

If You Have Experienced a Net Operating Loss in 2008 or 2009 you Must Read!

5 Year Carryback Expansion for ALL Businesses

President Obama signed H.R. 3548, The Worker, Homeownership, and Business Assistance Act of 2009, on Friday, November 6, 2009. The new law expands the five-year carryback period to allow all businesses (not just those with gross receipts of \$15 million or less) to carryback net operating losses (NOLs) for up to five years for losses incurred in either 2008 or 2009 (at the election of the taxpayer), but not for both years. Small businesses that have already elected to carryback NOLs in 2008 under the American Recovery and Investment Act may also elect to carryback losses from 2009.

50 Percent Limitation

The new law limits the amount of the NOL to be carried back to 50 percent of taxable income in the fifth year before the loss year. The remaining balance of the NOL can fully offset the taxable income in the remaining four carryback years.

AMT

A taxpayer that makes the election will have the same carryback period for alternative minimum tax (AMT) NOLs as for regular tax NOLs. The new law also suspends the 90 percent income limitation on the use of AMT NOLs for determining AMT income for an extended carryback year. However, an AMT NOL carryback to the fifth preceding tax year would be limited to 50 percent of the AMT income in that year.

Life Insurance Companies

Dealers Take Note – Your reinsurance company may benefit from this new legislation.

Insurance companies can generally carryback operating losses up to three years. The new law allows insurance companies a similar election to carryback NOLs from 2008 or 2009 for either four years or five years. The 50 percent limitation mentioned above would apply to carrybacks to an insurance company's fifth year preceding the loss year.

Restrictions on Making Election to Extend Carryback Period

The election to carryback NOLs up to five years is not available to companies whose stock or rights to an equity interest were acquired by the federal government pursuant to the Emergency Economic Stabilization Act of 2008. Members of an affiliated group containing any of these taxpayers also are denied the election.

If you have any questions relating to the 5 Year Carryback Expansion, please contact your Dealer CPA or you may contact Wayne Robbins, CPA at (919) 875-4990 or via email at wrobbins@dixon-hughes.com.



DIXON HUGHES

Dealer Services Group

PERFORMANCE + handling

ADVISORY

The Dixon Hughes Dealer Services Group | November 2009

For additional information regarding the Dixon Hughes Dealer Services Group, please contact us at dsg@dixon-hughes.com, (877) DLR-CPAs or visit us on the web at www.dixon-hughes.com/dsg.

About the Dixon Hughes Dealer Services Group

The Dealer Services Group of Dixon Hughes, one of the nation's top 20 accounting firms, has over 135 dedicated professionals working exclusively with some of the largest automotive and heavy truck dealerships across the country. Providing our clients with industry thought leaders in our Assurance, Tax and Risk Service Groups, we consult on best practices to help maximize efficiencies, decrease costs and understand risk management. Dealerships need an independent CPA firm to provide an objective view to take their business to the next level. At Dixon Hughes, we deliver on both sides of the service equation. A fact you might find a plus.



To ensure compliance with requirements imposed by the IRS, we inform you that any tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code.

2009 Dixon Hughes PLLC | dixon-hughes.com/dsg