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# Deloitte Multistate Tax Technology Tool

State NOL Insight

### Offering snapshot

State NOL Insight is a dynamic, user-friendly data analytics solution to effectively manage the tracking, reporting, and utilization of state net operating losses.

### Business issue and taxpayer challenge

In an improving economy with expanding revenues and profits, taxpayers may have the ability to use certain tax attributes, such as state net operating losses (NOLs), to reduce their overall state corporate income tax posture. While this may sound like an entirely positive development, if a corporation's tax department has not tracked state NOLs in recent years—or has used manual approaches for NOL tracking—a daunting tax compliance task potentially exists.

### Taxpayer need

What is needed is a **user-friendly, scalable, database- driven state NOL solution with an effective calculation** **engine driven by state-specific rulesets, versatile reporting, and analytics capabilities.** Deloitte has developed a Multistate Tax Technology solution that addresses these needs.

### Deloitte Services—introducing State NOL Insight

Deloitte's State NOL Insight is an **intuitive, Web-interfaced, database-powered solution** that captures a taxpayer's state NOL-related data and uses that data flexibly for tax planning and compliance purposes.

- Designed by Deloitte's Multistate Tax practitioners, with many years of state NOL experience, and our Multistate Tax technology specialists, our State NOL Insight solution provides companies with the type of visibility into, and control over, their state NOL data that they would expect in today's era of responsive and scalable databases, data analytics, scenario analysis, and visualization.
- Unlike traditional approaches to state NOL tracking and reporting, Deloitte's

State NOL Insight uses an effective SQL database platform that provides a single, controlled location in which a company's state NOL data resides. Secure, remote, multiuser access is enabled through a user-friendly, Web interface.

- Designed for both system and data stability, State NOL Insight can easily scale as a taxpayer's business evolves and the number of corporate entities and state NOL changes.
- State NOL Insight is highly flexible, providing a user-friendly interface to rules and logic that govern calculations and computations. Tax rulesets are maintained separately from computations, updated on a regular basis and available available for the user to leverage.
- State NOL Insight is hosted and maintained on Deloitte-controlled servers, and corporate tax departments usually have access to the data used for state NOL tracking and reporting. As a result, the involvement of the taxpayer's IT department is typically not required.

## Taxpayer benefit

With State NOL Insight, users have access to:

- Centralized state NOL tracking and reporting, including generation, utilization, and expiration, in total and by state, entity, and year.
- A calculation engine that applies state-specific NOL rules related to carryover periods, filing methodologies, and state level utilization limitations.
- Separate tracking of state NOLs for tax provision purposes (only available to non-attest clients).
- Reconciliation of book and tax state NOLs (only available to non-attest clients).

**Many companies often struggle with monitoring and maintaining their NOL tracking and/or accurately projecting NOL utilization. Common challenges include:**

- Extracting relevant historic state NOL data by year, by entity, by state return—data that often resides in multiple spreadsheet files and in archived prior year tax returns.
- Researching and applying the non-uniform state NOL laws, which often vary by jurisdiction, by year, by filing method, and by entity type.
- Summarizing the state NOL history after reviewing (or, in many instances, recreating) underlying historic calculations. Applying current and future year enacted state NOL laws to determine amounts utilized on current tax returns and projecting future utilization and expiration for income tax compliance, planning and ASC 740, *Income Taxes*, purposes.
- Complicating matters, today's financial and tax software applications may not offer state NOL tracking and reporting functionality that is powerful enough to meet the needs of many companies. As a result, tax departments frequently tackle this challenge through "home-grown" and elaborate spreadsheets—which often introduces unintended risks into their NOL tracking efforts.

- Application of default or user-defined state and/or entity level NOL limitations.
- Scenario planning including re-computing state NOL amounts or valuation allowance needs (only available to non-attest clients).
- Standard and customized ad-hoc reporting.
- Visualization of data and scenarios.
- Data import and export to and from compliance software from major vendors that leverage standard data formats (e.g., Excel, .csv, .txt).

## Why Deloitte?

Deloitte's State NOL Insight is another example of our commitment to investing in advanced technology to provide assistance for our clients' tax planning and compliance activities.

- Our State NOL Insight has been developed by state and local professionals specializing in state NOL issues and is backed by Deloitte's Multistate Tax team—one of the largest state and local tax practices in the United States with a network of more than 1,000 professionals, including industry specialists and former state and local government officials.
- Our tax solutions are derived from and aligned with our clients' business goals and strategies.
- We offer sound analysis and planning, as well as efficient implementation services.
- State NOL Insight is flexible and its implementation is supported by a national Multistate Tax Technology Services team working with the national and/ or local multistate tax engagement team to tailor the solution to a client's specific situation.
- State NOL Insight, as well as the supporting Multistate Tax services, are overseen by our Washington National Tax-Multistate group to endeavor to provide a high level of quality.

## Taxpayer profile

**Businesses with these characteristics may benefit from State NOL Insight:**

- Material state NOLs in multiple jurisdictions.
- Emerging from tax losses or currently utilizing NOLs.
- Engaging in mergers, acquisitions, and/or dispositions and are encountering issues with IRC § 382, SRLY, and/or other limitations on use of NOLs.
- Material weakness identified in their financial reporting related to deferred tax assets.
- Using spreadsheets or other manual processes to track state NOLs.
- Making adjustments to federal tax returns (often resulting from a federal audit) that impact state tax returns and NOL carryovers.
- Experiencing turnover in the tax department along with diminished oversight of spreadsheets used for state NOL tracking and reporting.

## Contact us:

For questions regarding our offerings related to state NOLs or for a demo of State NOL Insight, please reach out to any of the Deloitte Tax professionals below:

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