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## **S.F. No. 3774 – Reduced deduction for net operating losses; effective date change**

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Net operating losses (NOLs) occur when allowable deductions exceed taxable income in a taxable year. For state tax purposes, corporate taxpayers may use net operating losses from the previous 15 years to reduce their taxable income in the current tax year. The 2023 omnibus tax bill changed the net operating loss deduction limit from 80% of current year taxable net income to 70%, intended to be effective beginning in tax year 2024. The provision was erroneously made effective beginning in tax year 2023. This bill corrects the effective date of the reduced deduction limitation for NOLs to begin in tax year 2024.