

June 12, 2000; September 11, 2000

entity can, however, choose not to carry back an NOL and carry it forward only. The NOL year is the year in which the NOL occurred. The reporting entity cannot deduct any part of the NOL remaining after the carryforward period. This interpretation is illustrated as follows:

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- (1) ABC Company paid Year 2001 taxes in the amount of \$300,000. The entire \$300,000 may be carried back pursuant to the two year carryback period provided by the current IRS provisions. Year 2001 was the first year in which the company paid income taxes. The company does not expect to generate a tax NOL in 2002.
 - (2) ABC Company has \$10,000,000 of gross DTAs at 12/31/01, \$2,000,000 of which is expected to reverse by 12/31/02. The \$2,000,000 is significantly less than 10% of the company's adjusted capital and surplus.
 - (3) ABC Company has \$8,000,000 of gross deferred tax liabilities (DTLs) at 12/31/01.

ABC Company will admit the following DTAs at 12/31/01 pursuant to SSAP No. 10:

Paragraph 10.a.	\$ 300,000	(Taxes paid in prior year which are eligible for NOL carryback.)
Paragraph 10.b.	1,700,000	(\$2,000,000 worth of DTAs reversing in 2002 less \$300,000 from paragraph 10.a.)
Paragraph 10.c.	<u>8,000,000</u>	(Amount of DTAs offset against existing DTLs.)
Total	\$10,000,000	

4. No further discussion is planned.