Instructions for Form NYC-2.3

Prior Net Operating Loss Conversion (PNOLC) Subtraction **2025**

All citations are to New York City Administrative Code sections unless specifically noted otherwise.

GENERAL INFORMATION

Form NYC-2.3 is used by a taxpayer subject to tax under Subchapter 3-A of Chapter 6 of Title 11 of the Administrative Code to compute the prior net operating loss conversion (PNOLC) subtraction amount, allowed in the computation of the business income base by §11-654.1(2)(a) for tax years beginning on or after January 1, 2015. Schedule A calculates the overall limitation of the PNOLC subtraction for the current period. Schedule B computes the amount of PNOLC subtraction used and the amount to be carried forward to the next tax period. Schedules C and D are to be completed by NYC-2A filers when there have been changes to the taxpayer's combined group.

Note: Form NYC-2.3 must be filed, with all schedules completed, for every tax year that you carry a PNOLC subtraction balance, even if no such subtraction can be applied in that tax year, so that carryforward amounts are properly accounted for. Failure to file Form NYC-2.3 for any tax year for which you carry a balance of PNOLC subtraction may result in a delay in receiving such benefits. A combined group completes only one Form NYC-2.3 each year for the entire group.

The unabsorbed net operating loss (UNOL) and PNOLC subtraction pool of a taxpayer, or of a corporation that was a member of a combined group, that was subject to tax under either Subchapter 2 (the General Corporation Tax) or Part 4 of Subchapter 3 (the Banking Corporation Tax) in the base year (see Definitions) are computed only once, on the **first** Form NYC-2.3 filed **after** the base year.

Unabsorbed net operating losses that were incurred for tax years beginning before January 1, 2015 were converted to a PNOLC subtraction pool to be applied, with certain limitations, as a PNOLC subtraction against the apportioned business income base. You were able to claim one-tenth of the pool, plus the amount of any prior tax period unused allotments, in each of the first ten tax periods following the base year. After that, you may continue to claim any unused amount, but for no longer than twenty tax periods following the 2015 tax year. Alternatively, on the first return for the first tax year that began on or after January 1, 2015 and before January 1, 2016, by the due date of such return determined with extensions, you could have made a revocable election to utilize your PNOLC subtraction pool by claiming not more than 50% of your PNOLC subtraction pool ("50% election") in each of the tax years that began on or after January 1, 2015 and before January 1, 2017. If the pool was not exhausted at the end of such period, the remainder of the pool was forfeited.

Note: For taxable years beginning on or after January 1, 2025, PNOLC subtractions will only be allowed to the extent of the carryforwards of previously unused PNOLC subtractions from prior periods.

If an entity leaves – or joins – a combined group it takes – or brings – its own PNOLC subtraction pool, and its share of any unused PNOLC subtraction carry forward with it. An entity's PNOLC subtraction pool and its PNOLC subtraction allotment generally get computed only once, and are fixed amounts as of the last day of the entity's **base year**. If an entity filed as a member of a combined group for the base year, the member's PNOLC subtraction pool will represent **that** member's **share** of the group's PNOLC subtraction pool.

The PNOLC subtraction is applied against the business income base **before** the net operating loss deduction (**NOLD**).

The PNOLC subtraction is limited in any tax year to the amount required to reduce the tax on the allocated business income base to the higher of the capital base tax or the fixed dollar minimum tax. For a combined group, the PNOLC subtraction is limited in any tax year to the amount required to reduce the tax on the allocated combined business income base to the higher of the combined capital base tax or the fixed dollar minimum tax of the designated agent.

Definitions

Base year means the last tax year beginning on or after January 1, 2014, and before January 1, 2015.

Unabsorbed net operating loss (UNOL) means the unabsorbed portion of NOL as calculated under §11-602.8(f) or §11-641(k-1) as such sections were in effect on December 31, 2014, that was not deductible in previous tax years (including the base year) and was eligible for carryover on the last day of the base year, subject to the limitations for deduction under such sections, and including any NOL sustained by the taxpayer during the base year. If the return filed for the base year was a combined return, all combined group members of that base year combined return must determine their own individual share of that base year combined group's UNOL as of the last day of that combined group's base year. The UNOL of an entity is a fixed amount as of the last day of the base year.

Current tax period means the tax period for which you are filing this form NYC-2.3.

Financial Corporation means a corporation, or, if the corporation is included in a combined group, a combined group, as defined in Administrative Code §11-654(1)(e)(1)(i).

SPECIFIC INSTRUCTIONS

When filing a combined return, enter the legal name and EIN of the group's designated agent. In all cases, enter loss amounts (UNOL, PNOLC) as positives in order to ensure proper computation.

Line A – Enter the total number of members in the combined group in the current tax period, including the designated agent, all taxpayer members, and all nontaxpayer members in the group.

SCHEDULE A
Overall limitation on PNOLC subtraction

All filers must complete Schedule A.

SCHEDULE B
Computation of PNOLC subtraction used, and unused amount carried forward

Line 1 – Follow the appropriate instructions below based on whether you are filing Form NYC-2, or Form NYC-2-A, for the *current tax period*.

Current tax period **Form NYC-2 filers**, follow instruction A or B, whichever applies.

A) Member of combined group in immediately preceding tax period:

Enter on line 1 your share of the amount from Schedule C, line 5 of your former combined group's immediately preceding tax period's Form NYC-2.3.

B) Form NYC-2 filer in immediately preceding tax period:

Enter on line 1 the amount from Schedule C, line 5 of your immediately preceding tax period's Form NYC-2.3.

Current tax period **Form NYC-2A filers**, follow instruction A or B, whichever applies.

A) When the **same** combined group filed on a combined return in the **immediately preceding tax period**: Enter the amount from Schedule C, line 5 of the immediately preceding tax period's Form NYC-2.3.

B) When the members of the combined group have **changed** since the **immediately preceding tax period**, the amount to be entered on line 1 is determined by following Steps 1, 2 and 3 below.

Step 1. For **each** member of the *current tax period* combined group that filed Form NYC-2 for the tax period **immediately preceding** the *current tax period*: Add together the amounts from Schedule C, line 5 of the **immediately preceding** tax periods' Form NYC-2.3 filed by each such member. The **sum** is the Step 1 result.

Step 2. For **each** member of the *current tax period* combined group that filed as part of a combined group in the tax period **immediately preceding** the *current tax period*, determine such member's share of the amount from Schedule C, line 5 of the immediately preceding tax period's Form NYC-2.3 that such member was included on. Add together the amounts so obtained. The **sum** is the Step 2 result.

Step 3. Add together the results of Steps 1 and 2 and enter the resulting sum on line 1.

Line 2 – Enter the lesser of the amounts from Schedule A, line 5 or Schedule B, line 1. Also enter the line 2 amount on Form NYC-2 or NYC-2A, Schedule B, line 33. Do not enter less than zero.

Line 3 – Subtract line 2 from line 1. Reduce this amount by the amount of any unused PNOLC subtraction that cannot be carried forward due to limitations and enter the result.

Note: Any unused PNOLC subtraction may not be carried forward for longer than 20 tax years following the 2015 tax year, or to any tax year beginning on or after January 1, 2036, whichever comes first. (§§11-654.1(2)(b)(4) and 11-654.1(2)(d)).