

**CLIENT MEMO
CALIFORNIA NOLS SUSPENDED AGAIN**

Under the California state tax law, individual and corporate taxpayers can carry a net operating loss (NOL) from one year into future years to reduce taxable income. The state had suspended the deduction of NOLs for tax years 2008 and 2009. On October 8, 2010, the Governor signed the state's Budget Act of 2010 (the Act). As part of this Act, the previous suspension of NOL carry-forward deduction has been extended for two additional years – 2010 and 2011.

The suspension does not apply to individual taxpayers with \$300,000 or less of modified adjusted gross income (AGI) and corporate taxpayers with \$300,000 or less of pre-apportioned income (net business and non-business income before apportionment and allocation).

The two other notable tax changes passed by the legislature under the Act are as follows:

- ✓ Revised use tax reporting requirements – the change allows taxpayers to report and remit use tax on an income tax return as opposed to a separate filing.
- ✓ The State Board of Equalization may now assess a non-compliant taxpayer a collection cost recovery fee.

If you have any questions regarding the above tax changes and how they may impact you and your business, please do not hesitate to contact us for a tax planning appointment.

FISHMAN, BLOCK + DIAMOND, LLP