses (enter as a positive number)	13		
14.	Enter your business capital gains	14		
15.	Add lines 12 and 14	15		
16.	If line 13 is more than line 15, enter difference; otherwise, enter zero	16		
17.	Add lines 6 and 16	17		
18.	Enter the loss, if any, from federal Form 1040, Schedule D, line 16. (Estates and trusts, enter the loss, if any, from Form 741, Schedule D, line 17, column 3.) Enter as a positive number. If you do not have a loss on that line (and do not have a Section 1202 exclusion), skip lines 18 through 23 and enter on line 24 the amount from line 17	18		
19.	Enter Section 1202 exclusion. Enter as a positive number		19	
20.	Subtract line 19 from line 18	20		
21.	Enter the loss from federal Form 1040, Schedule D, line 21. (Estates and trusts, enter the loss from Form 741, Schedule D, line 18.) Enter as a positive number	21		
22.	If line 20 is more than line 21, enter the difference; otherwise, enter -0-	22		
23.	If line 21 is more than line 20, enter the difference; otherwise, enter -0-		23	
24.	Subtract line 22 from line 17		24	
25.	Domestic production activities deduction from federal Form 1040, Form 1040NR or Form 1041		25	
26.	Net operating losses from other years (enter as a positive number)		26	
27.	Add lines 11, 19, 23, 24, 25 and 26			27
28.	Combine lines 3 and 27. This is your **net operating loss** to be claimed in **subsequent** years			28
	Note: *If line 28 is zero or more, you do not have a net operating loss.*			

DRAFT 6/21/11

INSTRUCTIONS FOR SCHEDULE KNOL

Computation of Net Operating Loss

Purpose of Schedule—Schedule KNOL is to be used by an individual, estate or trust to compute a Kentucky net operating loss (KNOL) deduction. **Schedule KNOL is to be used only in the year the loss occurred.**

Net Operating Losses—For 2005 and future years, the carryback of net operating losses to prior years is no longer allowed. Net operating losses may be carried forward for up to 20 years. Documentation to substantiate any loss must be available to the Department of Revenue upon request.

Line 8—Nonbusiness deductions are those not connected with a trade or business.

The standard deduction from line 2 above is allowed as a nonbusiness deduction if you do not itemize deductions. Itemized deductions are usually nonbusiness except for casualty loss deductions and any employee expenses. See federal Form 1045 for further instructions.

Line 9—Nonbusiness income (other than capital gains)—Include income that is not from trade or business. Examples are dividends, annuities and interest on investments. See federal Form 1045 for further instructions.

Lines 18 and 19—Adjust this amount by the appropriate addition or subtraction entered on Schedule M. For more information, see federal regulation Section 1.172-3 and federal Publication 536, Net Operating Losses.

Note: Attach statement reflecting amount of original net operating loss and amount(s) utilized each prior year.